

ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL  
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

This document is being distributed to the permanent missions and  
will be presented to the Permanent Council of the Organization.

**Activity Report**  
**Of the**  
**Office of the Inspector General**

**January 2011 through December 2011**

This report is submitted in conformity with Article 121 of the General Standards to govern the operations of the General Secretariat of the OAS. During the year ended December 31, 2011, the OIG performed ten audits, which covered operations and activities at Headquarters, as well as in the Country Offices in the Member States. In collaboration with the Department of Legal Services, the OIG conducted three investigations. Additionally, an Online Assessment of all the Country Offices of the General Secretariat in the Member States was conducted in 2011.

**I. Audit Reports**

During this period, operational audits conducted at Headquarters were focused to review and evaluate the activities of the Hall of the Americas, Americas Magazine and the Inter-American Commission on Human Rights. In addition, the OIG reviewed the internal controls of the activities of the Offices of the General Secretariat in Haiti, Nicaragua, Guatemala, Bahamas, St. Kitts and Nevis, and Antigua and Barbuda to determine compliance with the established regulations and procedures of the OAS. With the collaboration of the Department of Legal Services, the OIG conducted investigations that led to significant improvements in the use of the Art Museum of the Americas, in the hiring of Temporary Conference Services and in the review of medicals claims submitted for reimbursement to Carefirst Blue/Cross Blue Shield. These recommendations were classified as 20 High Risk, 9 Medium Risks and 3 Low Risk. In addition, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls.

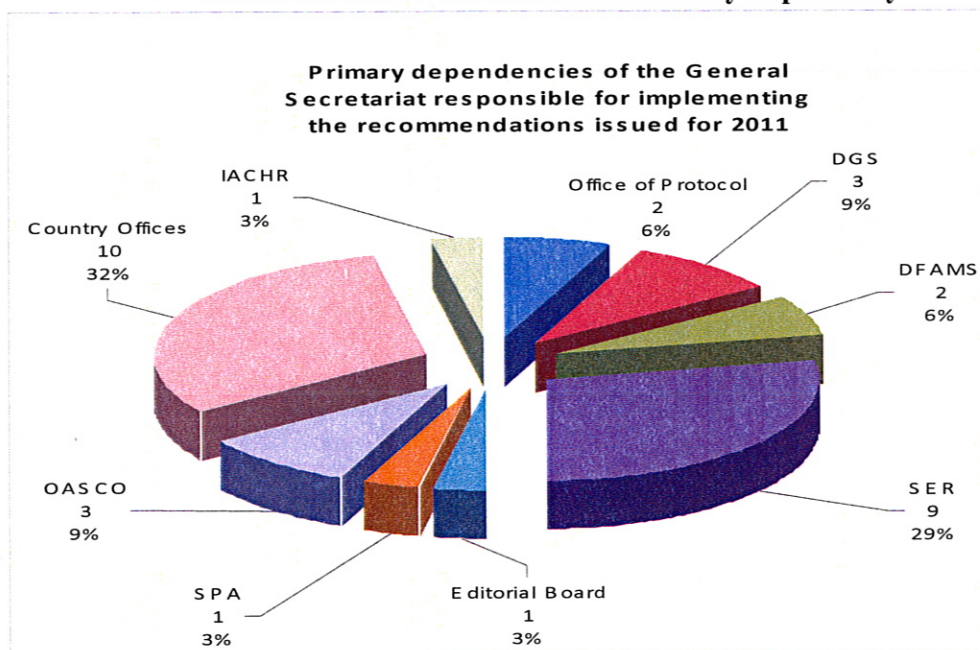
The recommendations addressed OIG findings that identified the need for:

- The Inter-American Commission on Human Rights to strengthen internal controls and procedures aimed to establish adequate supervision and oversight during the execution of projects.
- Strengthening the procedures for the rental of the Hall of the Americas.
- Identifying priority goals aimed to improve the financial condition, and management of the Americas Magazine, as well as producing guidelines to ensure appropriate use of their resources.
- The GS/OAS Office in Haiti to improve their bank reconciliation process and provide adequate supporting documentation and strengthening of the internal controls over fuel purchase and consumption and to safeguard their assets.
- The GS/OAS Country Offices to comply with the established network security policies.
- The Coordinator for the Coordinating Office for the Offices and Units of the General Secretariat in the Member States to set specific guidelines with regards to donations in the Member States.

- The GS/OAS Country Offices to ensure collaboration and communications with Headquarters to encourage all personnel of these GS/OAS Offices to learn new tools and adapt to the changes being implemented by the Organization.
- The GS/OAS Offices to act in compliance with the GS/OAS rules and directives and to verify that all the payments have the necessary supporting documentation prior to issuing checks and ensuring that this documentation is properly filed.

In an effort to illustrate the accountability of the different Secretariats and the responsibility of the various dependencies within the General Secretariat, the thirty-two recommendations issued during the year 2011 are distributed in Chart No. 1.

**Chart No. 1**  
**Recommendations from Audit Activities by Dependency**



All completed audit reports and recommendations submitted to the Secretary General were approved. As of this activity report, these recommendations are still open and are in various stages of implementation.

**Audit SG/OIG/AUDIT-01/11 – DFAMS Adjusting Entries** – Due to time constraints, this audit has been postponed and is scheduled to be performed in 2013.

**Audit SG/OIG/AUDIT-02/11 – Human Rights** was focused on selected processes within the Secretariat of the IACHR and was designed with the purpose of: (1) verifying that the IACHR is executing its responsibilities in accordance with the rules and regulations of the GS/OAS; (2) studying and evaluating that internal controls are in place; (3) evaluating the accuracy and the overall efficiency and effectiveness of operational activities and (4) verifying whether the IACHR is achieving the objectives identified in its mandate. The period established for this audit was January 1, 2010 to May 31, 2011 and included the review of documentation and transactions related but not limited to the following topics: a) Organizational structure of permanent and temporal personnel; b) Operational activities and financial transactions processed through the Executive Secretariat of the IACHR; c) Review of travel, honoraria and fees; d) Project execution review, transfers and reimbursement; e) Internal controls for the safeguarding of resources and f) Operational review of the Case Petition System. During the audit, the OIG was able to verify that the safeguarding of assets and the internal controls within the IACHR were adequate.

The scope of the audit also considered the review of selected projects, which included a project entitled “Protección de los Derechos de la niñez en América Latina” funded by the Inter-American Development Bank (IDB), “Strengthening of the Protection and Promotion Capacities of the IACHR and the Inter-American Institute of Human Rights funded by the Canadian International Development Agency (CIDA) and the project “Promoting Ethnic and Racial Equality and Protecting the Rights of Traditionally Excluded Groups in Latin America” funded by the European Community. The OIG concluded that there is a need to strengthen the oversight during the project execution to ensure a successful completion of the project business cycle. This observation was addressed to the former Secretariat of the IACHR during the exit conference and the OIG was informed that the implementation of corrective actions was in progress.

**Audit SG/OIG/AUDIT-03/11 – Hall of the Americas** was performed to evaluate whether the income generated from the rental of the Hall of the Americas is in compliance with established GS/OAS rules and procedures and to assess the internal controls in effect during the course of the rental process for the Hall of the Americas. The OIG determined that for most of the audit period, from January 1, 2009 to November 30, 2011, there were weaknesses in the internal controls. However, the OIG found that management has made efforts to put guidelines and regulations in place and there have been great strides towards improving the process. As a result of these improvements, the OIG ascertained with reasonable assurance that internal controls are satisfactory. The main weaknesses identified during the audit were: (1) Lack of effective procedures to handle invoices and outstanding payments, (2) Monies were received without issuing receipts, (3) Some processes were not contemplated in the latest regulation revision (4) Incomplete applications for the rental of the Hall of the Americas were found, and the need for: (5) Improved record keeping, (6) Improved communication between GS/OAS dependencies, (7) An inventory register to control equipment used during the events, (8) Detailed guidelines for the use of the parking facility for special events, (9) Additional information to be provided to organizers prior to the event – do’s and don’ts.

**Audit SG/OIG/AUDIT-04/11 – Americas Magazine** – was performed to evaluate the internal controls over the financial transactions of the *Américas Magazine* including the examination of the sources of income, allocation and disbursements and to verify that the Administration of the *Américas Magazine* utilized resources in an efficient and effective manner while executing its responsibilities in accordance with GS/OAS policies and procedures.

The audit noted that OAS financial constraints presented during the audit period made it impossible to fund promotional campaigns, and this contributed to the constant decline of subscriptions. In addition, the ineffective management and the unrestricted use of the resources of *Américas Magazine*, placed the continuity of its operations at serious risk. Sources of income were used at the discretion of a former Director of the DSCI. During this period the reserved fund balance was exhausted.

In response to the audit report, the Secretary for External Relations stated that in 2012 the Member States approved the transfer of a substantial amount of funds from the Secretariat for External Relations (SER) to other areas, deeply affecting the funding of the Magazine and challenging its sustainability. The June 2012 issue of *Américas* was the last one distributed. A report dated October 12, 2012 from the Committee on Administrative and Budgetary Affairs (CAAP) indicated the closure of the magazine and that in a meeting dated September 18, 2012, the CAAP concluded that this item is not budgeted for in Chapter VIII and has no General Assembly mandate.

**Audit SG/OIG/AUDIT-05/11 – GS/OAS Office in Haiti and Selected Projects** was performed to follow-up on the recommendations issued as a result of an investigation (SG/OIG/INV-03/10) that the OIG conducted in November 2010 and to evaluate the internal controls within the GS/OAS Office in Haiti during the period of January 1, 2010 to September 30, 2011. OIG sample review of disbursement transactions processed for the audit scope period did not identify any irregularities. However, based on the weaknesses noted related to the Office operations improvement of internal controls at the GS/OAS Office in Haiti are necessary to: (1) Provide for proper recording of financial transactions; and (2) properly safeguard the organizations' assets. The main issues/findings identified during the audit were as follows: (1) Monthly reconciliation reports performed by the Administrative Technician are not reviewed prior to being filed. (2) Late submission of monthly bank reconciliations. (3) Lack of timely follow-up on stale dated checks and bank errors. (4) Bank reconciliations are not reviewed/signed by the Office Director/in-Charge or the Administrative Officer before they are forwarded to DFAMS. (5) Lack of adequate internal control procedures relating to cash receipts and accountable advance transactions. (6) Inventory list kept by the Department of General Services (DGS) at Headquarters is not updated and contains inaccurate information. (7) The GS/OAS Office in Haiti did not maintain its own inventory list at the time the OIG conducted the field work, as required in Section VI.2.1 of the Budgetary and Financial Rules for the OAS Country Offices.

OIG also reviewed samples of disbursement transactions related to two projects financed with Specific Funds: "Protection of Vulnerable Groups – Women and the Disabled (VGP)" and "Modernization and Integration of Haiti's Civil Registry and Identification System (MCRIS)". OIG found no irregularities and noted that the objectives set forth in the agreements were achieved based on our review of the projects' documentation.

**Audit SG/OIG/AUDIT-06/11 – GS/OAS Office in Nicaragua and Selected Projects** was performed to review and evaluate internal controls within the GS/OAS Office in Nicaragua during the period January 1, 2009 to December 31, 2010. For the most part, OIG ascertained with reasonable assurance that internal controls are satisfactory in GS/OAS Nicaragua in terms of safeguarding the organization's assets and providing proper recording of OAS' transactions. The main weaknesses identified during the audit can be summarized as follows: (1) The inventory list maintained at the GS/OAS Office in Nicaragua needs to be updated to accurately reflect the current fixed assets located at the office. (2) Quarterly Reports on Control of Releases for goods were not submitted during the audit period, as is required by the Memorandum of the Coordinator for the Coordinating Office for the Offices and Units of the General Secretariat in the Member States dated October 3, 1996. (3) Computers at the GS/OAS Office in Nicaragua were not protected by necessary passwords as required by the GS/OAS Network Security Policy. (4) The Chronological file was not properly maintained in accordance with the Records Management Manual (Fifth Edition, 2000).

OIG reviewed disbursements and transactions related to the Specific Fund project "Apoyo al Establecimiento de un Servicio Nacional de Facilitadores Judiciales de Poder Judicial en Zonas Urbanas y Sub-Urbanas de Nicaragua" (PIFJ) that was executed in the GS/OAS Nicaragua during the audit period. The OIG noted that payments made during the period were incurred for the activities planned in the project's annual plan, and those payments were supported by the appropriate invoices and other relevant documentation, as necessary.

**Audit SG/OIG/AUDIT-07/11 – GS/OAS Office in Guatemala and Selected Projects** was performed to review and evaluate the internal controls within the GS/OAS Office in Guatemala during the period January 1, 2009 to December 31, 2010. For the most part, OIG ascertained with reasonable assurance that internal controls are satisfactory in GS/OAS Guatemala in terms of safeguarding the Organization's assets and providing proper recording of OAS' transactions. The main weaknesses identified during the audit can be summarized as follows: (1) Misuse of the IVA Exemption. (2) Incomplete remittance of financial documents to DFAMS. (3) Non-compliance with the Network Security Policy. (4) Financial software for printing checks needs improvement. (5) Lack of Recording Compensatory Time. (6) Unauthorized storage of personal items at the GS/OAS facility. (7) Payment for Phone lines not in Use. (8) Non-compliance with Staff Rules - (Annual leave and working hours).

OIG reviewed disbursements and transactions related to the Specific Fund project "Conflict Prevention Pool Grant Contract" (CPPGC) that was executed in the GS/OAS Guatemala during the audit period. The OIG noted that the payments made during that period were incurred for the activities included in the project's annual plan, and those payments were supported by the appropriate invoices and other relevant documentation, as necessary.

**Audit SG/OIG/AUDIT-08/11 – GS/OAS Office in Bahamas and Selected Projects** was a desk audit performed to review and evaluate internal controls within the GS/OAS Office in Bahamas during the period January 1, 2010 to December 31, 2011. OIG provides reasonable assurance that during the audit period, internal controls were satisfactory in the GS/OAS Bahamas. In general, assets were properly safeguarded and disbursements were authorized, properly supported, processed and recorded effectively. Payments were issued to the persons who provided the goods and services and/or were legally entitled to receive payments. The Representative signed most of the checks and was involved routinely in the operation of the Office and oversight of the GS/OAS Projects. The main weaknesses identified during the audit were: (1) Unauthorized donations and (2) Instances of

insufficient supporting documentation for payments.

**Audit SG/OIG/AUDIT-09/11 – GS/OAS Office in St. Kitts and Nevis and Selected Projects**– was a desk audit performed to review and evaluate internal controls within the GS/OAS Office in Saint Kitts and Nevis during the period January 1, 2010 to December 31, 2011. The OIG ascertained with reasonable assurance that for the most part the internal controls were satisfactory in Saint Kitts and Nevis during the audit period. The OIG noted that the Representative signed most of the checks and that he is involved routinely in the operations of the Office and in the oversight of the GS/OAS Projects. No material misstatements were detected, however there were weaknesses identified that need improvement including: (1) Instances of retroactive payments, (2) Disbursements not supported by the required quotes, and (3) Incomplete information on the supplier’s quotes. Additionally, areas at Headquarters requested that the GS/OAS Saint Kitts and Nevis collaborate with the efforts to implement new tools to streamline the operations in the Country Offices.

**Audit SG/OIG/AUDIT-10/11 – GS/OAS Office in Antigua & Barbuda and Selected Projects** - was a desk audit performed from Headquarters to determine whether adequate and effective internal controls were in effect over administrative and operational activities within the GS/OAS Office in Antigua and Barbuda mainly during the period January 1, 2010 to December 31, 2011; however some project disbursements issued before and after this period were also considered. The review revealed that the internal controls in the disbursement process of the GS/OAS Antigua and Barbuda was less than satisfactory, especially for expenses related to the FEMCIDI Project “Regional Network of Women in Politics: Promoting the Participation of Women in Politics for Good Governance and Democracy.” The main weakness was the authorization and issuance of disbursements without adequate and sufficient supporting documentation.

Most of the checks in the sample that were inadequately and/or insufficiently supported were approved and signed by the former Representative. The OIG noted that during the term of the new Representative, the practice of issuing disbursements prior to obtaining all the necessary supporting documentation continued. In addition, the Administrative Technician has been in that position for 14 years and, as Disbursing Officer, is also responsible and accountable for ensuring that payments are properly supported. There is a need to improve the internal controls and enforce compliance with the GS/OAS rules and regulations regarding the disbursing process and accountability. Furthermore, areas at Headquarters requested that the GS/OAS Antigua and Barbuda collaborate to implement new tools to streamline the operations in the Country Offices.

## **II. Investigation Reports**

The OIG, in collaboration with the Department of Legal Services (DLS), conducted three investigations from which 4 recommendations were issued. These recommendations were aimed to strengthen the internal controls in the hiring practices of temporary conference services, proper use and authorization of GS/OAS facilities, proper segregation of duties and compliance with current rules and regulations with the juridical framework of the Organization and the strengthening of controls related to medical claims processed through the GS/OAS. Those recommendations were classified as three at High Risk and one at Medium Risk. In addition, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls. The investigations conducted by the OIG were the following:

**Investigation SG/OIG/INV-01/11 – Alleged Use of the Art Museum of the Americas for a Personal Event** - was undertaken primarily to obtain sufficient evidence regarding the allegation of the rental of the OAS Art Museum of the Americas for personal purposes contrary to current regulations; and to evaluate the internal control environment of the processes followed for the event held at the Museum on May 14, 2011. The scope of the investigation included the review of the processes that led up to the rental of the Art Museum of the Americas on May 14, 2011. Considering all the relevant facts collected during the interviews along with the review of documentation and current OAS regulations, the OIG and the DLS objectively reached an opinion that the allegation made against a staff member for the rental of the Museum for personal purposes was substantiated. The findings of this investigation may be summarized as follows: (1) The staff member failed to disclose the nature of the rental for personal purposes; (2) The Museum's management failed to deny the use of the facility to hold a personal event; (3) Staff members suggested that the person rent the Museum as an event under a department so that the person could benefit from the discounted in-house rental fee; (4) The requesting entity and the purpose of the event were falsely represented in the rental agreement; (5) An exception was made to rent the Museum during hours it was open to the public; (6) The required non-refundable deposit and the advance payment specified in the terms of reference in the contract was neither requested nor offered; (7) The organizer of the event did not provide general liability insurance; (8) The OAS main building parking lot was used without authorization and without a parking attendant and (9) Inadequate supervision of the rental activities of the Museum.

As a result of this investigation, a Staff Member separated from service under mutual agreement and the Secretariat for External Relations began the implementation of stricter internal controls in the Art Museum of the Americas in the order to address the findings of this investigation.

**Investigation SG/OIG/INV-02/11 – Allegations against a Staff Member working at the Department of Conferences and Meetings Management (DCMM)** - was undertaken by the OIG and the DLS primarily to obtain sufficient evidence regarding a violation of the rules and regulations governing temporary conference services contractors (TCSC). In addition, the OIG evaluated the internal control environment of the mechanism used to contract TCSC and the procurement of food supply and services. The findings of this investigation identified the need to strengthen the internal controls during the hiring mechanism of TCSC and to provide equal opportunities during the assignment of those functions. In addition, the OIG found that procedures were lacking in the procurement of food supplies and services for meetings and sessions under the responsibility of DCMM.

As a result of this investigation, the contract of the Staff Member was not renewed. Based on the additional findings, the DCMM initiated a review of their internal controls in order to address the weaknesses identified.

**Investigation SG/OIG/INV-03/11 – Reimbursement of Medical Claims Submitted to Carefirst Blue/Cross Blue Shield** - was undertaken to review medical claims submitted by a Staff Member. Based on information from the GS/OAS Health Unit, attempts were made to validate the medical claims that had been submitted for reimbursement by a Staff Member for services rendered in a Member State. After inquires were made by the OIG and the DLS regarding these claims, it was noted that the medical claims submitted to the insurance company were not substantiated by supporting medical documents, the medical facility that performed the services claimed did not exist and there was no evidence or proof of payment for these services.



As a result of the investigation, the Staff Member resigned and made a financial restitution payment to the GS/OAS Medical Benefits Trust Fund in the amount of USD 69,064.63 corresponding to the medical claims improperly submitted and USD 10,000 to the GS/OAS to defray the investigation expenses.

### **III. Assessment Reports**

**SG/OIG/ASST - 01/11 – Online Assessment of the Member States National Offices:** For several years the OIG has performed cyclical audits of the Offices and Units of the General Secretariat in the Member States (OGSMS), evaluating internal controls in an average of five GS/OAS Offices every year. However, during the last quarter of 2011, the OIG took the initiative to conduct an Online Assessment of all the Country Offices of the General Secretariat in the Member States. The assessment included 100 questions with the purpose of obtaining general information of the daily operations of the Offices, serving as a risk assessment tool and providing preliminary information for future internal audits. The input from the Country Offices also serves as a deterrent in cases where non-compliance with the rules/directives was detected.

The main areas of the 2011 Online Assessment included:

- Staff and contractors providing services at the Office.
- Level of supervision, staff training and experience.
- Office workload: quantity of checks issued, support to OAS projects, etc.
- General internal controls.
- Regular Fund Budget assigned to the OGSMS.
- Selected operational and financial procedures.
- Control over receipt of monies and deposits.
- Compliance with GS/OAS rules & regulations.
- Disbursement authorization, process and issuance.
- Control of disbursements in excess of USD 5,000.
- Communication with Headquarters.
- Extent of the Office Representative's involvement in the operations of the Office and execution of OAS programs and projects.
- Workload of the OGSMS due to the quantity of disbursements processed through those Offices for OAS programs and projects.
- Controls over the use of the official vehicle including gasoline expenses, international phone calls, postage, etc.
- Inventory of fixed assets.
- Interaction between the OGSMS and Headquarters, including visits to and from the Member States.

It is important to emphasize that this was a self-assessment where most of the Country Offices assured the OIG that they were complying with GS/OAS rules and directives. However, during the cyclical audits of the Country Offices, the OIG tends to find instances of non-compliance, which is either caused by a lack of knowledge or meaningful intention. Nevertheless, the OIG deems it necessary to follow-up on the eight (8) recommendations addressed in this online assessment with the purpose of strengthening internal controls and improving the effectiveness and efficiency of the work performed by the Country Offices.

#### **IV. Status of Recommendations and Management's Response**

As mentioned in the 2010 OIG Activity Report, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls. As of the date of this report, forty-four recommendations issued in 2011 are still open, thirty-two from audit activities, four from investigations and eight from the assessment of the Country Offices.

Although the OIG has received favorable responses from management regarding the implementation of these recommendations, an effective follow-up mechanism for determining the status of these recommendations has been lacking. As a result, the OIG plans to incorporate new automated tools in an effort to establish new procedures to follow-up on recommendations so that the responses from the areas are consistent and the OIG can properly verify their status so the information can be accurately updated.



**Oscar Chayera**  
**Former Acting Inspector General**  
**October 31, 2012**