

Annual Report of the Office of the Inspector General
for the Period from January 1 to December 31, 2014

This report is presented in compliance with Article 121 of the
General Standards to Govern the Operations of the General Secretariat
Prepared by the General Secretariat of the Organization of American States

Office of the Inspector General

Original: English



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April 29, 2015

José Miguel Insulza
Secretary General to the
Organization of American States
Washington, DC

SG/OIG-15/01

Excellency:

I have the honor to submit to you the Annual Report of the Office of the Inspector General for the period January 1 to December 31, 2014.

I submit this Annual Report to you, for forwarding to the Permanent Council, in accordance with the provisions of Article 121 of the General Standards to Govern the Operations of the General Secretariat of the Organization of American States.

Accept, Excellency, the renewed assurances of my highest consideration.

Garry LaGuerre
Interim Inspector General

Encl.

Activity Report of the Office of the Inspector General
for the Period from January 1 to December 31, 2014

I. Summary

The activities of the Office of the Inspector General (OIG) are conducted in accordance to Chapter IX -Advisory Services, Auditing, and Fiscal Control- of the General Standards to Govern the Operations of the General Secretariat (General Standards), and Executive Order No. 95-05. These dispositions establish the function of internal audit that assists the Secretary General and the Governing Bodies in monitoring the proper fulfillment of the responsibilities of various levels of management with respect to the programs and resources of the General Secretariat. The objective of the OIG is to ensure the systematic revision of the operational procedures and financial transactions at Headquarters, as well as in the offices in Member States.

As of October 31, 2014, the former Inspector General of the OIG resigned and as of November 5, 2014, the interim Inspector General was assigned to assume the responsibilities. This report is submitted in conformity with Article 121 of the General Standards. It covers the activities of the OIG from January to December 31, 2014. During this period, the OIG:

- Focused on completing internal audit reports from 2013 and completing audits included in the 2014 work plan.
- Issued twelve audit reports of which four were included in the 2013 work plan but were finalized in 2014. Of the eight reports included in the 2014 work plan, 42 recommendations were issued. During this period, operational audits conducted were focused on reviewing the following: Information Security Review; Monitoring of Compliance with Indirect Cost Recovery; Inter-American Children's Institute (IIN); Building Management and Maintenance; Local Professionals and Temporary Support Personnel; GS/OAS Results-Based Budgeting System; the Spanish Fund; the Inter-American Program of Judicial Facilitators; the GS/OAS Offices of Barbados, Nicaragua and Panama; and the Monitoring of Compliance of Economy Class Travel.
- Continued the process of conducting follow-up of the recommendations.
- Formalized an action plan in response to the External Quality Assessment (EQA) performed during the end of 2013.
- Drafted a revised Charter and a new Management Control Policy, which have been submitted to Secretary General for his consideration.
- Was joined by an Investigator, who initiated a tracking mechanism of the investigative activities and formalized the OIG's investigations procedures in compliance with internationally accepted Uniform Guidelines for Investigations of the United Nations.
- Received eleven matters for investigation in 2014 and carried over three preliminary reviews from the previous year. Of these, the OIG closed eight Preliminary Reviews without an investigation finding that five were unsubstantiated and three did not fall into the OIG's mandate. The OIG issued four recommendations under one matter closed as a Preliminary Review. The OIG also closed two matters following full investigations, for which a total of four recommendations were issued. Two matters remain in the Preliminary Review phase and two under investigation as of December 31, 2014.

Furthermore, the OIG staff completed training activities for the implementation of the Audit Management Software, TeamMate, and is currently in the process of formally initiating the use of the system.

II. Mandate

The Article 117 of the General Standards states that: *“The Office of the Inspector General shall be the dependency responsible for exercising the functions of financial, administrative, and operational auditing, for the purpose of determining the level to which the General Secretariat achieves the objectives of diverse programs and the efficiency and economy with which resources are used, as well as issuing recommendations to improve management of the General Secretariat. To achieve the aforementioned purpose, the Inspector General shall establish appropriate internal auditing procedures that reflect international best practices, to verify compliance with the standards and regulations in force, through critical, systematic, and impartial examination of official transactions and operational procedures related to the resources administered by the General Secretariat. To that end, the Secretary General shall issue an Executive Order regulating such activities.”*

The International Professional Practices Framework, promulgated by the Institute of Internal Auditors, defines internal auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”*

Executive Order No. 95-05 issued by the Secretary General on May 8, 1995, established the OIG as the dependency responsible for applying internal auditing procedures and performing related functions, and also provided the declaration of responsibility, purpose and authority with respect to internal audits, investigations and the composition of the OIG. The purpose of the OIG is to advise and assist the Secretary General and, through him, the Secretaries, Directors and other General Secretariat supervisory staff in the proper discharge of their responsibilities by providing them with appropriate analyses, evaluations, investigations, recommendations and comments on the activities reviewed. The OIG is responsible for performing a systematic review of internal management and accounting controls, for assisting in the strengthening of internal controls and for improving the efficiency of all GS/OAS secretariats, departments, programs, divisions, offices, units, activities and projects, both at Headquarters and in the Member States.

In accordance with the General Standards, audits are conducted with special emphasis on the proposals of the Board of External Auditors and the political bodies of the General Secretariat, particularly regarding the need to concentrate on areas of high risk. Recommendations were provided for promoting economy, efficiency and effectiveness in the operations of the General Secretariat and to assist all levels of management in the prevention or detection of fraud and abuse.

Executive Order No. 05-08, Corr. 1, issued on April 14, 2005, outlines the General Secretariat's policy for encouraging the reporting of financial and administrative misconduct. This policy provides the basis for the protection for whistleblowers, informants and witnesses from retaliation in the reporting of financial and administrative misconduct and is essential in the fight against fraud. The use of the OIG confidential hotline is effective in providing an additional mechanism for reporting allegations of misconduct involving the human resources of the GS/OAS and allegations of fraudulent, corrupt, coercive and collusive practice against GS/OAS, whether committed by staff members or other persons, parties or entities, deemed to be detrimental to the Organization.

III. Overall Efforts to Strengthen the Functions of the Office of the Inspector General

In April 2014, the Board of External Auditors (BEA) issued its 2013-2014 Annual Audit Report. The BEA concluded that the internal audits during 2013 were performed effectively and with due professional care and encouraged management to embrace the OIG's recommendations as a tool to help achieve objectives in an environment of shrinking resources. The BEA also reviewed the proposed 2014 OIG risk-based audit plan and encouraged the OIG to continue to focus on areas with a high degree of risk and/or those with the highest potential for increasing efficiency, economy, and effectiveness within the GS/OAS. For the first time in ten years the BEA had no recommendations for the OIG.

External Quality Assessment

During the first quarter of 2014, the OIG completed the External Quality Assessment (EQA), which was initiated in late 2013, in order to address the 2012-2011 recommendation issued by the BEA to undergo a peer review evaluation. The EQA provided the OIG with an overall conclusion on the independence and effectiveness by which the internal audit function of the OIG complies with the International Professional Practice established by the Institute of Internal Auditors (IIA). Furthermore, the EQA provided an opinion on the appropriateness of the OIG's Executive Order, staffing model and structure, as well as observations on the areas of strength along with opportunities for improvement. The results of the review concluded that the internal audit activities performed by the OIG "partially conforms" to the definition of internal auditing, the *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics.

On June 30, 2014, the former Inspector General issued a specific report presenting his action plan to address the respective recommendations.

Formalization of Procedures

In order to meet the internationally accepted Uniform Guidelines for Investigations of the United Nations, during the first semester of 2014, the OIG drafted and began to conduct investigations using a formal Investigations Manual. In order to develop the accountability framework of the Organization, the OIG is also in the process of aligning the OIG's investigative functions, as defined in the GS/OAS rules, orders and directives, with those practiced by the investigative offices of international organizations and multilateral financial institutions.

Budget (U.S. dollars amounts in thousands)

In June 2014, the former Inspector General prepared a proposed budget for the OIG for 2015 and submitted it to the Secretary General for consideration and inclusion in the proposed program-budget of the General Secretariat. During the period 2012-2014 the posts in the OIG were reduced by 33% (3 posts) and the total budget from 2013 to 2014 was reduced by 14.5% (\$170.6) from the Regular Fund and 15.1% (\$16.6) from the Indirect Cost Recovery Fund. Given the OIG's increased workload and the significant cuts in the personnel and non-personnel budget of the OIG for the period 2012-2014, the proposed budget for 2015 returns to the values enumerated in 2013 -specifically 7 posts financed by the Regular Fund and a budget of \$1,179.1 from the Regular Fund and \$110.0 from the Indirect Cost Recovery Fund.

Training

In an effort to provide training to the OIG personnel, to maintain their skill levels and to ensure they are adequately prepared to meet the required minimum annual continuing professional education credits, in March 2014, the OIG participated in training for the implementation of the Audit Management Software, TeamMate. This software was implemented to improve the efficiency of the OIG functions, to contribute to the modernization of the office and to keep the OIG in compliance with the PIA recommendations for the appropriate use of technology. In addition, as of September 30, the OIG staff members also attended the following training: The OAS Workshop on Results-Based Monitoring and Evaluation. In addition, the former Inspector General attended the Association of Certified Fraud Examiners' Understanding and Pursuing Identify Theft and Identity Fraud using Data Analytics & Ethics; International Organization of Supreme Audit Institutions' Working with Supreme Audit Institutions and the Institute of Internal Auditors' 2014 International Conference.

As of June 30, 2014, the OIG staff already complied with the educational requirements for the year as specified by the Institute of Internal Auditors (40 CPEs).

In December 2014, after the resignation of the former Inspector General, the OIG arranged for an on-site training on Auditing for Internal Fraud Awareness from the Association of Certified Fraud Examiners (ACFE) and extended an invitation to the other areas of the GS/OAS. This training was undertaken in order to comply with a recommendations from the 2014 EQA, which required the OIG to receive basic fraud awareness training.

IV. Audit Activities

In 2014, the OIG finalized four audits from the 2013 work plan and issued eight reports from the 2014 work plan from which 42 recommendations were issued. These recommendations resulted in increased accountability and higher adherence with GS/OAS rules and regulations facilitated the identification of operational processes that needed improvement of internal controls, and promoted organizational efficiency and effectiveness. In addition, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls.

Audit SG/OIG/AUD-13/02 – Department of Information and Technology Services – Information Security Review

As a co-sourced activity, the firm Securance Consulting conducted an external network and web-application vulnerability assessment of the GS/OAS. The procedures were agreed to by the OIG and were intended to assist the Organization with respect to its responsibilities.

The overall objective of the engagement was to identify technology-specific vulnerabilities and documented pathways for breaching the external network and web-application security. The scope of the engagement included a blind assessment of the external IP network and select web-applications. The scope of the review was limited to those areas and components specifically defined by the OIG and were not intended to be a comprehensive examination of the OAS' entire information system function. Based on the results of the work performed, areas that need improvement were identified and eleven recommendations were issued.

Audit SG/OIG/AUD-13/04 – Secretariat for Administration and Finance – Monitoring of Compliance with Indirect Cost Recovery

The objective of this audit was to evaluate compliance with the General Standards, as well as, the Financial Framework in terms of the management of the Indirect Cost Recover (ICR) by the Department of Financial and Administrative Management Services and the expending of ICR by dependencies of the GS/OAS. In addition, the OIG reviewed the accounting procedures for the Fund for ICR, the ICR Operations Sub-fund and the ICR Reserve Sub-fund. The audit field-work and testing covered the period from January 2009 to December 31, 2013, using preliminary and unaudited balances for 2013.

Based on the results of the audit, the OIG determined that certain areas of the ICR Management need improvement and issued five recommendations: (1) Calculate the average ICR collected including interest income, without considering specific prior year transactions; (2) Take measures during the budget execution to gradually increase the ICR Reserve Sub-fund, when possible; (3) Allocate the ICR Reserve Sub-fund separately in order to ensure compliance with the General Standards; (4) Analyze the possibility of reallocating other ICR funds or grandfathered funds (601, 602, and 605) to the Fund 610 or the ICR Reserve Sub-fund; and (5) Issue an Internal Bulletin to remind staff about the existing parameters that allow cost classification regarding ICR expenses, in order to allocate them according to their eligibility.

Audit SG/OIG/AUD-13/08 – Inter-American Children’s Institute

The objective of this audit was to review that the Inter-American Children’s Institute (IIN) was executing their responsibilities in accordance with their mandates, the General Standards, GS/OAS policies and procedures including the Staff Rules, the Executive Orders, the Administrative Memorandum, the Budgetary and Financial Rules and the Field Financial Manual. Furthermore, the audit was to review the internal controls over the disbursement process in local currency and U.S. dollars for operational activities and to determine whether projects executed by the IIN were appropriately designed and functioning in an efficient and effective manner to ensure the organized execution and efficiency of the activities. The period covered in the review was from January 1, 2012, to August 31, 2013.

Based on the results of the audit, the OIG determined that certain areas of the operations at the IIN need improvement and issued the following eight recommendations: (1) Continue efforts to raise funds to ensure the continuation of IIN operations; (2) Analyze the logistical conditions to include Local Professionals (LPs) and Temporary Support Personnel (TSPs) within the procedures to ensure the appropriate administration of personnel; (3) Analyze the amount of LPs and TSPs that have been hired in each country; (4) Analyze the fixed assets in order to properly dispose of obsolete and unused items and records; (5) Analyze the physical inventory of books and publications in the IIN library and implement control policies to secure these historical publications; (6) Strengthen internal controls related to the issuance of Purchase Orders; (7) Analyze webpages under the responsibility of the IIN to identify security vulnerabilities; and (8) Analyze the viability of consolidating the administrative functions of the operations executed in the GS/OAS Office in Uruguay.

Audit SG/OIG/AUD-13/09 – Secretariat for Administration and Finance – Building Management and Maintenance Services

As a co-sourced activity, the firm SB & Company LLC was engaged to provide the internal auditing services on behalf and under the supervision of the OIG to perform an audit of the Building Management and Maintenance Section of the Department of General Services (DGS). The procedures were agreed to by the OIG and were intended to assist the DGS with respect to its responsibilities.

The objective of this audit was to determine whether the activities performed by the Building Management and Maintenance Section of the DGS were in compliance with established GS/OAS rules and regulations, including the Executive Order 08-01 Rev. 6 during the period under review. Furthermore, the audit was to determine whether the centralized service provided by the DGS that are related to the Building Management and Maintenance Section were in compliance with established GS/OAS rules and regulations and to evaluate internal controls over the GS/OAS Building Management and Maintenance process. The period covered in the review was January 1 to December 31, 2013. This scope did not include a review of the OAS Fixed Assets system, which has been addressed in prior audits by the external auditors and again during their Internal Control report for fiscal year ending December 31, 2013. It is important to note that the OIG has included performing a review of the OAS Fixed Assets system as a co-sourcing activity for 2015.

Based on the results of the audit, nothing came to the attention of the OIG that indicated non-compliance with GS/OAS established rules and regulations. However, the OIG determined that certain areas of the process need improvement and issued the following four recommendations for: (1) The Benefits section of the DHR to improve the communication process with the DGS to ensure that terminated employees be removed from the Metro check program; (2) The Cleaning staff to have a clear log of the services they need to perform during the day and to sign off when the services are completed; (3) A notification to be sent to the requestor with the appropriate links to the work order system for any follow up when the service from a maintenance request is completed; and (4) The Security staff to consistently perform a bag check during the visitor sign-in process.

Audit SG/OIG/AUD-14/01 – Department of Human Resources – Performance Contractors

This audit is currently being performed as part of the OIG 2015 work plan.

Audit SG/OIG/AUD-14/02 – Department of Human Resources – Local Professionals and Temporary Support Personnel

The objective of this audit was to evaluate compliance with the General Standards in terms of Local Professionals (LPs) and Temporary Support Personnel (TSPs) and to assess whether a proper process for contracting, processing and maintaining employee information existed. The audit field-work and testing covered the period from January 1 to December 31, 2013.

Based on the results of the audit, the OIG determined that certain areas within this process need improvement and issued the following five recommendations for the DHR to: (1) Define a process owner in order to control and monitor activities related to LPs and TSPs; (2) Review current procedures in order to validate whether they are adequate with current practices or if they need to be re-defined in order to facilitate compliance with the General Standards; (3) Gather information regarding LPs and TSPs performing functions for projects outside Headquarters; (4) Evaluate procedures to ensure compliance with local employment laws; and (5) Store LP and TSP records with the DHR to permit proper monitoring.

Audit SG/OIG/AUD-14/03 – Department of Planning and Evaluation – Implementation of Results-Based Budget

As a co-sourced activity, the firm CliftonLarsonAllen LLP performed an internal audit engagement of the GS/OAS Results-Based Budgeting System processes for the Department of Planning and Evaluation (DPE). The procedures were agreed to by the OIG and were intended to assist the Organization with respect to its responsibilities.

The objective of this audit was to assess (1) DPE's compliance with Article 88 of the OAS General Standards and the 2013 General Assembly Budget Resolution; and (2) the methodology used by the DPE with respect to the GS/OAS Results-Based Budget (RBB). Furthermore, the audit was performed to also evaluate the effectiveness of the Results-Based Budgeting System in specific areas. The audit covered the period from January 1 to December 31, 2013.

Based on the results of the work performed, the OIG found that overall the Organization has a system in place that includes several key RBB elements. However, the OIG determined that certain aspects of the RBB system need improvement and issued the following thirteen recommendations, which included the need for:

- DPE to take appropriate actions to evaluate all roles and responsibilities related to the proper functioning of RBB, and reassign as needed. DPE, in coordination with the SAF and other areas of the General Secretariat take steps to turn RBB as a driving force in organizational integration, and develop strategies for it to fully succeed.
- DPE to develop a comprehensive RBB framework to provide a focus for action and achieve institutionalization.
- SAF to develop a formally approved succession plan to anticipate the absence of the DPE Director and other staff with a key role in RBB, due to planned or unforeseen circumstances.
- DPE, in coordination with the SAF to prepare and implement a training program that addresses the key concepts of RBB.
- SAF, in coordination with the DPE and other areas of the General Secretariat to complete the formation of its Strategic Plan in order to establish an appropriate template for RBB and the definition of organizational priorities. In addition, the Organization should consider changing the approach from linking the goals to mandates to linking them to strategic objectives.
- DPE, in coordination with the SAF, to formalize and institutionalize performance management systems for all areas.
- DPE, in coordination with the SAF, to take steps to improve the results-monitoring mechanisms by including additional information useful for monitoring performance and making decisions with respect to effective allocation of resources. DPE, in coordination with the SAF/DFAMS, should also consider developing different types of reports, some aimed at internal discussions, and others with the information needed by the GA.
- SAF, in coordination with the DPE and the DHR, to build an accountability system with the purpose of taking action in relation to agreed-upon expected results.
- DPE, in coordination with the SAF/DFAMS to redefine the Organization's budget accounts and program activities in terms of its strategic goals or other outcomes.
- SAF/DFAMS, in coordination with the DPE, to develop a standard chart of accounts to be used in all functions: budget and accounting. Additionally, the operational areas should discuss and agree as to which classification best fits their needs.
- DPE, in coordination with the SAF/DFAMS, to take steps to link every budget dollar to a single task or activity. Additionally, steps should be taken to prepare the budget considering the activities full costs, showing both direct and indirect costs. Furthermore, SAF/DFAMS, in coordination with other areas of the General Secretariat, develop an asset repair, maintenance and replacement plan that is aligned to the Organization's strategic plan
- DOITS, in coordination with SAF/DPE, to complete the pending interfaces of the systems that support RBB, as deemed necessary.

In addition, the OIG recommended that the Director of DPE should continue efforts to establish proper procedures to ensure that the department comply with the provisions of Sections (c) and (d) of

Article 88 of the General Standards. The OIG notes that the DPE has provided additional information to address the issue of non-compliance with Sections (c) and (d) of Article 88 of the General Standards. No further action is necessary.

Audit SG/OIG/AUD-14/04 – Department of Planning and Evaluation – Spanish Fund

The objective of this audit was to determine whether the Spanish Fund for the OAS (FEPO) was managed by the DPE in accordance with the guidelines established by the GS/OAS and the Donor during the period under review. The scope of the audit covered the period from January 1 to December 31, 2013.

Based on the results of the audit, the OIG determined that certain areas of the fund management need improvement and issued the following three recommendations for the DPE to: (1) Establish a chronogram of the consignment of documents, which permits the executing departments of the projects financed by the FEPO to be aware of the exact deadlines required for the presentation of necessary documents for the approval of the projects; (2) Formalize already existing documentation, which establishes the general guidelines for the execution of the FEPO; and (3) Continue working on the implementation of the recommendations issued as a result of the evaluation performed by the consulting firm RED2RED in 2012 to improve the execution of projects.

Audit SG/OIG/AUD-14/05 – Secretariat for Legal Affairs – Inter-American Program of Judicial Facilitators

The objective of this audit was to determine whether the Inter-American Program of Judicial Facilitators (PIFJ) was executing its responsibilities in accordance with the General Standards, GS/OAS policies and procedures, including the Staff Rules, the Executive Orders, Administrative Memoranda, the Budgetary and Financial Rules, the Financial Manual of Specific Fund Projects, the Field Financial Manual and the agreements between donors and the Programs' and GS/OAS' respective governments during the period under review. The objective also included verifying whether the disbursement process in local currency and U.S. dollars for the operational functions of the Program are appropriately designed and operating effectively to ensure the orderly and efficient conduct of activities. The scope of the audit covered the period from January 1 to December 31, 2013.

Based on the results of the audit, the OIG determined that certain areas of the program operations need improvement and issued the following seven recommendations in this report, the PIFJ should: (1) Perform an analysis of the personnel contracts; (2) Formalize the contracts of the offices utilized by the PIFJ for GS/OAS operations; (3) Analyze and strengthen the standards utilized by the PIFJ for cash advances; (4) Evaluate the cash flow process of PIFJ funds; (5) Consolidate payments made to personnel; (6) Periodically reconcile the systems of PIFJ Management Tracking System (SISEG) with Oracle; and (7) Strengthen the controls in the SISEG.

Audit SG/OIG/AUD-14/06 – GS/OAS Office in Barbados

The main objective of this audit was to review whether the GS/OAS Office in Barbados is exercising its responsibilities in accordance with the General Standards, policies and procedures of the General Secretariat, including the Staff Rules, Executive Orders, Administrative Memoranda, Budgetary and Financial Rules, and Field Financial Manual. The objective also included verifying whether the internal disbursement process in local currency and U.S. dollars for the operational functions of the office and for projects in Barbados are appropriately designed and operating effectively to ensure the orderly and efficient conduct of activities. The period covered in the review was January 1 to December 31, 2013.

Based on the results of the OIG's work, one recommendation was issued to address the observation that there were awards/projects in Barbados with residual balances as of December 31, 2013, some of these balances from previous periods, which are not shown as inactive and expired.

Audit SG/OIG/AUD-14/07 – GS/OAS Office in Nicaragua

The main objective of this audit was to review whether the GS/OAS Office in Nicaragua is exercising its responsibilities in accordance with the General Standards, policies and procedures of the General Secretariat, including the Staff Rules, Executive Orders, Administrative Memoranda, Budgetary and Financial Rules, and Field Financial Manual. The objective also included verifying whether the internal disbursement process in local currency and U.S. dollars for the operational functions of the office and for projects in Nicaragua are appropriately designed and operating effectively to ensure the orderly and efficient conduct of activities. The period covered in the review was January 1 to December 31, 2013.

Based on the results of the audit, the OIG determined that certain areas of the office's operations need improvement and issued the following five recommendations in this report to: (1) Analyze inactive Specific Funds; (2) Request that the local bank provide a second user and password to address online inquires; (3) Review and update the GS/OAS regulations referring to bank reconciliations; (4) Review the design of the GS/OAS regulations requiring signatures for checks exceeding USD 5,000; and (5) Analyze physical archives.

Audit SG/OIG/AUD-14/08 – GS/OAS Office in Panama

The main objective of this audit was to review whether the GS/OAS Office in Panama is exercising its responsibilities in accordance with the General Standards, policies and procedures of the General Secretariat, including the Staff Rules, Executive Orders, Administrative Memoranda, Budgetary and Financial Rules, and Field Financial Manual. The objective also included verifying whether the internal disbursement process in local currency and U.S. dollars for the operational functions of the office and for projects in Panama are appropriately designed and operating effectively to ensure the orderly and efficient conduct of activities. The period covered in the review was January 1 to December 31, 2013.

Based on the results of the audit, the OIG determined that certain areas of the office's operations need improvement and issued the following five recommendations in this report to: (1) Analyze inactive Specific Funds; (2) Analyze physical archives; (3) Analyze the current state of the telephones and computers at the GS/OAS Panama; and (4) Request that the local bank update the authorized signatures.

Audit SG/OIG/AUD-14/09 – Department of Procurement – Monitoring of Compliance of Economy Class

The objective of this audit was to review the Department of Procurement's internal controls in place to monitor compliance with: (1) The mandate established by the General Assembly, which requires that all tickets paid by the Regular Fund, FEMCIDI, Specific Funds, and Trust Funds administered by the General Secretariat be purchased in economy class, except for travel by the Secretary General, the Assistant Secretary General, and the Chair of the Permanent Council; and (2) GS/OAS travel policies and other travel related matters. The audit field-work and testing covered the period from September 1, 2013, and March 31, 2014.

Based on the results of the audit, the OIG determined that certain areas of the process need improvement and issued the following three recommendations for the Department of Procurement to: (1) Continue with efforts to establish more effective internal controls over tickets purchased through local travel agencies at the National Offices; (2) Issue directives to all Buyers to expand the review process of transactions posted to the category of travel classified in OASES as "Travel Away from Headquarters" to

ensure that travel disbursement data posted to that category is accurate and reflects actual transactions. In addition guidance should be provided to the preparers of requisitions or Administrative Management System personnel regarding the proper use of the travel changes; and (3) Continue with the effort to establish control procedures to eliminate or reduce the occurrence of unreconciled travel ticket transactions charged to the OAS American Express Credit Card.

V. Investigation Activities

As of March 2014, an Investigator joined the OIG. The Investigator initiated and continues to utilize a tracking mechanism of the investigative activities and formalized the OIG investigations' procedures in compliance with internationally accepted Uniform Guidelines for Investigations of the United Nations (Guidelines). Specifically, the OIG has formalized a draft of their investigations procedures, which are in compliance with the internationally accepted Guidelines. The OIG continues their efforts to align these investigative functions with other GS/OAS rules, orders and directives.

In 2014 the OIG received eleven matters for investigation and carried over three Preliminary Reviews from the previous year. Of these cases, the OIG closed eight Preliminary Reviews without an investigation finding, finding that five were unsubstantiated and three did not fall into the OIG's mandate. The OIG issued four recommendations under one matter closed as a Preliminary Review. In addition, the OIG closed two matters following full investigations, for which it issued a total of four recommendations. Two other matters remain in the Preliminary Review phase and two were under investigation as of December 31, 2014.

Investigation SG/OIG/INV-13/12

In December 2013, the OIG received information from a complainant regarding a case in the Inter-American Commission on Human Rights. The OIG requested that the complainant provide additional information to proceed with the Preliminary Review. After six months with no response from the complainant the OIG closed the matter as unsubstantiated.

Investigation SG/OIG/INV-13/13

In the last quarter of 2013, the OIG received information indicating that vacancy competition may not have been conducted in compliance with the Organization's rules and regulations. Specifically the allegation indicated that the individual who won a G-05 competition in GS/OAS was less qualified than the incumbent in the position. The OIG reviewed the vacancy announcement, the cover letters and curriculums vitae for the 6 top candidates, as well as the personnel files and letter of recommendation for both the winner of the competition and the incumbent. The OIG also reviewed the DHR's Recommendation Memorandum recommending the winning candidate. As a result of the aforementioned activities and from the documents reviewed, the OIG acknowledged that both the winning candidate and incumbent were well qualified for the position and merited the top candidate positions. The OIG noted that the winning candidate appeared to have presented a much stronger interview, which ultimately gave this candidate a high enough score to surpass the incumbent. The OIG noted that given the subjective nature of interviews, these judgments are generally left to the discretion of the interviewers. The OIG did not find any further information supporting the allegation. The OIG closed the matter as unsubstantiated in the Preliminary Review stage.

Investigation SG/OIG/INV-13/14

This investigation was ongoing as of December 31, 2014.

Investigation SG/OIG/INV-14/01

In February 2014, the OIG received information indicating that a GS/OAS consultant under a CPR contract had sent a solicitation email to her colleagues in an attempt to promote her personal business outside of GS/OAS. The matter was concluded to be administrative in nature and outside OIG's mandate. The matter was transferred to the DHR who concluded that the consultant may have been unaware that GS/OAS users were not to send uninvited or unsolicited electronic mail to a large number of recipients as per Administrative Memorandum No. 120. DHR, in collaboration with the Department of Legal Services (DLS), warned the consultant of her infringement of the rules and took no further action. The OIG closed the Preliminary Review without an investigation.

Investigation SG/OIG/INV-14/02

In February 2014, the OIG received an allegation from an employee indicating that he was being denied his Dependency Allowance as per GS/OAS Staff Rule 103.16, despite having provided documentation in support of the allowance. He also indicated that the DHR may have been harassing him. The OIG reviewed the allegation, Staff Rule 103.16 and the DHR information available on OAS Connect. The OIG verified that the complainant had not provided DHR with all required forms to verify the eligibility of his dependents and recommended the complainant follow up with DHR and submit all necessary forms. The complainant later confirmed to the OIG that he had received his Dependency Allowance upon submitting all necessary forms. The OIG closed the matter as unsubstantiated prior to opening an investigation.

Investigation SG/OIG/INV-14/03

This investigation was ongoing as of December 31, 2014.

Investigation SG/OIG/INV-14/04

As a follow-up to an audit in a GS/OAS National Office, the OIG received information indicating that the administration of general expenses for the National Office was not in compliance with regular oversight standards in possible violation of the Organization's rules. As a result of the OIG's preliminary review into the matter, the OIG concluded that the matter was outside its mandate. Specifically the OIG recommended that the National Office's need to enhance oversight practices was an administrative issue and also noted that a previous OIG Audit Report had specifically identified this issue and recommended steps to formalize the process of building maintenance payments. The OIG closed the matter prior to opening an investigation.

Investigation SG/OIG/INV-14/05

As a follow-up to an audit in a GS/OAS National Office, the OIG received information indicating an OAS staff member who had recently been transferred away from a GS/OAS National Office, had, upon leaving his post, deleted without authorization all content from his OAS computer. Following a full investigation, the OIG concluded that the allegation was unsubstantiated. Specifically, the OIG concluded that as personnel of GS/OAS National Office were able to locate copies, either electronic or physical, of all documentation deleted, such deletion did not constitute a "removal" of documentation in violation of Administrative Memorandum 120. The OIG further concluded that while the deletion of documentation may have caused inefficiencies in the workings of the Office and the transference of duties, such actions did not affect the overall ability of the Office to function. The OIG did however issue the following three recommendations: 1) that the GS/OAS National Office train employees on the Organization's document

retention policies; 2) that whenever possible the GS/OAS National Office provide its employees with access to external hard-drives with which to clean out their computers while still backing up all electronic files for a limited number of years; and 3) that the GS/OAS National Office change the password for the Office mailbox and update these periodically to avoid ex-personnel of the Office from having access to this. The OIG noted that the last recommendation has already been implemented as of the issuance of this report.

Investigation SG/OIG/INV-14/06

In July 2014, the OIG received information indicating that a staff member may have attempted to hire a politician and contracted consultants despite a conflict of interest in violation of the Organization rules and regulations. The OIG was informed that the staff member had been summarily dismissed and requested a Hearing. The OIG was approached by the Hearing Officer and asked to look into the matter. The OIG seized and searched the staff member's computer and interviewed the staff member. As a result of the preliminary review, the OIG concluded that there was insufficient information to substantiate the allegations against the staff member and recommended the matter be closed without any further investigation. The OIG noted that as of the time of the matter closing, the staff member's summary dismissal had been reconsidered by GS/OAS management.

Investigation SG/OIG/INV-14/07

In August 2014, the OIG received information indicating that the son of a GS/OAS personnel in a GS/OAS National Office may have repeatedly misused OAS symbols and impersonated an OAS official. The OIG reviewed the matter and concluded that the allegations were outside of its mandate as they deal primarily with the actions of an individual who is not a human resource or related third-party vendor of the Organization and over whom GS/OAS had no authority. As such the OIG closed the matter at the preliminary review stage. In light of the information obtained in the course of the Preliminary Review the OIG issued the following four recommendations: 1) that the Diplomatic Identification Card incorrectly issued to the GS/OAS personnel member's son be recalled and revoked; 2) that the Unit of National Offices and Country Programs produce guidelines for the Country Representatives delineating who is eligible for such Diplomatic Identification Cards; 3) that DHR and the Department of Procurement establish a framework in which it can keep accurate records regarding the issuance of visas to GS/OAS personnel for business travel; and 4) that DHR discontinue allowing such visa applications by individuals who no longer qualify as dependents.

Investigation SG/OIG/INV-14/08

In August 2014, the OIG received information indicating that a large number of files had disappeared from a GS/OAS staff member's computer and the staff member suspected malfeasance. The OIG reviewed the allegation, the emails in the complainant's Outlook and interviewed the complainant. Following the Department of Information and Technology and Services (DOITS) forensic analysis of the hard drive in question, the OIG reviewed the DOITS Information Security Incident Report which confirmed that while certain files appeared to be missing no suspicious internet activity occurred during the period in question. Using recovery techniques, DOITS was able to restore the deleted PST files from the latest shadow copy performed by the operating system and reinstalled these on the complainant's machine. The OIG noted that there was insufficient information to conclude whether the files in question were deleted due to a technical error, human error or malfeasance. Given that all files were successfully restored on the complainant's work station, OIG recommended the complainant change his password and closed the Preliminary Review as unsubstantiated.

Investigation SG/OIG/INV-14/09

In November 2014, the OIG received information indicating that a personnel member’s personal Gmail account and Apple account had been accessed by a third party within OAS towards fraudulent ends in violation of the Organization’s Administrative Memorandum 120. In light of the OIG investigative activities, as well as the DOITS forensic analysis of the matter, the OIG was able to identify the OAS human resource who accessed the complainant’s account without authorization. During the OIG interview with this OAS human resource, he further admitted to having obtained such access without authorization. The OIG concluded the investigation as substantiated, but the OAS human resource’s contract with the Organization had already expired. Thus, the OIG recommended that a note be placed in human resource’s file making him ineligible for future contracts with the GS/OAS.

Investigation SG/OIG/INV-14/10

This matter was still in the Preliminary Review stage as of December 31, 2014.

Investigation SG/OIG/INV-14/11

This matter was still in the Preliminary Review stage as of December 31, 2014.

VI. Status of Recommendations and Management’s Response

In 2014, the OIG presented the status of the recommendations issued as of November 5, 2014, to the CAAP in document CP/CAAP-3321/14 ADD.1, that shows that 41% of the recommendations were implemented. The OIG greatly appreciates the efforts made by the areas of the GS/OAS, particularly the Secretariat of Administration and Finance (SAF), for their work with the OIG to implement these outstanding recommendations. As of the date of this report, and as shown in the table below, 107 recommendations are outstanding. It is important to note that even though the OIG is making efforts to follow-up on these issued recommendations to verify their status on a continuous basis, it is still a work in progress.

OIG In Progress Recommendations by Year-Risk				
Year	High	Medium	Low	Total
2009	1	-	-	1
2010	2	6	-	8
2011	2	3	-	5
2012	4	1	-	5
2013	28	21	-	49
2014	23	13	3	39
Total	60	44	3	107

VII. OIG Participation at Meetings

In 2014, the OIG participated as an observer during meetings of the PC and the CAAP, as well as an observer in various committee meetings and working groups of the General Secretariat that may impact internal controls, which include the Selective Bid and Contract Awards Committee. The OIG

greatly appreciates the collaborated effort of representatives from the DLS in addressing matters that pose significant risks to the Organization. The OIG encourages department managers to consult with the Inspector General regarding operational matters that may present a potential risk to the Organization, the implementation of recommendations, or other operational issues related to the internal control environment, including proposals for changes in business processes and reviews of draft operational procedures. This process would contribute to improving internal communication and a satisfactory internal control environment within the General Secretariat.

VIII. OIG Staffing

As mentioned in the activity report last year, the OIG continues to reiterate that the most critical resource for the office is its staff. It is important to note the human resources available for the auditing and investigation activities of the OIG are funded by the Regular Fund and by the end of 2014, OIG staff positions provided by the Regular Fund consisted of one P-03 Auditor (Interim Inspector General), one P-03 Investigator, two P-02 Auditors and one P-01 Auditor, as shown in the table below.

Category	As of 01/01/2014	Out	In	As of 12/31/2014
D-01	1	(1)		
P-03	2*	(1)	1	2**
P-02	2			2
P-01	1			1
Total	6	(2)	1	5

(*) One on assignment with DOITS
(**)ST-EO/101/13 – One Investigator level P-03

IX. Continuing Professional Education and Professional Development

In addition to its key role in enhancing skills and knowledge, continuing training empowers the OIG staff members to develop their careers with the goal of providing internal audit and investigation services of the highest quality to the GS/OAS. In 2014, all personnel of the OIG audit team were members of the Institute of Internal Auditors.

As mentioned earlier in this report, in order to comply with the recommendation from the 2014 EQA which required the OIG to receive basic fraud awareness training, the OIG arranged for on-site training on Auditing for Internal Fraud from the ACFE and extended the invitation to the other areas of the General Secretariat. This training not only addressed the recommendation from the EQA but also met with the OIG’s professional continuing education requirements.

The OIG intends to continue these efforts in 2015 to ensure that the staff receives appropriate training to maintain their skill levels, to keep up-to-date with developing trends in the professional practice of internal auditing and ensure that staff members are adequately trained and meet the required minimum annual continuing professional education credits. Furthermore, the OIG is committed to support OIG staff members to become certified and accredited in the auditing and investigation fields and to develop the necessary skills to maintain their professional competencies. Internal auditors and investigators are required to perform engagements with proficiency and due professional care, which includes complying with auditing and investigation standards respectively.

X. Independence

The latest modifications of the General Standards adopted at the second plenary session of the General Assembly through AG/RES. 2754 (XLII-O/12) on June 4, 2012 focused on strengthening the autonomy of the Inspector General and his relationship with the PC.

Article 119 of the General Standards states the following: *“The Inspector General is responsible for carrying out the audit and investigation functions mentioned above. To that end, he shall enjoy the independence needed to initiate, perform, and report to the Permanent Council and to the Secretary General on the audits, investigations, and inspections required to ensure the correct use and administration of the Organization's resources and to safeguard its assets. The Inspector General shall also enjoy the necessary independence to report to the Permanent Council on the overall efficacy of the functions of the Office of the Inspector General and on the overall qualifications and performance of the staff and independent contractors providing services in the Office of the Inspector General.”*

Standard 1110 of the *ISPPIA*, related to Organizational Independence, states that the Inspector General must confirm to the governing bodies, at least annually, the organizational independence of the internal audit activity.

The OIG operates as an independent unit of the GS/OAS under the Compliance Oversight Management Bodies. The OIG internal audit and investigation activities fall under the responsibility of the Inspector General, who reports to the Secretary General, the PC, and the BEA, in accordance with the juridical system of the Organization.

XI. OIG Areas of Interest

Although the General Secretariat continues its efforts to strengthen the internal control environment, and significant improvements and efficiencies in their operations have taken place, GS/OAS challenges that cause concern to the OIG relate to:

- The enterprise risk management and the need to perform a comprehensive assessment of Organization's current approach to risk management;
- The transition from the current Budgetary and Financial Rules to International Public Sector Accounting Standards (IPSAS) and the need to implement an outreach effort with both internal and external users of the financial statements;
- The Organization Business Continuity-Disaster Recovery Plan;
- The Control over Projects Disbursements for Specific Funds;
- The Organization's Fixed Assets System;
- The transition to the new Administration;
- The Organization's Results-Based Budgeting System;
- The need to improve Fraud Awareness in the GS/OAS;
- The absence of a Statement of Ethics and Conduct and Conflict of Interest for the Organization's suppliers/vendors; and
- The control over Travel Expenditures for Non-OAS Employees (also noted by the External Auditors).

XII. Work Plan for the Year 2015 and 2016

Pursuant to Article 118 of the General Standards, and in accordance with the approved budget, the Inspector General shall present to the PC, before the end of each year, a plan of activities for the audit of the programs, services, and activities of the General Secretariat for the next two years and shall update it annually. The PC may request the inclusion of specific investigations or audits, once it reviews the plan.

In addition, AG/RES. 2774 (XLIII-O/13) has requested that the General Secretariat pursue efforts for the purpose of improving the transparency and efficiency of the General Secretariat’s operations, and establish appropriate planning, control, and evaluation systems that will enable the Member States to follow-up on budget programming and fiscal supervision.

During the budget process for 2015, the following goals for the OIG were submitted to the DPE:

OPERATIONAL GOALS OF THE OFFICE OF THE INSPECTOR GENERAL				
Subprogram	Goal	Unit of Measurement	Quantity	Description
143B	1	Report	7	Audit of operations, processes, and specific areas/departments carried out at the headquarters, and audits of the OSGEMs
143B	2	Report	4	Audits and investigations conducted pursuant to the requests of the Member States and the Secretary General, and the recommendations of the Board of External Auditors, and/or complaints on the hotline, not included in the OIG work plan
143B	3	-	-	Administrative management of audits, including follow-up on pending recommendations of auditors’ reports and other administrative tasks. OIG staff trained and updated in audit issues to complete educational requirements as specified by the Institute of Internal Auditors
143B	4	-	-	Participation as observer in meetings of the Member States and of the GS/OAS on internal control matters, including operational procedures
143B	5	-	-	New strategic plan of the OIG, defined; manuals and procedures, updated; and audit work papers, standardized; Annual Operating Plan, prepared

From the risk assessment process performed and given the limited OIG resources, the OIG work plan for 2015 was changed as follows:

Office of the Inspector General 2015 List of Audits General Secretariat of the Organization of American States	
No.	TECHNICAL AREA / SUBJECT
01/15	Department of General Services- GS/OAS Fixed Assets
02/15	Secretariat for Multidimensional Security - Inter-American Committee against Terrorism (CICTE)
03/15	Department of Procurement Services - Disbursement Process for Specific Funds
04/15	Department of Information and Technology Services - Business Continuity / Disaster Recovery Plan
05/15	GS/OAS Office of Trinidad and Tobago
06/15	GS/OAS Office of Venezuela
07/15	Department of Human Resources - Performance Contracts (CPR) Mechanism*

* moved from 2014 work plan

The tentative 2016 work plan for the OIG was based on a preliminary risk assessment and is as follows:

2016 Work Plan

Office of the Inspector General 2016 List of Audits General Secretariat of the Organization of American States	
No.	TECHNICAL AREA / SUBJECT
01/16	Secretariat for Multidimensional Security - Inter-American Drug Abuse Control Commission (CICAD) - Institutional Strengthening and Integral Programs Section
02/16	Secretariat for Multidimensional Security - Inter-American Drug Abuse Control Commission (CICAD) - Demand Reduction Section
03/16	Regular Fund Transition Budget and Expenditures
04/16	Department of Procurement - Travel of Non-OAS Employees
05/16	Secretariat for External Relations - Art Museum of the Americas
06/16	GS/OAS Office in Bolivia
07/16	GS/OAS Office in Peru
08/16	GS/OAS Office in Paraguay

Garry LaGuerre
Interim Inspector General

