

Annual Report of the Office of the Inspector General
for the Period from January 1 to December 31, 2015

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

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April 15, 2016

Luis Almagro
Secretary General to the
Organization of American States
Washington, DC

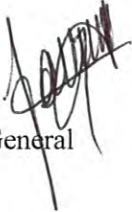
SG/OIG-16/04

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, 2015.

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, 2015

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. One of the objectives of the OIG is to ensure the systematic revision of the operational procedures and financial transactions at GS/OAS Headquarters and in the offices in the Member States.

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, 2015. During this period, the OIG:

- Focused on finalizing four internal audits reports that had begun in previous years.
- Completed six audits included in the 2015 work plan. Of these reports, 55 recommendations were issued. During this period, operational audits conducted were focused on reviewing the following: GS/OAS Fixed Assets System, Inter-American Committee against Terrorism (CICTE), Business Continuity/ Disaster Recovery Plan, GS/OAS Office in Trinidad and Tobago, GS/OAS Office in Venezuela, Performance Contracts (CPR) Mechanism.
- Continued the process of conducting follow-up on the recommendations.
- Received 8 matters for investigation and carried over 4 other matters from previous years.
- Closed 3 matters following full investigations and 4 matters at the Preliminary Review stage without opening an investigation, finding these allegations unsubstantiated or outside the OIG mandate. 5 matters for investigation remain open or at the Preliminary Review stage. In light of the information gathered from the Investigations and one Preliminary Review, the OIG issued 18 recommendations.
- Initiated the process of drafting the new Internal Audit Manual.
- Performed the annual risk assessment.
- Performed research to ensure that the OIG hotline is aligned with best practices.

In addition, the OIG has finalized the implementation of the Audit Management Software, TeamMate. This software has become an integral part of the audit and investigation process. As a result, among other important benefits, OIG audit procedures and working papers are standardized and the database of recommendations is automated; which will facilitate the follow-up process of these recommendations.

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 issuing recommendations to improve and promote economy, efficiency and effectiveness of operations in the General Secretariat. The OIG also provides recommendations to assist all levels of management in improving or establishing internal controls to prevent or detect fraud and abuse.

In accordance with the General Standards, audits are conducted with special emphasis on the proposals of the Board of External Auditors (BEA or Board) and the political bodies of the General Secretariat, particularly regarding the need to concentrate on areas of high risks.

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 the 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 2015, the BEA issued its 2013-2014 Annual Audit Report. In this report, the Board noted that the status and role of the OIG within the OAS is important to the Board since the OIG is an essential safeguard to the assessment and maintenance of OAS' internal control environment. The Board monitored the performance of the internal audit function during the year and were pleased to conclude that the function was performed effectively and with due professional care. The OIG has, for the most part, completed the workload planned for the 2014. The Board notes that several projects in the OIG 2013 work plan were not completed until 2014, and one additional audit planned for 2014 has been carried forward to the 2015 work plan. The Board has also noted that the OIG has experienced capacity challenges, but is encouraged with the strategy in place to recruit and retain the skills and knowledge needed for the audit and investigation functions. Nevertheless, the Board is aware that retention of

internal auditors remains an ongoing challenge and will continue to monitor the capacity of the function. Although audit work continues to identify areas where existing management practices need to be strengthened, the Board is encouraged that management is embracing the OIG's recommendations as a tool to help achieve objectives in an environment of shrinking resources.

Formalization of Procedures and the OIG Internal Audit Manual

In accordance with the provisions of the OAS General Standards to Govern the Operations of the General Secretariat, the OIG Internal Audit Manual was drafted to reflect the International Standards for the Professional Practices of Internal Auditing (Standards) of the Institute of Internal Auditors (IIA) while including information on internal audit techniques, methods and procedures followed by the OIG.

The OIG Internal Audit Manual (the Manual), which is aligned with OIG Audit Management Software – TeamMate, establishes the key operating policies and procedures that govern the internal audit activity of the office, in compliance with the OAS General Standards, the Organization's policies and procedures, and other international standards for the professional practice of internal auditing.

The OIG Internal Audit Manual is also designed to establish a level of uniformity and consistency within the OIG with a view to further strengthen the internal audit staff's professionalism.

Training

In an effort to provide training to OIG personnel to maintain their skill levels and to ensure they are adequately prepared to meet the required minimum annual Continuing Professional Education (CPE) credits, in March 2015, the OIG participated in a follow-up training for the implementation of the Audit Management Software, TeamMate. The implementation of this software has facilitated and improved the efficiency of the OIG functions, contributed to the modernization of the office and ensured that the office complies with the Institute of Internal Auditors (IIA) recommendations for the appropriate use of technology. Furthermore, the Acting Inspector General attended the Auditing Application Systems Development training in November 2015. In December 2015, the OIG undertook a two-day on-site training course titled "Effective Business Writing for Auditors" in an effort to enhance the quality of our audit reports.

The OIG continues to make training an important part of staff development. During the last quarter of 2015, the office purchased various training and reference materials for OIG personnel to become certified as Internal Auditors, Fraud Examiners and in Risk Management Assurance. The OIG encourages its staff to participate in training activities that are in compliance with auditing and investigation standards, as well as the CPE requirements, as specified by the IIA.

IV. Audit Activities

In 2015, the OIG finalized four audits that began in previous years, completed six audits from the 2015 work plan, and issued 55 recommendations. Our audits are risk-based and also focus on increasing accountability and higher adherence with GS/OAS rules and regulations, identifying operational processes that may lack internal controls, and promoting organizational efficiency and effectiveness. In addition, the OIG communicated directly with Directors and process owners and provided appropriate recommendations aiming at improving management controls.

Audit SG/OIG/AUD-15/01 – Department of General Services – GS/OAS Fixed Assets System

A consulting firm contracted by the OIG has provided this internal audit service on behalf and under the supervision of the OIG. The main objectives of this audit were to: (1) Assess the Department of General Services' (DGS) compliance with GS/OAS policies and procedures as related to Chapter XIV of the OAS Budgetary and Financial Rules within the following areas (a) verifying the use of the fixed assets accounts, (b) accounting for fixed assets, (c) valuation of fixed assets, (d) accuracy and completeness of fixed assets inventory, (e) tracking and disposal of fixed assets; (2) Evaluate the accuracy of fixed assets inventory maintained by the Inter-American Defense Board (IADB); (3) Assess DGS' compliance with GS/OAS procurement rules during the acquisition of fixed assets; and (4) Verify that the recommendations issued in the prior OIG report on the Organization's fixed assets (SG/OIG/AUDIT-05/07) have been appropriately addressed.

During the review process, the following areas of strength were noted within the fixed assets system:

- DGS has implemented many of the recommendations issued in the prior OIG report SG/OIG/AUDIT-05/07, resulting in notable improvements in the fixed assets system.
- The design of the fixed assets system appropriately segregates duties between receiving, recording, custody, and reconciliation functions.
- DGS uses a barcode and scanner system for conducting physical inventory that automatically compares asset locations with asset location data in the OASES fixed assets system (OASES).
- OAS employs a Committee for Sales and/or Liquidation and/or Movable Property (COVENT), which includes representatives from legal, financial, administrative, and technical backgrounds to determine how best to dispose of obsolete or surplus items.
- The Art Museum of the Americas (the Museum) utilizes a specialized database (Vernon) to record the appraisal value of artwork and track its location throughout frequent movements of the artwork.

However, based on the results of the work performed, areas that need improvement were also identified, as follows:

- Accounting and Recording of the organization's buildings
- Accounting and Recording of the organization's leased vehicles
- Purchase orders for fixed assets identification lack consistency
- Need for more adequate review of fixed assets reclassification
- Lack of a consistent methodology to record, update the value of, and monitor the condition of artwork
- Duplicate inventory record
- Policies and procedures related to the disposal of assets are not consistently followed
- Tracking system for fixed assets needs improvement
- Fixed assets inventory system maintained by the Inter-American Defense Board (IADB) needs improvement

Audit SG/OIG/AUD-15/02 – Secretariat for Multidimensional Security – Inter-American Committee against Terrorism (CICTE)

The main objectives of this audit were to: (1) Verify whether the activities of the Inter-American Committee against Terrorism (CICTE) for the audit scope period were carried out in compliance with established GS/OAS rules and regulations, including Executive Order No. 08-01 Rev. 7, Donors' agreements as well as other GS/OAS directives, if applicable; and (2) Evaluate internal controls surrounding CICTE's operations for the period including: (a) Financial transactions: how they were initiated, authorized, processed and recorded in the system; (b) Procedures for recruiting projects' personnel; (c) Projects' disbursements; and (d) Procedures for safeguarding and transferring fixed assets, if applicable. Furthermore, the objectives also included following up on prior audit recommendations related to CICTE, if applicable. The audit scope covered transactions related to CICTE for the period from January 2013 to December 2014.

Based on the results of the work performed, areas that need improvement were identified. The following lists the observations that support our conclusion: (1) Lack of an Administrative Management Support (AMS) personnel to support CICTE'S operations, (2) USD 39,546 of unspent Specific Funds balances related to CICTE's operations from 2006 and 2007 remained inactive in OASES, (3) Lack of consistent procedures to review Non-OAS staff members' per-diems, and (4) Inaccurate recording of per-diem disbursements noted related to Non-OAS staff members.

Audit SG/OIG/AUD-15/03 – Department of Financial Services – Disbursement Process for Specific Funds

The main objectives of this audit are to (1) Verify whether disbursements made through Specific Funds for the audit scope period were in compliance with established GS/OAS rules and regulations, including the Financial Handbook for Specific Fund Agreements, and other applicable guidelines and directives; (2) Evaluate internal controls surrounding the disbursement process for Specific Funds including how transactions were initiated, authorized, processed, recorded and reported during the scope period; and (3) Verify that the OIG recommendations related to the disbursement process for Specific Funds issued in previous OIG reports have been appropriately addressed. The scope will cover transactions related to the disbursement process for Specific Funds for the period from January 1, 2014 to June 30, 2015. Due to limited resources, this audit has been moved to the 2016 work plan; which may result in a change to the scope period.

Audit SG/OIG/AUD-15/04 – Department of Information and Technology Services – Business Continuity/ Disaster Recovery Plan

A consulting firm contracted by the OIG has provided this internal audit service on behalf and under the supervision of the OIG. The main objectives of this audit were to: (1) Assess compliance with Executive Order 08-01, Rev 7 relating to the responsibility of the Information Security Section of the Department of Information and Technology Services (DOITS) to "keep an up-to-date disaster contingency plan for the operational continuity and recovery of the Organization's systems, in case of disaster;" and (2) Evaluate the effectiveness of the GS/OAS Business Continuity Plan (BCP)-Disaster Recovery Plan (DRP).

During the review process, the following areas of strength were noted within the current DRP:

- Detailed procedures are documented for each individual assigned a role in the recovery process

- All DOITS personnel with a role in the DRP understand their roles and responsibilities, as well as provided input around their responsible areas during plan development
- A detailed communication plan is established to follow in the event of a disruption
- DOITS contracted a third party to provide resources and infrastructure to recover OAS's IT services and data in the event IT operations and services are not available in either data centers within the General Secretariat Building (GSB) and Administration Building (ADM)
- DOITS implemented real-time backups of critical application data hosted in the GSB to the ADM
- Recovery flow diagrams for all disaster scenarios listed in the DRP identify the prioritization of infrastructure and IT service recovery

However, based on the results of the work performed, areas that need improvement were also identified, as follows:

- While the IT DRP meets the Executive Order 08-01, Rev. 7 requirement to, "keep an up-to-date disaster contingency plan for the operational continuity and recovery of the Organization's systems, in case of disaster," the IT DRP does not align with an organization BCP, as a BCP does not exist.
- There is not a documented mapping or description of how the risks listed in the IT Risk Analysis align to the risk scenarios documented in the DRP.
- The Business Impact Analysis (BIA) was completed without input from the business areas.
- The current recovery objectives are achievable during a short time event that only affects the GSB data center and not the ADM data center.
- Business areas may procure IT services from third -party vendors. An IT service procured by a business area may not meet the recovery requirements for that business area and in some cases the recovery requirements may not be defined. The IT service also may not meet the established recovery objectives by the current BIA and DRP. DOITS leadership lacks authority to require business areas to use DOITS approved service providers for IT services or compatible providers that meet disaster recovery requirements.
- The only two data centers (GSB and ADM buildings) are located within a half mile of each other and are on the same power grid.
- An Uninterrupted Power Supply (UPS) and a generator are not installed to support the ADM data center.
- Any Recovery Time Objective (RTO) or Maximum Tolerable Disruption (MTD) shorter than 48 hours may not be met should OAS need the contracted disaster recovery provider (Agility) to recover systems and data.
- The current tape library is not able to meet the required RTOs and Recovery Point Objectives (RPOs).
- There is a lack of understanding of the roles and responsibilities assigned to the various non-DOITs IT Disaster Recovery Coordinators and their supporting team members and there is limited training for these non-DOITS team members.
- While aspects of the IT DRP have been tested as a part of planned and unplanned activities, not all of the aspects of the plan have been tested.
- The records management manual is outdated to address data retention requirements and needs.
- Certain business areas have developed their own recovery plans that were not coordinated in conjunction with the BIA and DRP that DOITS developed.

- A cybersecurity/ data breach response plan does not exist to document the process for notification, response, handling, and communication, as well as roles and responsibilities, in the event of a cybersecurity/ data breach.

Audit SG/OIG/AUD-15/05 – GS/OAS Office in Trinidad and Tobago

The main objective of this audit was to determine whether the GS/OAS Office in Trinidad & Tobago is carrying out 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 OIG also assessed whether the internal disbursement process in local currency and U.S. dollar for the operational functions of the office and for projects in Trinidad & Tobago is appropriately designed and operating effectively and efficiently to ensure the orderly and efficient conduct of activities. This audit covered the period from January 1 to December 31, 2014.

Based on the results of the work performed, areas that need improvement were identified. The following lists the observations that support our conclusion: (1) USD 1,783 of unspent Specific Funds balance related to the office's operations from 2009 remained inactive in OASES; (2) Large volume of outdated archives; (3) Discrepancies between the fixed assets report that is maintained by the office and the report maintained at Headquarters; (4) VOIP system is not functioning properly; (5) Need for proper maintenance of official vehicle; (6) Untimely bank reconciliations; and (7) Lack of monitoring over the bank account.

Audit SG/OIG/AUD-15/06 – GS/OAS Office in Venezuela

The main objective of this audit was to determine whether the GS/OAS Office in Venezuela is carrying out 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. This also includes verifying whether the internal disbursement process in local currency and U.S. dollar for the operational functions of the office and for projects is appropriately designed and operating effectively and efficiently to ensure the orderly and efficient conduct of activities. The period covered during the review was January 1 to December 31, 2014.

Based on the results of the work performed, areas that need improvement were identified. The following lists the observations that support our conclusion: (1) USD 1,270 of unspent Specific Funds balance related to the office's operations from 2007 remained inactive in OASES; (2) Large volume of outdated archives; (3) Obsolete fixed assets; (4) Telephones and computer equipment need upgrades; (5) Need for more frequent inspection of the office's fire extinguishers; (6) Need to regularize the office's Technical Administrative Assistant position; (7) Need to regularize the payment method related to the following contracts: the Messenger/Chauffeur, the Cleaning services personnel, and the office's rent; (8) Some payments for services lack appropriate supporting documentation; (9) Inadequate segregation of duties related to the office's disbursement process; (10) The official vehicle is insured with an international policy, in violation of local laws; (11) Some personal calls made from the office's phone were not reimbursed at the time of our field visit; and (12) Need to regularize the issue of deductions made from wages of the office's Technical Administrative Assistant.

Audit SG/OIG/AUD-15/07 – Department of Human Resources – Performance Contracts (CPR) Mechanism

The main objective of this audit was to (1) review the Performance Contracts (CPR) mechanism according to the GS/OAS rules and regulations, including Executive Order No. 05-04, corr. 1: Performance Contracts Rules, Executive Order No. 08-01 Rev. 7 and other applicable GS/OAS directives, and (2) follow up on prior audit recommendations related to the CPR mechanism. The audit scope covers transactions related to Natural CPRs for the period from January 2013 to December 2014. However, based on the results of our risk assessment, we have included data from January to September 2015 for analysis purposes only.

Based on the results of the work performed, areas that need improvement were identified. The following lists the observations that support our conclusion: (1) CPR final payments processed without the proper documentation; (2) Lack of monitoring over Temporary Conference Service and Contracts (Free-lance contracts); (3) CPRs' final evaluation forms are not available in RBCS; therefore not centralized; (4) Need to centralize signed CPRs' contracts in RBCS; (5) Some CPRs are contracted for long and continuous periods of time without proper benefits; which may potential lead to the organization being liable; (6) Inconsistencies related to CPRs' Terms of Reference (TORs): Time-Based vs Product-Based; (7) Lack of training for CPRs on the organizations' Code of Ethics and Conduct and Conflict of Interest; and (8) Sustainability of CPR as a hiring mechanism.

With regards to the previous audit of the CPR mechanism (SG/OIG/AUDIT/10-06) performed in 2006, our review noted some improvements over the results of that audit, driven mostly by the implementation of the Results-Based Contracting System (RBCS) in 2012. The RBCS is an automated system designed to process Natural CPRs.

V. Investigation Activities

From January – December 2015, the OIG received 8 matters for investigation and carried over 4 other matters from previous years. Of these, the OIG closed 3 matters following full investigations and 4 matters at the Preliminary Review stage without opening an investigation, finding these allegations unsubstantiated or outside the OIG mandate. 5 matters for investigation remain open or at the Preliminary Review stage as of the date of this report. In light of the information gathered from the Investigations and one Preliminary Review, the OIG issued 18 recommendations.

It is important to note that in July 2015, the OIG investigator requested and was granted a 5-month leave without pay in August 2015 to participate in an internship program in Europe. The investigator returned in office on January 4, 2016 and resigned from the Organization on January 29, 2016. The investigator position is currently vacant. The OIG hopes to fill this position in the coming months.

Furthermore, pursuant to the “Policy and Conflict Resolution System for Prevention and Elimination of All Forms of Workplace Harassment”; which was approved on October 15, 2015, the OIG is now tasked to perform formal investigations related to work harassment matters. One of the pending matters for investigations includes such a case. However, currently, the OIG does not have the resources needed to handle those cases.

Investigation SG/OIG/INV-13/14

This investigation was still in the Preliminary Review phase as of December 31, 2015.

Investigation SG/OIG/INV-14/03

In March 2014, OIG/INV received information indicating that the Department of Conference and Meetings Management (DCMM) may have had several consultants under contractual arrangements that may be in violation of the Organization's rules, specifically Staff Rule 104.18 and Administrative Memorandum No. 82. Following a full investigation, the OIG concluded that the allegations were substantiated. Specifically, the investigation concluded that some consultants under CPR contracts were receiving overtime remuneration and others counted on simultaneous contracts with the Organization for the same or similar services in violation of the Organization's rules. The OIG issued 10 recommendations to address these violations and ensure that risks identified in the investigation were mitigated. Some of these recommendations have been implemented.

Investigation SG/OIG/INV-14/10

In November 2014, the OIG received information anonymously indicating a potential conflict of interest between a member of the Organization's External Auditors' team and a CPR. The OIG conducted interviews, reviewed contracts and supporting documentation and conducted independent research into the matter. From the activities conducted and the information received, the OIG was unable to substantiate that a conflict of interest existed and closed the matter at the Preliminary Review stage as unsubstantiated.

Investigation SG/OIG/INV-14/11

This matter was still in the Preliminary Review stage as of December 30, 2015.

Investigation SG/OIG/INV-15/01

In January 2015, the OIG received information indicating a concern for the security procedures of the Organization and an allegation of negligence on the part of the Security Section of the Department of General Services (DGS). Specifically, the allegation noted a particular security breach as an indication of negligence on the part of the Security Section. The OIG reviewed the allegation and interviewed the complainant, as well as the Head of the Security Section with respect to the security measures put in place after the breach and followed up on the execution of these measures. The OIG also reviewed previous OIG audits and recommendations to the Security Section, and followed up on the execution of these recommendations. In light of the activities conducted, the OIG concluded that the breach noted was a one-time incident rather than evidence of continued negligence and that there was insufficient information to conclude that the Security Section had a practice of acting negligently with regards to security breaches in the Organization's buildings. The OIG concluded the allegation was unsubstantiated and closed the matter at the Preliminary stage without opening an investigation.

Investigation SG/OIG/INV-15/02

In April 2015, the OIG received information indicating that fraudulent invoices may have been presented for reimbursements to CareFirst Bluecross Blueshield (CareFirst BCBS) by a retired staff member based in Argentina, and the retired staff member may have fraudulently received reimbursements

for these, in violation of the Organization's rules and obligation to protect the Medical Benefits Trust Fund for which it is ultimately liable. Following a full investigation, the OIG concluded that the allegations were substantiated. Specifically, the investigation concluded that the retired staff member had presented fraudulent receipts for services by two providers, and had fraudulently obtained reimbursements totaling **USD 109,800.54** from August 2008 to October 2014. The Investigation further concluded that CareFirst BCBS acted negligently in not raising red flags of possible fraud given the quantity of visits to these two providers over an expanded period of time, the high value of the reimbursements requested and the similarity in the supporting documentation presented by the retired staff member.

The OIG issued 4 recommendations, as follows: 1) that the retired staff member be removed from the OAS health insurance program; 2) that SAF and DLS request the retired staff member reimburse GS/OAS for the fraudulently obtained reimbursements totaling USD 109,800.54; 3) that SAF, with the assistance of DLS, refer to CareFirst BCBS for the remaining loss these fraudulent reimbursements cost the Organization; and 4) that the matter be referred to Argentinian national authorities for further investigation.

Investigation SG/OIG/INV-15/03

In May 2015, the OIG/INV received information indicating that an IACHR petitioner who filed a complaint with the IACHR on August 2014, had received several emails between August 2014 and January 2015, which appeared to have emanated from the IACHR's institutional email account cidhdenuncias@oas.org, instructing the petitioner to deposit money into a fraudulent IACHR Citibank account to further the review of his petition. As a result of its investigative activities, the OIG/INV concluded that the "IACHR" emails received by the petitioner in question did not emanate from within the Organization, and that there does not appear to be a Citibank account fraudulently opened under IACHR's name.

The OIG/INV, however, concluded that while the petitioner may have been the victim of a fraud perpetrated by a third party, this individual did not appear to have any connection to the Organization or the IACHR, and therefore the matter was not within the OIG/INV mandate. The OIG/INV closed the matter and issued 2 recommendations, as follows: 1) that IACHR include a disclaimer on its website informing petitioners that the IACHR does not request remuneration for its services or for the advancement of human rights petitions; and 2) that the matter of fraud against the petitioner allegedly by the third party be referred to Argentinian national authorities for further investigation.

The OIG verified that IACHR has taken appropriate actions to address Recommendation No. 1

Investigation SG/OIG/INV-15/04

In July 2015, OIG received information indicating that a department within the Organization may have unauthorized access to confidential information stored by certain departments. In light of the information obtained, the OIG concluded that a review of these accesses would require an independent technical review beyond the current capabilities of the OIG. The OIG/INV referred the matter to the OIG Audit section for further review, pending future funding, with the assistance of an external forensic auditing firm and closed the matter

Investigation SG/OIG/INV-15/05

On June 1 2015, the OIG/INV received an allegation from a DCMM employee indicating that he was being harassed by his supervisors in DCMM. The OIG/INV interviewed the complainant to gauge whether the acts of alleged harassment may fall under a whistleblower protection complaint or any other violation of the Rules and Regulations under the mandate of the OIG/INV. In light of the information obtained from the complainant, the OIG/INV concluded that the matter was a work harassment complaint and therefore was outside of the OIG/INV mandate as of August 5 2015. The OIG/INV referred the complainant to Staff Rule 101.11 and Executive Order 05-7 Rev. 1 regarding work harassment and recommended the complainant follow up with the individual who at the time was responsible for DCMM personnel and closed the matter as not within OIG mandate. Please note that this occurred before the implementation of the new work harassment policy in October 2015.

Investigation SG/OIG/INV-15/06

This matter was still in the Preliminary Review stage as of December 31, 2015.

Investigation SG/OIG/INV-15/07

In September 2015, OIG received a request from GS/OAS administration to review the procedures for, and history of, redemption of American Express credit card points within GS/OAS. Specifically, the request inquired into deposits into the Department of Procurement Services' (DPS) Service Fund (Fund 606 Multi 13/06) account; the deposit of American Express travelers' checks therein; and the actions of the DPS Director and DFS with regards to the redemption of American Express credit card points.

The OIG/INV, with the assistance of the Department of Legal Services (DLS), reviewed the allegation and documentation obtained from American Express, the DFS and the DPS Director, including copies of the travelers' checks, supporting documentation, and email communication between DFS and DPS. The OIG/INV also conducted interviews with key GS/OAS personnel with information regarding the DPS Service Fund 606 and the redemption of credit card points by the Organization and the Account Manager for American Express.

Following these Preliminary Review activities, the OIG concluded that its review did not bring to light any evidence of fraud, attempt to commit fraud or collusion on the part of the DPS Director and DFS with regards to the redemption of American Express credit card points within the Organization. As a result, the OIG closed the matter as unsubstantiated, but issued 2 recommendations to mitigate the risks identified during the preliminary review, as follows: 1) that DFS/SAF establish a policy detailing the manner in which points accrued on the organization's credit cards should be received and redeemed for cash or gift cards; and 2) that DFS/SAF comply with General Assembly resolutions requiring that other/miscellaneous income including income generated from interest and refunds be used to finance the Regular Fund program-budget.

Investigation SG/OIG/INV-15/08

This matter was still in the Preliminary Review stage as of December 31, 2015.

VI. Status of Recommendations

With the implementation of our audit management software, TeamMate, the OIG has established procedures to follow-up on recommendations so that the responses from the areas are recorded in an efficient and consistent manner. OIG auditors are now able to update and validate the status of the recommendations and generate reports directly from the system.

Currently, the OIG has a database of 179 recommendations issued from audits, investigations and assessments. Table No. 1 and No.2 show the status and the categories of risk level of the recommendations, as follows:

**Table No. 1
Recommendations Status**

Year	Status			Total
	Closed	Open	Pending	
2009			1	1
2010	3		4	7
2011	3	1	1	5
2012	5			5
2013	26	2	21	49
2014	8	10	31	49
2015	22	28	13	63
Total	67	41	71	179

**Table No. 2
Recommendations by Category of Risk Level**

Year	Level of Risk			Total
	High	Medium	Low	
2009	1			1
2010	2	5		7
2011	2	3		5
2012	4	1		5
2013	28	21		49
2014	33	13	3	49
2015	40	23		63
Total	110	66	3	179

As noted in Table No. 1, 67 of the 179 recommendations or about 37% are reported as closed based on information received from the areas just prior to finalizing the annual report. Consequently, the

OIG was not able to validate all the responses and actions taken by the areas to close these recommendations. However, as we perform more follow-up procedures to validate management's responses and actions, we will provide additional updates on the recommendations in our 2016 activity reports.

The OIG continues to work with the areas of the GS/OAS to follow-up on the status of outstanding recommendations and greatly appreciates the efforts made by the Secretariat of Administration and Finance (SAF) for their work to implement the recommended solutions.

VII. OIG Staffing

The OIG continues to reiterate that the most critical resource for the office is its staff. At the end of 2015, OIG staff positions funded by the Regular Fund consisted of the following:

- One P-03 Auditor (Interim Inspector General)
- One P-03 investigator
- Two P-02 Auditors
- One P-01 Auditor who also performs Administrative Management Support (AMS) personnel duties and some quality assurance functions

As stated earlier in the report, the P-03 Investigator who joined the office in 2013 took a 5-month leave of absence from August – December 2015 and subsequently resigned from the Organization on January 29, 2016. This position is currently vacant. In addition, the P-01 auditor, who has been with the OIG for almost 10 years, has submitted her resignation effective May 13. As a result, current OIG staff positions funded by the Regular Fund consist of just 1 P-03 auditor (my-self) and 2 P-02 auditors. Needless to say that the OIG is in dire need of resources to carry out the activities of the office.

VIII. Continuing Professional Education and Professional Development

In addition to its key role in enhancing skills and knowledge, 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 2015, all personnel of the OIG audit team were members of the Institute of Internal Auditors.

The OIG intends to continue these efforts in 2016 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 its staff in their efforts 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.

IX. 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 Office of the Inspector General and its relationship with the Permanent Council. Currently, a draft amendment to the General Standards for the OIG is in process.

Article 119 – Independence of the Inspector General – of the draft amendment states the following:

“The Inspector General shall enjoy the functional 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 qualifications and performance of the staff and independent contractors providing services in the Office of the Inspector General.

To carry out his functions, including matters of audit selection, scope, procedures, frequency, timing, or report content, the Inspector General shall remain free from interference by any element in the General Secretariat, to permit maintenance of the necessary independence and objectivity.

In accordance with these General Standards, the Inspector General shall make recommendations directly to the Secretary General on the need to hire or terminate the services of staff and independent contractors providing services in the Office of the Inspector General.”

Standard 1110 of the International Standards for the Professional Practice of Internal Auditing (ISPPA) related to Organizational Independence states that the Chief Audit Executive (e.g., 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 Permanent Council, and the Board of External Auditors, in accordance with the juridical system of the Organization.

X. Risk Assessment

According to Standard 2120-A1 (Risk Management) of the International Professional Practice Framework (IPPF) for internal auditing, “the internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding: (1) Reliability and integrity of financial and operational information; (2) Effectiveness and efficiency of operations and programs; (3) Safeguard of assets; and (4) Compliance with laws, regulations, policies, procedures and contracts.”

In compliance with this standard, during the third quarter of 2015, the OIG worked with the various areas of the GS/OAS to initiate the Risk Assessment process. The responses the OIG received from these areas identified the high risk areas that the organization may be exposed to and assisted the OIG in formulating risk-based audit plans for 2016-2017. Furthermore, this information has been added to our database of actual risks that could negatively affect the organization’s ability to achieve its objectives.

Additionally, this information could help facilitate the dialogue on Risks and Controls and the implementation of an Enterprise/Organization-Wide Risk Management framework (ERM) to manage both internal and external risk factors effectively.

XI. High Risk Areas

Although the General Secretariat continues its efforts to strengthen the internal control environment, the top 20 risk areas identified during the risk assessment process that cause concerns to the OIG relate to the following:

- **Strategic and Development**
 1. Mission, Values, and Priorities not relevant to the Region.
 2. Inputs or assumptions used for strategic decisions are incorrect.
 3. Country development outcomes not relevant or not supported by stakeholders.
 4. Failure to update the policies in a timely manner to reflect evolution of the strategy or lessons learned.
 5. Disconnect between institutional priorities and allocation of resources.
 6. Inability to attract, acquire and retain the necessary human talent.
 7. Budget- process timing inconsistent leading to poor planning.

- **Operational**
 8. Non-compliance with the code of ethics.
 9. The OAS does not have the infrastructure of information technology (e.g. hardware, networks, software, people and processes) that is needed to perform their tasks effectively. The current and future information requirements of the business are not reviewed periodically so they are efficient, profitable and well controlled.
 10. Lack of participation of specialists from the finance and procurement at the time of the review of the projects.
 11. Data information is outdated, inaccurate, or relevant data is unavailable.
 12. Obsolete recovery plan.
 13. Mismatch between the GS/OAS's needs and human resources skills and availability.
 14. Lack of clear definition of roles, responsibilities, accountability, and oversight.
 15. Budget resources are not adequate or properly allocated.

- **Reporting**
 16. Liquid assets are not available to meet the financial commitments of the GS/OAS, particularly for medium and long term commitments.
 17. Material or significant internal control deficiencies over financial reporting.
 18. Financing depends on unreliable income from Member States, resulting in financial and budgetary unpredictability and deficits.

- **Compliance**
 19. Lack of periodic reviews of insurance policies that ensure adequate coverage to protect the GS/OAS before new events and emerging risks: Cyber-attacks, interruptions of activities by catastrophe, etc.
 20. Recurring requests for exceptions to rules and regulations create internal conflicts and erodes credibility.

XII. Proposed Work Plans for the Year 2016 and 2017

The proposed 2016 and 2017 work plans are based on the risk assessment and requests from the Office of the Secretary General and the Permanent Council as well as information obtained by the OIG:

2016 Proposed Work Plan

Office of the Inspector General 2016 List of Audits General Secretariat of the Organization of American States		
No.	TECHNICAL AREA / SUBJECT	Source
03/15	Department of Financial Services/Department of Procurement Services - Disbursement Process for Specific Funds	RA
01/16	Department of Human Resources - Hiring Process and Transfer of Posts	SG/RA
02/16	Department of Financial Services - Regular Fund Transition Costs	PC
03/16	Department of Procurement Services - Travel of Non-OAS Employees	OIG
04/16	Department of Information and Technology Services - OASES Reporting and Data Integrity	RA
05/16	GS/OAS Office of Peru	RA
06/16	GS/OAS Office of Bolivia	RA
07/16	Department of Procurement Services – Management and Use of Travel Mileage	SG

2017 Proposed Work Plan

Office of the Inspector General 2017 List of Audits General Secretariat of the Organization of American States		
No.	TECHNICAL AREA / SUBJECT	Source
01/17	Department of Procurement Services – Credit Cards Payment Process	RA
02/17	Department of Procurement Services - Review of GS/OAS Insurance Policies	RA
03/17	Department of Planning and Evaluation – Project Monitoring Process	RA
04/17	Department of Human Resources - Code of Ethics	RA
05/17	GS/OAS Office in Paraguay	RA
06/17	GS/OAS Office in Jamaica	RA
07/17	Department of Financial Services – Travel Expense Claims System (TECS)	OIG

XIII. OIG Participation at Meetings

During 2015, the OIG has 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 (CAC) and the Committee for Sales and/or Liquidation and/or Movable Property (COVENT). OIG staff has also participated in meetings as a member of a task-force on sexual harassment within the GS/OAS. In addition, the OIG encourages department directors/managers to consult with the office 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 will contribute to improving internal communication and a satisfactory internal control environment within the General Secretariat.

Garry LaGuerre
Interim Inspector General

A handwritten signature in black ink, appearing to read 'Garry LaGuerre', written over a light blue horizontal line.