

ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL
FOR THE PERIOD JANUARY 1, 2010 TO DECEMBER 31, 2010

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

**Activity Report Of the
Office of the Inspector General
January 2010 through December 2010**

This report is submitted in conformity with Article 121 of the General Standards to govern the operations of the General Secretariat of the OAS. During the year ended December 31, 2010, the OIG conducted ten audits and three investigations. This Activity Report is organized in two distinct parts.

The first part of this report summarizes the audit activities conducted during the tenure of the former acting Inspector General from August 1, 2010 to December 31, 2010. In addition to the seven audits that were completed during this period, three investigations were conducted by the OIG in collaboration with the Department of Legal Services.

Annex 1 of this report was prepared by the former Inspector General prior to the end of her tenure as GS/OAS Inspector General and addresses the audit activities that were performed while she was responsible for the OIG from January 1, 2010 to July 31, 2010. During that period, three audits were completed: The internal audits of the GS/OAS Credit Cards Procurement Process (SG/OIG/AUDIT-01/10), of the GS/OAS Office in St. Vincent and the Grenadines (SG/OIG/AUDIT-02/10) and of the GS/OAS Office in Guyana (SG/OIG/AUDIT-03/10).

I. Audit Reports

During this period, operational audits conducted at Headquarters were focused to review and evaluate the activities of Travel, Procurement Processes, Credit Cards used by the Department of Procurement, Payroll Processes, and the Tax Reimbursement Program. In addition, the OIG reviewed the Program of MAPP both at Headquarters and in Colombia, and reviewed the internal controls of the activities of the Offices of the General Secretariat in Saint Vincent and the Grenadines, Guyana, Mexico, and the Dominican Republic to determine compliance with the established regulations and procedures of the OAS. Our investigations led to significant improvements in the use of the Procurement Credit Cards and the operations of the GS/OAS in Haiti. As a result, sixty-six recommendations were issued. These recommendations were classified as thirty-six High Risk, twenty-two Medium Risk and eight Low Risk. In addition, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls.

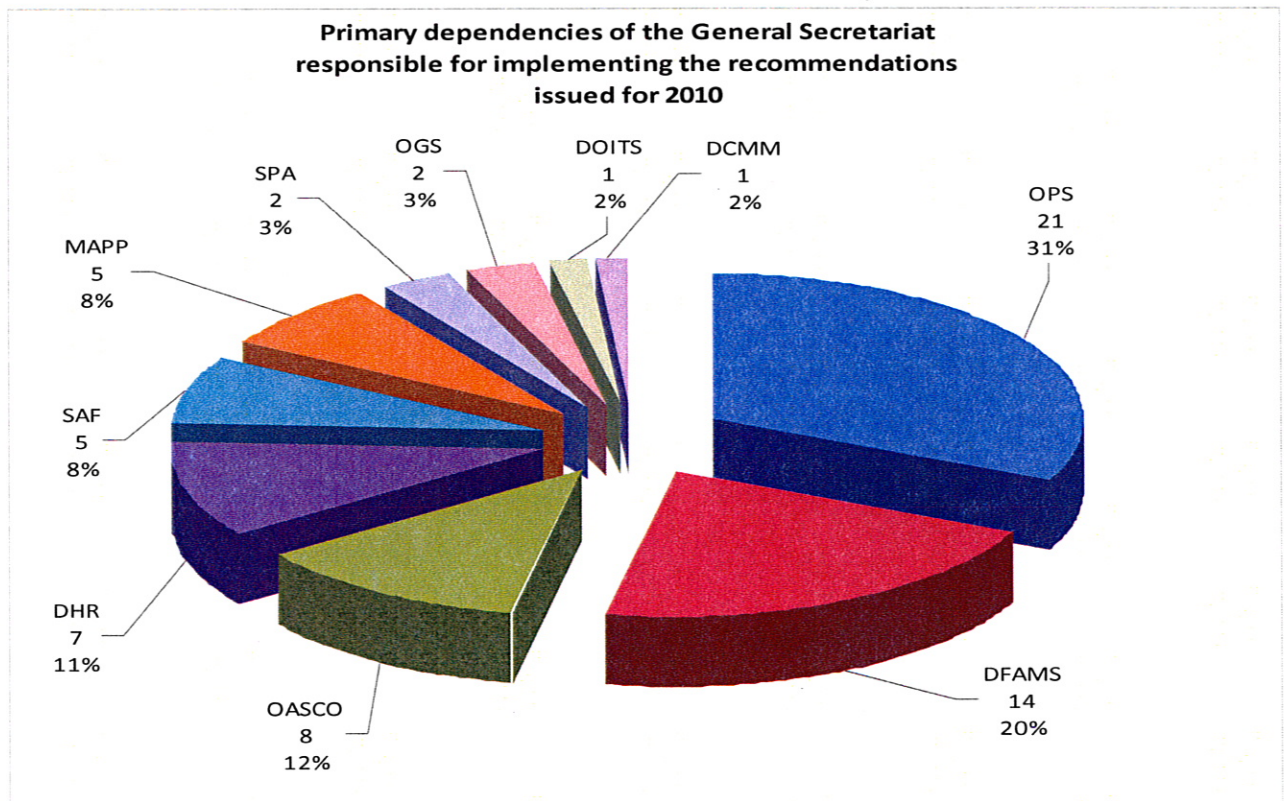
The recommendations addressed OIG findings that identified the need for:

- The Department of Procurement to strengthen the internal controls and implement adequate rules and procedures aimed to mitigate the risk of using procurement credit cards.
- The Department of Procurement to establish proper control mechanisms, policies or directives to address key travel issues such as cancellations, redemption of reward miles, preferential cards and hotel agreements. Also, for the Department of Financial Management Services to monitor, control and enforce timely submission of Travel Expense Claims. In addition, for the Department of Human Resources to improve control and custody of official

- travel documents, maintain a database of passport holders and consider changes to the official travel documents in conformity with international travel standards.
- The Department of Procurement to take appropriate actions to establish a database of pre-approved suppliers and a short list of preferred vendor to conduct procurement transactions in a more efficient manner and to develop a comprehensive procurement manual that details the policies and procedures used by the department in the performance of their business.
- The Coordinating Office for the Offices and Units of the General Secretariat in the Member States to implement tighter internal controls procedures in the disbursement process and consider communicating anti-fraud initiatives and control awareness to ensure that the execution of funds are in compliance with applicable rules and regulations.
- The Department of Financial Management Services to conduct regular audits of the tax information provided by employees who receive tax reimbursements to assess compliance.

In an effort to illustrate the accountability of the different Secretariats and the responsibility of the various dependencies within the General Secretariat, the 66 recommendations issued during the year 2010 are distributed in Chart No.1

Chart No. 1
Recommendations from Audit Activities by Area
Primary dependencies of the General Secretariat
responsible for implementing the recommendations
issued for 2010



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

Audit SG/OIG/AUDIT-04/10 – GS/OAS Travel - This audit was performed to evaluate the internal control environment and the adequacy of the Department of Financial and Administrative Management Services (DFAMS) to ensure that travelers are properly reimbursed for out-of pocket expenses and that outstanding travel advances are properly cleared and tracked; and whether those travel expenses were reasonable, necessary and authorized for individual travelling on official missions. Also, to ensure that travel activities are well managed and that suitable management practices and controls are functioning, and that updates to current regulations to reflect best business practices, take place in view of the current implementation of CONCUR (an automated solution for managing corporate travel and expenses). The weaknesses identified during the audit included the following: (1) current travel regulations are outdated and do not provide clear guidance and correct interpretation. As a consequence, a large percentage of travelers did not submit a Travel Expense Claim (TECs). (2) From the travelers that submitted their TECs, 51% did so after the due date. (3) Unsatisfactory review, control and process of TECs, resulting in processing undocumented TECs, overpayments, underpayments, late refunds, etc. (4) Lack of compliance to Quarterly Official Travel Plans and the Reports on Official Travel. (5) Lack of policies with regards to postponed, cancelled and unused travel, redemption of rewards and use of preferential cards. (6) Lack of follow-up regarding corporate agreements signed with hotels and their respective benefits. (7) Lack of communication with the areas of the GS/OAS regarding corporate agreements. (8) 62% of travel requisitions, purchase orders and airfare purchases were made within 15 days prior to the travel. (9) No restrictions were made to travelers with regards to airfare prices and personal preferences. (10) Although video conference facilities are available at the GS/OAS, it is not widely promoted to reduce travel costs. (11) Unsatisfactory custody and control of OAS Official travel documents, and changes to OAS Official travel documents are needed to be consistent with international standard security features. (12) No control on expiration dates over the agreement with the Travel Service provider and lack of control over airfares purchased outside the U.S. through other travel agencies. (13) Accountable advances continued to be recorded as expenses instead of prepayments.

Audit SG/OIG/AUDIT-05/10 – GS/OAS Procurement Process - was focused on selected sub-processes within the Procurement process and was designed to evaluate: (1) Compliance with the GS/OAS Procurement Contract Rules and policies of the Department of Procurement (DP) and Executive Order 08-01 Rev. 3. (2) The accuracy and the overall efficiency and effectiveness of the procurement process. (3) The cost effectiveness of the procurement transactions processed during the scope period, which was from January 1, 2008 to September 30, 2009.

OIG findings were noted in operations performed by the Department of Procurement as follows: (1) Requisitions were not always supported by appropriate documentation before being converted into Purchase Orders. (2) Purchase Orders were not always filed with supporting documentation and/or lacked evidence or reference to prior transactions justifying the lack of supporting documentation. (3) Sole source purchases were not documented. (4) Database of pre-approved suppliers and short-list of preferred vendors for “Small Purchases” were not maintained by DP, as required by GS/OAS rules and regulations. (5) Improvement was needed in the processing of requisitions into Purchase Orders by certain Procurement Buyers. (6) Incorrect matching types were used for some procurement transactions. (7) Incorrect/improper use of categories of expenditures for some procurement transactions and inconsistency in the use of some categories of expenditure. (8) Inaccurate quantity and unit cost shown on some Purchase Orders processed for goods. (9) Some Purchase Orders were processed for minimal amounts as low as USD 1. (10) Receiving report forms do not accurately identify the goods ordered. (11) Failure to use certain clauses in contract agreements with a supplier to increase operational efficiency and take advantage of cost reduction

opportunities related to the procurement of office supplies. (12) Contract with a supplier of office supplies was outdated. (13) There was no contract/framework agreement with a “preferred” supplier, as required by Executive Order 08-01 Rev. 3. (14) Information as to whether official travels was by GS/OAS staff members are separated from personal travels not provided by the OAS travel provider, as required by the contract terms. (15) Survey on customer satisfaction and complaints not performed by a supplier, as required by the contract terms nor requested by DP. (16) Need to consider undertaking bidding process for Health & Life Insurance services and uninsured areas and duplication of coverage noted relating to the current plans. (17) Inadequacy of coverage and other areas of concern noted related to the current GS/OAS Property and Casualty Insurance Programs.

The OIG findings related to the Department of Conferences and Meetings Management (DCMM) included: (1) List of active DCMM Buyers-Preparers-Approvers was not accurate. (2) 55% of the sample selection of 530 Purchase Orders reviewed in OASES was approved by a staff member not listed on the authorized DCMM Buyer-Approver list provided by the Department of Procurement. (3) Difficulty in attracting qualified freelance interpreters resulting from a low OAS daily rate and an inability to offer firm/guaranteed contracts in advance. (4) Need to update the guidelines relating to OAS contracts for freelance interpreters and to document the procedures for the hiring of freelance translators.

Audit SG/OIG/AUDIT-06/10 – GS/OAS Payroll Process - was performed to evaluate the GS/OAS Payroll Process as related to both the Department of Human Resources (DHR) and the Department of Financial and Administrative Management Services (DFAMS) and was designed to: (1) evaluate compliance with the GS/OAS Payroll policies and procedures and the Staff Rules; (2) review samples of Payroll transactions for the scope period for accuracy, authorization and completeness; and (3) assess the internal controls over the Payroll Process.

The OIG noted that, overall, internal controls were adequate to prevent the occurrence of irregularities in the processing of Payroll transactions for the scope period. But the following control weaknesses were identified: (1) DHR policy relating to timely processing of New Hire actions did not always comply with the Notification of Personnel Actions (NPAs). (2) Lack of documentation to support staff members’ salaries from prior employment when hired at a higher step on initial appointment. (3) Lack of supporting documentation noted relating to a sample of allowance claims for dependent spouses and dependent parents. (4) Lack of supporting evidence to demonstrate that DHR performs adequate reviews to verify whether staff members who have been transferred met the necessary or minimum requirements of the new position. (5) Other DHR procedures relating to staff transfers were not always followed. (6) Payment for repatriation travel to a former staff member was in excess (USD 2,000) of the amount established by the Staff Rule 103.22 (c). (7) Internal control procedures over the disbursement process of repatriation grants needs improvement. (8) Monthly leave reports and absences reports were not always submitted on time and were not always signed by their supervisor and discrepancies in the recording were also noted. (9) Discrepancies noted when comparing December 31, 2010 Annual Leave Accrual and Combined Leave Liability reports. (10) Overtime forms and claims identified several significant internal control weaknesses. (11) Need to consider modifying the format and the process relating to producing monthly Payroll reports. (12) Payroll reconciliation spreadsheets contain misleading information in key line items. (13) Current Payroll process description does not include key activities/ actions performed by the process owner to initiate and finalize the monthly payroll run. (14) Need to provide training to another staff member within the Payroll team to serve as back-up to the Payroll Technician.

Audit SG/OIG/AUDIT-07/10 – Tax Reimbursement Process - was undertaken primarily to review: the amount of taxes reimbursed to determine compliance with the terms of signed agreements, as well as to follow-up on the 1998 and 2001 audits. The audit findings revealed that there is a need for: (1) Improved access to the tax information of employees participating in the tax reimbursement program in order to verify its effective compliance by conducting audits of tax returns on a regular basis. (2) Strengthening the management of the Tax Reimbursement Program by DFAMS, including a thorough review of its current operational procedures, as well as the adoption of more effective processes for its supervision. (3) Improved communication between DFAMS and staff members participating in the tax reimbursement program regarding their rights and obligations under the tax program.

Audit SG/OIG/AUDIT-08/10 – Mission to Support the Peace Process in Colombia - was performed to verify (1) That the MAPP Colombia has executed its responsibilities in accordance with GS/OAS policies and procedures, and (2) GS/OAS compliance with the Agreement between the GS/OAS and the Government of Colombia, and the agreements with donors, amendments and execution control at the budgetary level. In addition, to study and evaluate the: (1) Internal controls over the financial transactions of the project. (2) Controls over assets purchased, received through donations or through bailment agreements. (3) The processes and mechanisms used for contracting personnel and salary scales. (4) The risk of contractual liabilities resulting from project execution.

For the most part, the OIG ascertained with reasonable assurance that the internal control environment of the MAPP Program is satisfactory for safeguarding assets and providing the proper recording of transaction amounts and that the Program is using the resources provided by the donors in a responsible manner. However, the audit identified the following findings/ weaknesses: (1) Quarterly reports from the MAPP/OEA operations are not timely submitted to the Permanent Council, as required. (2) The results of the external evaluation performed by the external auditors were not reported to the MAPP. (3) There is no control separation list when an employee separates from service. (4) There is no analysis to verify if the current liability account to compensate employees in case of separation of services is sufficient to cover the projected costs in case the program ends. (5) The system to control and report annual leave for local personnel needs improvement. (6) Before the continuation of the staff support program, confidential surveys are needed to evaluate the impact of the program. (7) There is need for segregation of duties. (8) The bank should be informed that the authorized signatures have changed. (9) The renditions of accountable advances are not always timely submitted and they were not signed, as required. (10) Lack of communication and information regarding the terms and conditions on how to handle accountable advances. (11) Some disbursements funded by the program were not 100% related to the MAPP. (12) OAS personnel at Headquarters were financed 100% by the MAPP although their functions are not 100% directly related to the Program. (13) The control for payments of multiple invoices is not always satisfactory. (14) Receipts in the Regional Offices are not uniformed. (15) Surprise audits performed at the Regional Offices are not documented and are made sporadically. (16) Several quotes, as well as notes receivables were submitted as if they were prepared by the providers; however they were prepared by the personnel at the Regional Offices. (17) Some quotes were not documented. (18) Quotes for events were requested through intermediaries without considering working directly with providers of the services. (19) Occasionally, the MAPP provides office space to other organizations and also is granted space by other organizations without cost or under some requirements. (20) Cases of vehicle rental did not always have the contract attached. (21)

Delays in approving the bidding processes necessary for the continuation of services required from certain companies.

Audit SG/OIG/AUDIT-09/10 – GS/OAS Office in Mexico and Selected Project - was performed to review and evaluate the internal controls within the GS/OAS Office in Mexico during the period January 1, 2009 to July 31, 2010. The OIG ascertained with reasonable assurance that internal controls were satisfactory in GS/OAS Mexico for safeguarding assets. However, the OIG identified the following weaknesses, specifically regarding proper recording of financial transactions and amounts, which may be summarized as follows: (1) Payments were made to vendors upon receipt of quote rather than invoice. (2) Not all checks in the files were maintained with their supporting documentation. (3) OIG observed that the receipts signed by the recipients were not in sequential order and check numbers on the receipts did not correspond to the attached check. (4) Supporting documentation was unorganized and, at times, was incomplete. (5) A check was issued for over USD 5,000 with only one signature without proper authorization from DFAMS attached to the check. (6) The inventory list of office supplies does not reflect the materiality of the purchases incurred for supplies during the audit period. (7) The service payments made for maintenance of the computers, printers and photocopiers at the GS/OAS Mexico were not reflected in the functionality of this equipment during the audit period. (8) Quarterly Reports on Releases for goods imported duty-free were not submitted even though releases were not processed.

OIG found no irregularities in the review of disbursements and transactions for two FEMCIDI Projects: “Aplicación de Desarrollos Tecnológicos para la Recuperación de Subproductos de la Industria Curtidora y Similares” and “Colaboración para Soportar con Metrológica Química la Evaluación de la Calidad e Inocuidad de los Productos del Sector Agroalimentario.”

Audit SG/OIG/AUDIT-10/10 Rev. 1 – GS/OAS Office in Dominican Republic and Selected Projects - was performed to review and evaluate the internal controls within the GS/OAS Office in Dominican Republic during the period January 1, 2009 to July 31, 2010. The findings may be summarized as follows: (1) Several invoices were overpaid. (2) Altered travel itineraries were used as supporting documents to process overpayments. (3) Credits that occurred as a result of overpayments to the travel agency were used to defray costs of travel services in benefit of the former Administrative Technician, relatives and third party persons. (4) Tax exemption benefits were not in compliance with the agreement between the GS/OAS and the Government of the Dominican Republic. (5) A check issued to a supplier of computer services was received and cashed by a former Staff Member, while being employed at the GS/OAS Office. (6) Payments to local providers were issued in USD Currency. (7) Discrepancies between Fixed Asset Reports submitted by DFAMS and the Inventory List maintained by the GS/OAS Office. (8) Lack of an appropriate mechanism for documenting and following-up on complaints related to the workplace environment. As a result of this audit, the Administrative Technician resigned and made a financial restitution payment to the GS/OAS in the amount of USD 7,000.

In addition, the OIG reviewed one FEMCIDI Project and one Trust for the Americas Project. Despite the challenges, the goals were achieved for the FEMCIDI project “Facilitación Comercial, Aduanera y Portuaria”. The review of the project documentation provided by the executing agency did not account for the entire amount expended for project activities. In addition, the GS/OAS Office did not keep appropriate documentation supporting the payments for goods and services to providers. The OIG concluded that the project objectives were achieved for the Trust for the Americas Project “Promoting a Culture of Compliance: Awareness, Capacity Building and Advocacy”. However,

during the review of financial documentation, the OIG noted that a number of checks issued to providers of goods and services by the GS/OAS Office were not supported by the appropriate documentation. In addition, some of the payments to local providers were processed in U.S. currency instead of local currency, as stated in the GS/OAS Field Financial Manual.

II. Investigation Reports

The OIG, in collaboration with the Department of Legal Services, conducted three investigations from which nine recommendations were issued. These recommendations were aimed to facilitate the identification of operational processes that needed improvement of internal controls, proper segregation of duties and mitigating risks, safeguarding assets in the GS/OAS Country Offices. These recommendations were classified as eight at High Risk and one at Medium Risk. In addition, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls. The investigations conducted by the OIG were the following:

Investigation SG/OIG/INV-01/10 – Use of the GS/OAS Procurement Credit Cards -was undertaken primarily to investigate and obtain sufficient evidence regarding allegations of irregularities on the use of the GS/OAS Procurement Visa Credit Card under management of the Department of Procurement (“DP”) for personal purchases performed by a former Staff Member; to evaluate the internal control environment in that office and the corresponding segregation of duties during the processes of credit card reconciliation, revision, approval and request of payments. The findings of this investigation may be summarized as follows: (1) the OIG identified that on several occasions the GS/OAS Procurement Visa Credit Card was used to pay for personal services. (2) The failure to comply with the GS/OAS norms and regulations and the inappropriate use of delegated authority severely eroded the image of the Office. (3) Unauthorized use of Regular Fund resources allocated to the Department of Procurement to temporarily defray personal purchases using the GS/OAS Procurement Visa Credit Card. (4) The authority of the DP buyers to directly make phone inquires regarding the charges on purchases made with the GS/OAS Procurement Visa Credit Card was removed. (5) Weaknesses in the custody of the GS/OAS Procurement Visa Credit Card under management of the Department of Procurement (DP). (6) The Department of Financial and Administrative Management Services (DFAMS) failed to comply with the Staff Rules regarding timely collection of salary advances. (7) Several issues found in the Audit of GS/OAS Procurement Credit Cards (SG/OIG/AUDIT-01/10) are pending implementation.

As a result of this investigation, a Staff Member resigned and the Department of Procurement began the implementation of stricter internal controls in order to address the findings of this investigation.

Investigation SG/OIG/INV-02/10 – Incident Report on Anonymous E-mail - was primarily undertaken to examine and obtain sufficient evidence on the alleged irregularities mentioned in an anonymous email, relating to the use of e-mail information, unauthorized access to computers and accusations against two staff members. The findings of this investigation may be summarized as follows: (1) Non-compliance with the GS/OAS Network Security Policies with regards to: a) Acceptable use of computer and information technology resources and b) The use of network and workstation equipment and services. (2) Misuse of OAS resources to produce unfounded defamatory information. (3) Non-compliance with the Statement of Loyalty and Ethics of Conduct

and Conflict of Interest as stated in the Staff Rules. (4) Non-compliance with Administrative Memorandum No. 90 – User’s responsibility.

This investigation identified and applied disciplinary sanctions against the Staff Member who intentionally used computer resources of the GS/OAS to create libel information to discredit two staff member from the Department of Information and Technology Services (DOITS).

Investigation SG/OIG/INV-03/10 – Activities in the GS/OAS Office in Haiti - was designed to: (1) evaluate the concerns related to practices and activities by some individuals or “Buyers” authorized to purchase goods and services, and (2) determine whether such practices and activities are taking place. OIG findings may be summarized as follows: (1) Lack of segregation of duties related to the functions. (2) Lack of internal control procedures relating to projects’ inventory items. (3) Internal procedures relating to check delivery to suppliers were not always followed. (4) Inadequate internal control procedures relating to the purchase and fuel consumption (diesel) for the office and projects’ vehicles. (5) Lack of internal control procedures relating to the monthly payroll process for the Modernization of Civil Registry and Identification System (MCRIS) project. (6) Lack of internal control procedures relating to the monitoring of administrative and project personnel count and activities.

As a result of this investigation, the GS/OAS Office in Haiti realized that it was an opportunity to strengthen the internal controls, enforce segregation of functions, and implement better inventory/storage controls, fuel usage and control, conduct spot checks to project personnel.

III. Status of Recommendations and Management’s Response

The OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls. As of the date of this report, seventy-five recommendations issued in 2010 are still open, sixty-six from audit activities and nine from investigations.

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



Oscar Chayera
Former Acting Inspector General
October 31, 2012

**ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL
FOR THE PERIOD JANUARY 1 TO JULY 31, 2010**

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

Activity Report

Of the

Office of the Inspector General

January through July 31, 2010

I. Audit Reports

This report is submitted in conformity with Resolution AG/RES. 1321 (XXV-O/95) and Article 119 of the General Standards.

As of July 31, 2010 the OIG issued reports of three audits including the review of three FEMCIDI projects executed in two Member States. In addition, the audits of: (1) OAS Procurement Process through Credit Cards, (2) Travel (3) Payroll Processes (4) Taxes and (5) Performance Contract mechanism were in process. The report of the OAS Procurement Process through Credit Cards contained eleven recommendations of which nine were considered High Risk. Appropriate action was taken during the field visit to correct the internal control weaknesses of an administrative nature that were identified in the audits of St. Vincent and the Grenadines and Guyana. In addition, during the period ended July 31, 2010 the Inspector General communicated directly with various Directors, managers and supervisors and provided appropriate recommendations or suggestions regarding ongoing operational processes and issues towards the achievement of improved management controls. All reports and recommendations were submitted to the Secretary General for approval and these recommendations have not been implemented. In accordance with Article 119 of the General standards OIG reports are available to the Permanent Council.

Audit SG/OIG/AUDIT-01/10 - The audit focused on the OAS Procurement Process through Credit Cards, managed by the Office of Procurement (Visa and Amex credit cards) and the Office of General Services (Exxon Mobile Credit Card). The objective of the audit was to verify whether: (1) the OPS, OGS and DFAMS were executing responsibilities related to this procurement process in accordance with established OAS directives, including the Procurement Rules and the Budgetary and Financial Rules as well as agreements with credit card providers, (2) credit card purchases were properly authorized, recorded and reconciled; and (3) payments were made on a timely basis. The audit covered transactions processed during January 1, 2008 through December 31, 2009. In the absence of appropriate written procedures for credit card purchase processes, OIG conducted interviews and documented the selected process based on interview results, inquiries, observations and "walk-throughs" of operational processes, focusing on identifying whether the internal control environment was satisfactory.

OIG determined that during the scope period written procedures related to the primary credit card purchase processes had not been developed or distributed and therefore were not available for review. Other weaknesses identified by the OIG may be summarized as follows: (1) There is a lack of adequate segregation of duties for Visa and Amex credit cards procurement processes; (2) The SAF reconciliation process for Visa and Amex credit cards is ineffective and needs to be revisited for proper accountability and accuracy; (3) Interest (Finance) charges are paid on unpaid balances for Visa

credit cards even though the credit cards agreements require payment in full by the due dates shown in the respective monthly statements; (4) Outstanding balances for Visa credit cards are not recorded as liabilities in the OAS' financial statements; (5) There is a lack of effective monitoring and follow-up of "un-reconciled transactions with purchase orders" shown in the credit card reconciliation processes; (6) Charges to the American Express credit card were not recorded as expenses; (7) OAS was also charged and paid amounts for late fees for the Exxon Mobile credit card although the agreement explicitly requires full payment by the due date shown on statement. Eleven recommendations were offered to address internal control weaknesses.

Audit SG/OIG/AUDIT-02/10 - was performed to review and evaluate internal controls within the GS/OAS Office in St. Vincent and the Grenadines during the period January 1, 2009 through May 31, 2010. OIG determined that for the most part, internal controls were satisfactory in that office and OIG found no irregularities with the disbursements and transactions. The weaknesses identified during the audit were of an administrative nature and included: (1) Sufficient descriptions were not provided for a number of checks and project disbursements and the supporting documentation was not attached to the copy of the check as required, but was filed separately in the project files; (2) The filing system for records retention was outdated, contained copies of outdated documentation and were not maintained in accordance with the OAS Records Management Manual; (3) The official vehicle log was incomplete; (4) A chronological file outgoing correspondence was not maintained; and (5) The VOIP internet based system established to reduce the cost of long distance phone calls to Headquarters was nonfunctional.

OIG reviewed a sample of disbursements and transactions for two FEMCIDI Funded Projects: "Reducing Rural Poverty through Entrepreneurship Development" and "Capacity Strengthening for Community Management of Resources for Sustainable Development". OIG found no irregularities and the final reports for both projects indicated that objectives were achieved.

The Director took appropriate correct action to implement the weaknesses identified during the audit.

Audit SG/OIG/AUDIT-03/10 - was performed to review and evaluate internal controls within the GS/OAS Office in Guyana during the period January 1, 2009 through May 30, 2010. OIG reviewed a sample of the financial transactions and found that disbursements and transactions were adequately supported by the required documentation. No financial irregularities were noted and OIG concluded that internal controls for recording financial transactions were satisfactory during the audit period. However, although the Administrative Technician has received training for OASES, neither the Director nor the Administrative Technician are certified in OASES and those functions are performed at Headquarters through the Coordinating Office for the Offices and Units of the General Secretariat in the Member States (OASCO). The Regular Fund Program Budget has not provided a post of Clerk/Messenger/Chauffeur for that office. Consequently, the required functions are shared between the Director and the Administrative Technician.

OIG noted that the Administrative Technician does not have access to the GS/OAS Guyana office email. In addition she does not have access to the safe in which the unused OAS checks in both local and US\$ currency are located or the room in which the safe is located or certain sections of the office. The required access is not given to her during the official working hours or even during those periods of the Director's absence on vacation. OIG concluded from the observations and inspections during the field audit that this situation adversely affects the risk associated with the safe custody of OAS assets. In addition, the Director manages the Inventory listing in his computer without sharing the information with the Administrative Technician. The Director has also established a process of transferring communication from Headquarters from the GS/OAS Guyana email account to a local

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email account to inform the Administrative Technician of all communication from Headquarters, including directives that affect her responsibilities for financial issues. This unsatisfactory working environment indicate that OAS resources are not being used effectively and in the opinion of the Inspector General, adversely affects the working environment and the Administrative Technician's ability to effectively serve the Organization. In the opinion of the OIG, the working environment of that office must be improved so that the Administrative Technician is able to carry out the responsibilities of the operations of the office, particularly in the absence of the Director.

The Administrative Technician has been performing the functions since November 2005 and the competitive selection process is required in compliance with Staff Rule 104.7 (f). The Inspector General is deeply concerned that the Administrative Technician has been adversely affected not only by the unsatisfactory working environment but also by the actions taken by the Director in the competitive selection process. The Inspector General has referred this matter to the Coordinator of the Coordinating Office for the Offices and Units of the General Secretariat in the Member States (OASCO), as well as the Director of the Department of Human Resources and also forwarded a written statement submitted by the Administrative Technician to OASCO and DHR for appropriate action. The Inspector General has also been informed that the matter has been referred to the Director of the Department of Legal Services.

Other weaknesses of an administrative nature that were identified during the audit were: (1) Vehicle mileage log maintained by the Director does not provide complete and accurate information on the use of the official vehicle; (2) the disposition of two obsolete items that were reported by the GS/OAS Guyana was not recorded as those items remain in the fixed assets report at Headquarters; (3) A number of outdated files, documents and items from prior Electoral Observer Missions were located in the Office of GS/OAS Guyana and indicate a need for general housekeeping and culling of files; and (4) there is need for an appropriate filing system in accordance with the Records Retention Manual.

OIG also reviewed the disbursements, transactions and progress and the final report showing the level of execution of activities for FEMCIDI Project entitled: "Building Capacity in the Education Sector in Guyana for Sustainable Human Development". OIG found no irregularities and the project final report indicated that objectives were achieved.

No recommendations were provided in this report because during weaknesses of an administrative nature that were identified during the audit were corrected the field visit. The issue of the working environment and the competitive selection process has been brought to the attention of DHR, OASCO and the Department of Legal Services for appropriate action.

Outstanding Recommendations

Reports of the audit activities were submitted to the Secretary General for approval. OIG will take appropriate action regarding the follow up process after receiving the Secretary General's approval of those reports.

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Audits in Process

The Board of External Auditors recommended in the audit report of the 2009 financial statements that the OIG, in conjunction with SAF, could implement a continuous monitoring strategy to determine the high risk areas that need to be reviewed on a horizontal basis.

Continuous monitoring is a management function to ensure that company policies, procedures, and business processes are operating effectively and addresses management's responsibility to assess the adequacy and effectiveness of internal controls. In addition, continuous monitoring usually involves the automated testing of all transactions and system activities within a given business process area against control rules. Monitoring may occur on a daily, weekly, or monthly basis based on the nature of the underlying business cycle.

Although many of the continuous monitoring techniques used by management are similar to those performed by internal auditors during continuous audit activities, continuous auditing usually enables auditors to evaluate the adequacy of management's monitoring function and identify and assess risk areas.

The Board recommended a more strategic audit planning approach, including examination of specific risks and issues across business units, i.e. Secretariats and National Offices. In keeping with the Board's recommendation for review on a horizontal basis of high risk areas, the OIG audit plan for 2010 includes a number of processes that affect the General Secretariat. As of July 31, 2010, the following OIG audits are in process: Travel, GS/OAS Procurement, Payroll processes and the Performance Contractor mechanism.

II. Staffing

In addition to the position for the Inspector General, the 2010 Regular Fund Program Budget provided two P3 Auditor posts, two P2 Junior Auditor posts and one P1 Audit Trainee position. The P03 position that was approved in 2006 by the General Assembly following the 2005 investigation of significant unfunded expenditures in the SAF area was unfunded in 2009 and the position was not approved in the 2010 Regular Fund Program Budget.

In addition to Regular Fund allocations, as of July 31, 2010 the OIG received US\$81,134 from the recovery of indirect costs generated by Specific Funds and those funds were used to cover the cost of the G-5 Audit Technician from January to June, 2010 and a P2 Junior Auditor from May 4 through November 03, 2010. The Inspector General continues to utilize performance contractors to supplement the staffing resources provided by the Regular Fund.

OIG staff members attend continued education training to meet annual professional requirements as recommended by the Board of External Auditors and the Institute of Internal Auditors. In 2010 staff members attended training in various competencies, including International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). IFRS is designed to improve financial reporting internationally by establishing a single set of high quality, consistent, converged reporting standards. The Member States and the Board of External Auditors have agreed that the OAS adopt IPSAS. Training in IFRS and IPSAS was provided to ensure that the OIG staff members are equipped to evaluate whether the OAS conversion efforts and transition processes are adequately planned and appropriate for the OAS.

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III. OIG Observation and Attendance at Meetings with Managers

During 2010 OIG observed various meetings of the Permanent Council, the CAAP and CEPICIDI, as well as GS/OAS meetings, including the Procurement Contract Awards Committee, Committee for Disposal of Surplus and/or Obsolete Assets (COVENT). When required, the Inspector General meets with the Offices of the Secretary General and Assistant Secretary General, as well as Secretaries and managers of the General Secretariat to discuss matters and concerns that affect the internal control environment and those that may present potential risk to the Organization. In 2010 those meetings included discussions regarding the internal control environment, implementation of audit recommendations, as well as other operational issues such as proposals for changes to business processes.

IV. End of Tenure as Inspector General

July 31, 2010 marks the end of my tenure as OAS Inspector General. I wish to take this opportunity to thank the Member States, the Secretary General and the former officials who served in that capacity and under whom I have served, as well as everyone in the General Secretariat, for the confidence entrusted in me, as well as the cooperation given to me and the professional relationships enjoyed during my tenure of office. I wish to express my appreciation for the opportunity to serve the Member States, first as Deputy Inspector General and then from 1998, as Inspector General. It has been an honor to carry out those functions and to serve this Organization.

No material weaknesses or significant deficiencies in internal controls were reported in the 2009 report of the Board of External Auditors. Reports of the Board of External Auditors have concluded that in general the internal control environment has been satisfactory. My commitment to the promotion of economy, efficiency and effectiveness through assisting the Secretary General, the Secretaries, managers and staff members has been consistent and unwavering. I am pleased that throughout this period and through the reports and recommendations issued by me, the OIG has succeeded in maintaining its objectivity and the focus on increasing efficiency, economy and effectiveness. OIG efforts and recommendations are central to our institutional objectives and as indicated in the annual Auditors' Reports, the status and role of the OIG in the OAS are essential and continuing safeguards to assess the internal control environment. The value added to the Organization through its internal audit activities (despite the many years of financial constraint), have been demonstrated through the organizational knowledge, objectivity, competencies and personal qualities. Of the OIG staff, I am confident that the OIG staff members of my team possess the appropriate skills, personal attributes and characteristics defined for the OIG staff of the OAS. I have fulfilled my responsibilities in ensuring that they have received the appropriate training and are equipped to carry on the required tasks, so that the institutional memory and viability of the OIG will not be adversely affected by my departure. The use of the two procedural manuals developed during my term as Inspector General will also serve as useful tools for carrying out the OIG functions in the future.

Once again many thanks for a wonderful opportunity to serve this august Organization.



Linda P. Fealing
Inspector General
July 30, 2010