

ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2012

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 2012 through December 2012**

This report is submitted in conformity with Article 121 of the General Standards to govern the operations of the General Secretariat of the OAS.

The first part of this report summarizes the audit activities conducted during the tenure of the Inspector General from November 1 to December 31, 2012. Annex 1 of this report was prepared by the former acting Inspector General and addresses the audit activities that were performed while he was responsible for the OIG from January 1 to October 31, 2012. During that period, the OIG issued two audits and two investigations reports: the internal audits of the GS/OAS Summits Secretariat (SG/OIG/AUD-01/12), the Department of Human Resources' Benefits Section (SG/OIG/AUD-02/12) and the internal investigations of the Art Museum of the Americas and the Training and Certification Program for Drug and Violence Prevention, Treatment, and Rehabilitation (PROCCER) of the Inter-American Drug Abuse Control Commission (CICAD). The field work of the Department of General Services' Building Management and Maintenance Section's audit is still in process.

During this period, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls. The OIG is in the process of implementing a follow-up mechanism for determining the status of the outstanding recommendations. During this process, 34 recommendations were implemented or closed. As of the date of this report, 113 recommendations are in process, of which 64 are High Risk, 39 are Medium Risk and 10 are Low Risk. The OIG will incorporate new automated tools and establish new procedures to follow-up on recommendations so the responses received from the areas are consistent and the OIG can properly verify the status and so the information is updated accurately.

## **II. Recommendations of the Board of External Auditors**

In the Annual Audit of Accounts and Financial Statements that was presented to the Permanent Council for the years ended December 31, 2011 and 2010. The Board of External Auditors issued ten recommendations to the different dependencies of the General Secretariat, three of which were addressed to the OIG. In the last quarter of 2012, the OIG took the following measures to implement these recommendations:

*3.1. The Board requests the new Inspector General do a full organizational review of OIG operations, including prior Board reports and the Raven Global Training report of 2011 (an interim evaluation), and provide the Board with an action plan for improved operations by December 31, 2012.*

The Inspector General reviewed the prior reports from the Board of External Auditors along with the report from Raven Global Training and is in the process of performing a full organizational review of the Office and plans to present an action plan for improved operations to the Board of External Auditors during the second quarter of 2013.

*3.3. The Board reaffirms that the Inspector General report to the Permanent Council annually by March 31 on the status of completion of the planned audits for the previous year, the status of management actions regarding outstanding audit recommendations, and the proposed plan of audits for the new fiscal year.*

In compliance with the recommendations from the Board of External Auditors and Article 121 of the General Standards to Govern the Operations of the General Secretariat, the Inspector General will report to the Permanent Council on the status of completion of the audits planned for 2012, along with actions taken by management towards implementing outstanding OIG recommendations. In addition, the OIG will present a proposed plan of 2013 and 2014 audits for the Permanent Council's consideration during the first quarter of 2013.

*3.2 The Board reaffirms its recommendation of the need for a peer review evaluation to be performed on the Office of the Inspector General (after completion of recommendation 3.1).*

The OIG is dedicated to make optimum use of available resources to accomplish results that add value to the services provided to the GS/OAS and the Member States. During the last quarter of 2012, the OIG contracted the services to install and implement an Audit Management Software. This electronic tool will enhance, formalize, and streamline the audit procedures. Furthermore, the OIG staff attended a comprehensive training in Internal Audit Quality Assessment and the Office is in the process of drafting its internal audit procedures. Upon completion of these fundamental changes, the Inspector General plans to perform a peer review in 2014.

### **III. OIG Staffing**

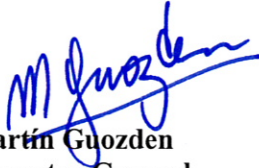
The resources available for the auditing activities of the Office of the Inspector General are mainly provided in the Program Budget of the Regular Fund. In addition, non-personnel budget was allocated from the Indirect Cost Recovery Fund (ICR) for the 2013 fiscal year.

In 2012, OIG staff positions provided by the Regular Fund consisted of one (D01) the Inspector General (this position was vacant until November 2012), one (P05) Advisor, two (P03) Auditors, two (P02) Auditors and one (P01) Junior Auditor. In addition, one (P02) Auditor and one (G05) Administrative Assistant were supplemented and financed with ICR funds.

### **IV. Other**

On a few occasions in 2012, the OIG participated as observers during meetings of the Permanent Council and the Committee for Administrative and Budgetary Affairs (CAAP), as well as observers in various committee meetings and working groups of the General Secretariat that may impact internal controls, that includes the Selective Bid and Contract Awards Committee. The OIG greatly appreciates the collaborated effort of representatives from the Department of Legal Services in addressing matters that, in the opinion of the Inspector General, pose the significant risk to the

Organization. The OIG encourages department managers to consult with the Inspector General regarding operational matters that may present a potential risk to the Organization, the implementation of recommendations, or other operational issues related to the internal control environment, including proposals for changes in business processes and review of draft operational procedures. This process would contribute to improved internal communication and a satisfactory internal control environment within the General Secretariat.



**Martín Guozden**  
**Inspector General**  
**January 25, 2013**

ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL  
FOR THE PERIOD JANUARY 1, 2012 TO OCTOBER 31, 2012

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will be presented to the Permanent Council of the Organization

**Activity Report**  
**Of the**  
**Office of the Inspector General**  
**January 2012 through October 2012**

This report is submitted in conformity with Article 121 of the General Standards to govern the operations of the General Secretariat of the OAS.

The Annual Work Plan of the Office of the Inspector General for 2012 contemplated 13 audit activities, including internal audits of Country Offices in the Member States and to other Departments at Headquarters as well as operational audits. An excessive workload carried over from 2011 (including the completion of the Online Assessment of all the Country Offices of the General Secretariat in the Member States) and the early start to the transition to a new Inspector General presented significant challenges to the resources available to the OIG. In order to properly support the tasks that arose from the recommendations issued by the Board of External Auditors, these challenges had to be met by prioritizing the OIG's activities. During the period January to October 2012, the scope of the 2012 Annual Work Plan was reduced as compared to those of previous years. The OIG performed three audits which covered operations and activities at Headquarters; further, in collaboration with the Department of Legal Services, the OIG also conducted two investigations.

**I. Audit Reports**

During the period January to October 2012, the OIG conducted three audits from which nine recommendations were issued. They resulted in increased accountability and higher adherence with GS/OAS rules and regulations, facilitated the identification of operational processes that needed improvement of internal control, and promoted organizational efficiency and effectiveness. Those recommendations were classified: four as High Risk, four as Medium Risk and one as 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 two audits that were completed in 2012 have been submitted to the Secretary General for his approval.

**Audit SG/OIG/AUDIT-01/12 – GS/OAS Summits Secretariat:** The main objectives of this audit were to evaluate whether: (1) the administration of the Summits Secretariat was complying with certain key provisions established by Executive Order No. 08-01, Rev. 5 in performing its functions, (2) financial statements produced by DFAMS on behalf of the Secretariat agreed with OASES General Ledger information for the scope period; and (3) the Secretariat complied with (a) the Organization's applicable policies and procedures in carrying out its operational and financial activities; and (b) donors' agreements for Specific Fund contributions.

The audit covered the period from January 1, 2010 to December 31, 2011; however, transactions prior and/or subsequent to that period were also reviewed, whenever necessary. Based on the results of the OIG's work, areas that need improvement were identified. The following lists the observations that support our conclusion: (1) need for the Summits Secretariat to consider drafting a set of rules and procedures to (i) guide the negotiation process and related activities of the stakeholders involved in the Summits Process, and (ii) help improve the effectiveness and efficiency of the process; (2) some expenditure transactions reviewed were missing supporting documentation including a credit card payment and one payment for catering services; (3) one payment for mobile phone usage was incorrectly charged to another account; and (4) lack of evidence to demonstrate that there was a review and approval relating to a sample of invoices for goods and services requested.

Other observations were also noted related to non-compliance with time-based CPR rules and OAS Travel policies. However; the implementations of the Results-Based Contracting System (RBCS) by the Department of Human Resources in March 2012 and the recent launching of a new web-based Travel Expense Claim System (TECS) during November 2012 by the Secretariat for Administration and Finance will help mitigate the risks of non-compliance with CPR rules and OAS Travel policies.

**Audit SG/OIG/AUDIT-02/12 – DHR's Benefits Section:** The main objectives of this audit were to evaluate the effectiveness and efficiency of the operational procedures and internal controls of selected activities and operations of the Department of Human Resources' Benefits Section; and to evaluate the DHR compliance with applicable GS/OAS rules and regulations, as follows: (1) the provision of orientation sessions on benefits; (2) the processing of G-4 visas for staff, consultants, interns and their respective dependents; (3) the issuance of official compensation and employment certificates; (4) the authorization, overseeing and processing of recruitment-related travel and home leave travel; (5) the adequate maintenance of appropriate personnel information; (6) the administration of the education allowance; and (7) the administration of the tuition reimbursement program for staff. The Benefits Section also administers other benefits, such as staff compensation and staff per diem for official travels, which were not reviewed under this audit. The audit covered the period from January 1, 2010 to December 31, 2011; however, transactions prior to and/or subsequent to that period were also reviewed, whenever necessary. Based on the results of the OIG's work, areas that need improvement were identified. The following lists the observations that support our conclusion: (1) lack of adequate controls in the applications processes of the G-4 and G-5 visas; (2) undue authorizations of exceptions under the Recruitment-related Expenses benefit; (3) payments of the Home Leave benefit to ineligible dependents; (4) unjustified authorization of exceptions, as well as undue and unsupported payments under the Education Allowance benefit; (5) payments of the tuition reimbursement benefit to ineligible or the conditions were not met.

**Audit SG/OIG/AUDIT-03/12 – DGS Building Management and Maintenance Section–**  
This audit is currently in process.

## II. Investigation Reports

The OIG, in collaboration with the Department of Legal Services (DLS), conducted two investigations from which four recommendations were issued. These recommendations were aimed to strengthen the internal controls, improve the procurement process and project management, and enforce compliance with current rules and regulations with the juridical framework of the Organization. Those recommendations were classified as four High 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.

**Investigation SG/OIG/INV-01/12 – Art Museum of the Americas:** This investigation was initiated in February 2012 when the OIG received an unsigned document submitted by personnel from the Art Museum of the Americas (AMA) that was alleging unprofessional behavior of an AMA's staff member. The document included accusations of misappropriation of GS/OAS property, as well as various performance deficiencies on the part of the employee. The OIG, in coordination with the Department of Legal Services, conducted this investigation, which included interviews with AMA personnel and consultants, physical observations of the AMA's facilities and a review of related documents.

The authors of the document were unwilling to claim ownership or to substantiate the allegations. Credible evidence suggested that the allegations against the AMA staff member were unfounded and subjective in nature. The investigation could not find reliable evidence to support the statements of the most serious allegation regarding the misappropriation of artwork from a recognized artist. Moreover, interviews conducted by the OIG with DLS noted that there were several contradictions amongst those interviewed.

As a result of this investigation, the OIG also noted serious deficiencies with the AMA's management and inventory practices and the lack of internal guidelines to support their processes. During 2012, the administration of AMA provided the OIG with copies of a new set of guidelines being implemented as a measure to improve their controls. The painting in question was physically located in the Museum and was returned to the artist by the Director of the AMA in late 2012.

**Investigation SG/OIG/INV-03/12 – PROCCER:** The Training and Certification Program for Drug and Violence Prevention, Treatment, and Rehabilitation (PROCCER) of the Inter-American Drug Abuse Control Commission (CICAD) carried out a graduation event held in El Salvador in July 2012. A few days after the event, a supplier demanded a payment of USD 10,250 from the GS/OAS Office in El Salvador for printing 250 manuals for PROCCER. However, according to OAS records, this same request had been made to another supplier in the amount of USD 14,250. At the request of the Representative of the GS/OAS Office in El Salvador, the OIG initiated the review of related transactions.

The OIG identified irregularities in the procurement process including the fabrication and alteration of four quotes and the false confirmation of having received the 250 manuals prior to the event's date. Based on credible evidence and third party confirmations, a CPR from the Secretariat of Multidimensional Security (SMS) and a supplier, who was in charge of the design of the manuals in El Salvador, were found to be responsible for these irregularities. This finding was made before the OAS had issued the payment to the designer and, therefore, the OAS was able to pay the company,

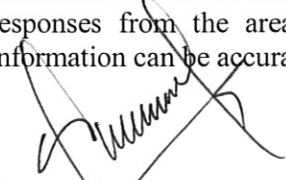


who actually printed and delivered the manuals, directly. The contract of the CPR from SMS was not renewed and the designer is no longer being hired by the OAS. The Department of Legal Services (DLS) provided support to the OIG during this investigation.

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

As mentioned in the 2010 and 2011 OIG Activity Reports, 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, all recommendations issued during the years 2010, 2011 and 2012 are still open.

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 Chavera**  
**Former Acting Inspector General**  
**October 31, 2012**