

Activity Report of the Office of the Inspector General  
for the Period from January 1 to June 30, 2016

This report is presented in compliance with Article 122 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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July 25, 2016

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

SG/OIG-16/05

Excellency:

I have the honor to submit to you the Activity Report of the Office of the Inspector General for the period January 1 to June 30, 2016.

I submit this Activity Report to you, for forwarding to the Permanent Council, in accordance with the provisions of Article 122 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 June 30, 2016**

### **I. Summary**

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

This report is submitted in conformity with Article 122 of the General Standards. It covers the activities of the OIG from January to June 30, 2016. During this period, the OIG:

- Completed the audit of the GS/OAS Performance Contract (CPR) Mechanism) from the 2015 work plan.
- Completed the audit of the Regular Fund Transition Costs included in the 2016 work plan. This audit was requested by the Permanent Council.
- Initiated 5 audits from the 2016 work plan as follows: Department of Financial Services - Disbursement Process for Specific Fund (carried over from 2015); Department of Information and Technology Services- OASES Reporting and Data Integrity; the GS/OAS Office of Peru; the GS/OAS Office of Bolivia; and Department of Procurement Services - Management and Use of Travel Mileage.
- Continued the process of conducting follow-up on the pending recommendations.
- Received 3 matters for investigation including 2 workplace harassment complaints and one whistleblower case and carried over 4 investigations from previous years that remained open or at the Preliminary Review stage.
- Finalized the OIG new Internal Audit Manual.
- Updated the voice message for the OIG Hot Line to ensure it follows best practices.

With the implementation of our audit management software in 2015, the OIG audit process is now automated and audit work papers and procedures are standardized.

### **II. Mandate**

The Article 117 of the General Standards states as follows: *“The Office of the Inspector General is 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, economy and transparency 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, in accordance with these General Standards, with the Permanent Council duly apprised.”*

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. Review of the BEA and Overall Efforts to Strengthen the Functions of the Office of the Inspector General**

In April 2016, the BEA issued its 2015 Annual Audit Report. In this report, the Board reaffirmed its support of the functions and the work the OIG is performing based on its review of the OIG's activities for 2015. The Board noted the following:

*“The role of the OIG within the OAS is important to the Organization as well as to the Board since the OIG is an essential safeguard to the assessment and maintenance of OAS' internal control environment. The Board feels the internal audit function has demonstrated the provision of timely advice and value-added audit reports to the OAS. The audits selected displayed alignment to the key “risks” in the context of OAS' mandate. The Board also 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 2015. The Board notes that one project in each of the OIG's 2013 and 2014 work plans have been carried forward to the 2016 work*

*plan. The Board understands that the OIG periodically gets special or ad hoc requests for additional audits or investigations that may delay the delivery of planned projects. The Board has also noted that the OIG has experienced capacity challenges this year. The Board appreciated the efforts of the OIG to adapt their work plan to accommodate these changes, and is hopeful that the OIG will be able to fill vacant positions to be in a better position to complete all 2016 audit projects on a timely basis. 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."*

## **Training**

Despite the many challenges that we face, the OIG continues to make training an important part of staff development in order to maintain their skill levels and ensure that they are adequately prepared to meet the required minimum annual Continuing Professional Education (CPE) credits. The OIG has purchased software and training materials that are available to staff interested in becoming certified as Internal Auditors or Fraud Examiners. The OIG also 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 Institute of Internal Auditors (IIA).

During the second semester of 2016, OIG staff will have the opportunity to attend the following training events, pending approval from the administration:

- Assessing Risk: Ensuring Internal Audit's Value (IIA)
- Prevention and Detection of Fraud
- Conducting Performance Audits
- Auditing Performance Outcomes
- Practical Statistical Sampling for Auditors

## **OIG Vacant Positions and Staffing**

Currently, the OIG has 2 vacant positions funded by the Regular Fund: a P-3 investigator and a P-1 auditor position. The P-3 investigator position has been advertised for competition and the deadline to submit applications was May 20, 2016. This function is being performed by a consultant (CPR) whose contract will expire in September.

According to the Department of Human Resources (DHR), 46 candidates submitted their applications by the deadline. The DHR made a preliminary screening of the applicants and forwarded to the OIG a list of 23 candidates who met the requirements of the position. We reviewed the qualifications of those candidates and selected the top three who will be participating in the interview process. As suggested by the DHR, we also selected three additional candidates as back-up should one of the top three candidates is unavailable for the interview or no longer wishes to be considered for the position.

With regard to the P-1 auditor position, we were informed by the Secretariat for Administration and Finance that the Secretary General has not approved the advertisement of the vacancy and the fund will probably be used to pay for termination benefits. As it stands now, the OIG will lose yet another Regular Fund position.

The P-3 investigator and the P-1 auditor positions are critical to OIG operations.

Excluding my position, OIG current staffing has more CPRs than staff members (3 CPRs and 2 staff members). In 2008, the office had 7 staff positions funded by the Regular Fund. Relying on CPRs to carry out OIG activities causes disruption in our operations since they have to take mandatory break to comply with CPR rules.

#### **IV. Audit Activities**

From January to June 30, 2016, the OIG completed one audit that was included in the 2014 work plan and another audit from the 2016 work plan. Furthermore, the OIG initiated 5 audits from the 2016 work plan. These audits are in various stages of completion. Our recommendations aim to increase accountability and higher adherence with GS/OAS rules and regulations, facilitate the identification of operational processes that may lack internal controls, and promote organizational efficiency and effectiveness.

#### **Audit SG/OIG/AUD- 02/16 – Department of Financial Services (DFS) - Regular Fund Transition Costs**

Pursuant to Resolution CP/RES. 1045 (2010/15) corr. 1, the Permanent Council instructed the OIG to audit the subaccount of the Regular Fund up to December 31, 2015, and submit the result of the audit to the Permanent Council through the CAAP.

The main objectives of the audit were to (1) verify that the obligations and expenses recorded in the separate account in the Regular Fund designated were strictly for the costs of the transition to the new administration; (2) Verify that the amounts not committed as of December 31, 2015 were deposited into the Reserve Sub-fund of the Regular Fund; (3) Verify whether the activities related to expenditures associated with the administration change in 2015 were carried out in compliance with established GS/OAS rules and regulations, including the Budgetary and Financial Rules, as well as other GS/OAS directives, if applicable; and (4) Evaluate internal controls surrounding the transition costs, including: a) Financial transactions: how they were initiated, authorized, processed and recorded in the system, b) Procedures for recruiting CPR personnel, and c) Procedures for staff terminations. The OIG submitted the final report of the audit to the Chair of the CAAP on April 7, 2016.

Based on the results of the work performed including interviews conducted and our reviews of transactions during the scope period (i.e., March 18, 2015 to December 31, 2015), nothing came to our attention indicating that activities carried out in relation to the costs of the transition to the new administration were not in compliance with the Organization's rules and regulations during the period under review.

However, the results of our work also identified a lack of disclosure related to certain expenses/obligations associated with the transition to the new administration and internal controls related to the monitoring aspect of those expenses. Specifically, we noted the following:

- USD225,611 of expenses not paid as of December 31, 2015 were reported in the financial report with no disclosure.
- USD56,079 of repatriation benefits expired as of December 31, 2015, but were not reported by the DHR to DFS until March 4, 2016.

To address these findings, we issued appropriate recommendations to the DFS and DHR, as follows:

1. DFS: Disclose the information on the USD225,611 expenses/obligations as a footnote to the December 31, 2015 financial report and consider issuing a revised report for December 31, 2015 to include the foot note.
2. DFS: Take appropriate actions and reduce the expenses recorded to the 114 fund by USD 56,077, the amount of expired termination benefits that will not be paid out.
3. DHR: Review on a case-by-case basis the termination benefits associated with the transition to the new administration and expiration of such benefits and communicate the results to DFS in a timely manner to allow for prompt adjustments to the financial reports.

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

This audit was carried over from the 2015 work plan. The objectives of the audit are as follows: 1) Verify whether disbursements made through Specific Funds are in compliance with the established GS/OAS rules and regulations, including Administrative Memorandum No. 125, for the audit scope period; and 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. This audit is in the planning phase.

#### **Audit SG/OIG/AUD-04/16–Department of Information and Technology Services-OASES Reporting and Data Integrity**

This audit, which is currently in the planning phase, is a co-sourcing activity between the OIG and the consulting and auditing firm, Baker Tilly. Baker Tilly is providing this internal auditing service on behalf and under the supervision of the OIG.

The main objectives of the audit are to: (1) Assess the overall data integrity of the OASES system, and (2) Verify that the data generated by the system can be fully relied upon for daily OAS work effort.

#### **Audit SG/OIG/AUD-05/16 – GS/OAS Office of Peru**

The main objective of this audit is to determine whether the GS/OAS Office in Peru 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 will also assess whether the internal disbursement process in local currency and U.S. dollar for the operational functions of the office and for the projects in Peru are appropriately designed and operating effectively and efficiently to ensure the orderly conduct of activities. The site visit for this audit is scheduled for August 8-12, 2016.

#### **Audit SG/OIG/AUD-06/16 – GS/OAS Office of Bolivia**

The main objective of this audit was to determine whether the GS/OAS Office in Bolivia 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 the projects in Bolivia are appropriately designed and operating effectively and efficiently to ensure the orderly conduct of activities. The final report of this audit was issued on July 15, 2016.

Based on the results of our work, we identified certain areas of the office's operations that need improvements, including: large volume of outdated archives, proper maintenance of the official's vehicle mileage log, physical inventory of fixed assets, personal long distance calls from the office phone, and monitoring over FEMCIDI projects.

In addition, our review found that USD54,012 from 2007 projects' activities remained inactive in OASES. We noted similar issues during the execution of two other country offices' audits in 2015. In this regard, the OIG plans on performing a horizontal analysis of the Specific Funds' disbursements for all country offices to determine the extent of this lack of monitoring of unspent projects' funds. The results of this analysis will be included in the final report of Audit No. 03/15- Disbursement Process for Specific Funds.

The OIG provided appropriate recommendations to the corresponding areas to address these matters, including the need for:

- The Department of Financial services (DFS), in coordination with the areas, to actively monitor the unspent projects' funds balances in the country offices. Unspent funds could be used for a purpose that differs from the one originally intended and this could deter donors from making future contributions.
- The Coordinating Office of the Offices and Units of the General Secretariat in the Member States and the country offices' Representatives to work collaboratively to address the issues related to the offices' operations, such as: inventory of fixed assets, obsolete inventory items, personal phone calls and use of the official vehicles.
- FEMCIDI management and the country offices' Representatives to work collaboratively to improve the communication and monitoring process of the projects.

## **V. Investigation Activities**

In 2016, the Office of the Inspector General's Investigations Unit (OIG/INV) received 3 matters for investigation; 2 of which relate to Workplace Harassment and one to a Whistleblower Case of Harassment, Slander, and Defamation of Character. The OIG also carried 4 matters for investigation from the previous year.

### **OIG/INV 2016 Ongoing Cases**

#### **Investigation SG/OIG/INV/PR-15/08**

On December 2, 2015, the OIG/INV received an allegation from a GS/OAS Department of General Services employee indicating that he was being harassed by a GS/OAS Department of Sustainable Development employee. The allegation detailed an incident that allegedly took place in the locker-room of the GSB building on November 25, 2015, indicating that workplace harassment had taken



place. The complainant also informed the OIG/INV that the above-mentioned incident was not the first he had with the alleged offender.

The OIG/INV interviewed the complainant and the alleged offender as well as other individuals who might be aware of the alleged incident/s to gauge whether the acts of alleged harassment may fall under a workplace harassment complaint or any other violation of the GS/OAS Rules and Regulations under the mandate of the OIG/INV. In addition, the OIG/INV reviewed several email communications related to the matter.

In light of the information obtained and according to the new GS/OAS Policy and Conflict Resolution System for Prevention and Elimination of All Forms of Workplace Harassment, which was approved by the Secretary General on October 15, 2015, the OIG/INV concluded that the complaint met the definition of workplace harassment and therefore was within the OIG/INV mandate. The OIG/INV also concluded that there were sufficient grounds to warrant a formal investigation. This investigation is in the final reporting phase.

#### **Investigation SG/OIG/INV/PR-16/01**

On February 16, 2016, the OIG/INV received an allegation from a GS/OAS Department of Sustainable Development employee ("the employee"), who alleges that a complaint filed against him by another GS/OAS employee on December 2, 2015 (**Case# OIG/INV/PR-15/08 referenced above**), has been retaliatory in nature. The employee indicated that he has been the subject of institutional retaliation for stating his concerns for increased security and poor maintenance of the locker room located in the GSB building. The complaint appears to consist of two different parts: 1) a "whistleblower case resulting in institutional retaliation"; and 2) a workplace harassment complaint against several directors and officers of the GS/OAS.

The employee has requested that his whistleblower complaint be investigated not by the OIG/INV (or any other GS/OAS entity or Department), but rather by an external party. Specifically, he requested that the Secretary General appoint a "Special Independent Prosecutor".

In addition to the request for an "independent prosecutor" and irrespective of merit or lack of merit of his complaint, the OIG/INV considers it improper and an internal conflict to perform an investigation of the whistleblower complaint under these circumstances, given that the Acting Inspector General is one of the accused parties and yet at the same time, under the existing Procedures for Whistleblowers and Protections Against Retaliation Policy, would be the "Appropriate Authority" to perform an investigation.

#### **Investigation SG/OIG/INV/PR-16/02**

On April 25, 2016, the OIG/INV received an allegation from a GS/OAS Department of Conferences and Meetings Management (DCMM) employee indicating that she was being harassed by another DCMM employee.

The allegation detailed a series of incidents that allegedly took place from May 2011 to April 2016. Specifically, the complainant indicated that the most severe incident of workplace harassment had taken place on April 14, 2016 during an internal meeting of the DCMM.

The complaint further stated that the above-mentioned incident was not the only one she had had with the other DCMM employee, and that the alleged offender has exhibited a pattern of workplace harassment behavior against her. As part of the preliminary review phase, the OIG/INV conducted interviews with the complainant and the alleged offender as well as other individuals who might be aware of the alleged pattern of incident/s to gauge whether the acts of alleged harassment may fall under a workplace harassment complaint or any other violation of the GS/OAS rules and regulations under the mandate of the OIG/INV.

However, in an email addressed to the OIG/INV on June 2, the complainant stated her will to suspend the procedures in this preliminary review phase in order to resort to the Informal Process which allows the complainant to request assistance from the Office of the Ombudsperson.

### **Investigation SG/OIG/INV/PR-16/03**

On June 14, 2016, the OIG/INV received an allegation from an employee of the Department of Human Resources ( Secretariat for Administration and Finance) indicating that he was being harassed by an employee of the GS/OAS Department of Planning and Evaluation (Strategic Counsel for Organizational Development and Management for Results).

The allegation detailed a series of incidents that allegedly took place from 2012 to the current time. Specifically, the complainant indicated that the most severe incident of workplace harassment was related to his appointment selection and had taken place in 2015, but that he did not learn about until May 2016 through the Department of Legal Services.

The complainant also stated that the above-mentioned incident was not the only one that occurred between him and the alleged offender. Moreover, he asserted that the alleged offender has exhibited a pattern of workplace harassment behavior against him. This investigation is the preliminary review phase.

### **Prior Years Investigations**

As of June 30, 2016, three (3) other matters for investigation that we received in previous years remained open or at the Preliminary Review stage. The OIG will provide updates on these pending investigations in its third quarter report.

### **VI. Status of Recommendations**

To date, 67 of the 179 outstanding recommendations or about 37% are reported as closed based on information received from the areas. However, we have not been able to validate all the responses and actions taken by the areas to close the recommendations.

As we perform more follow-up procedures to validate management's responses and actions, we will provide additional updates on the recommendations in our third quarter activity report. The OIG continues to work with the areas of the GS/OAS to follow-up on the status of open recommendations.

With the implementation of our audit management software, we have established procedures to follow-up on recommendations so that the responses from the areas are recorded in an efficient and consistent manner.

## VII. OIG Participation at Meetings

During the first semester of 2016, the OIG has participated as observer during meetings of the PC and the CAAP, as well as 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. In addition, the OIG encourages department 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 the improvement of internal communication on matters related to operational risks and internal control activities within the General Secretariat.

Garry LaGuerre  
Interim Inspector General

