

**ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2005**

# Activity Report

## of the

### Office of the Inspector General

### January through December 2005

#### I. Audit Reports

Five audits and two investigations were completed during the year ended December 31, 2005. Thirty-eight recommendations were provided to correct identified internal control weaknesses, including the need to update records of fixed assets for inventory control purposes, compliance with GS/OAS directives including the Field Financial Manual and Administrative Memos, and submission of Performance Evaluations. All reports and recommendations submitted to the Secretary General were approved. As of June 30, 2006, two systems related recommendations for 2004 were still outstanding and the expected implementation date is December 2006. As of the same date five of the thirty-eight 2005 recommendations were still outstanding. The outstanding 2005 recommendations relate to improvements to operational efficiency and controls. The implementation rate for 2004 is 97% and 87% for 2005. The Inspector General is satisfied that every effort is made by the General Secretariat to implement OIG recommendations within budgetary constraints. The OIG continues to monitor efforts made by the General Secretariat to address audit findings and to implement recommendations.

**Audit SG/OIG/AUDIT-01/05** was performed to review and evaluate internal controls within the General Secretariat Office in Peru during the period January 2003 through December 2004. The audit determined that, for the most part internal controls are satisfactory. However, in addition to the need for a more cost effective mechanism for local coordination of the Demining Program in Peru, the audit identified the need for collection action regarding arrears of Leo Rowe Fund loan payments and compliance with GS/OAS directives regarding operational processes for performance evaluations and authorized leave. Three projects executed in GS/OAS Peru during the audit period were selected for audit (1) Building the Inter-American Biodiversity Information Network (2) Environment Information System and (3) the Sustainable Development of the Amazon Border Area Peru-Ecuador. OIG review of those projects indicated that all progress and final reports were submitted and that the objectives established in the respective agreements were achieved.

**Audit SG/OIG/AUDIT-02/05** was undertaken to review the administrative activities of the Assistance Project for Demining in Peru for compliance with the signed agreement between the GS/OAS and the Government of Peru through the OAS Comprehensive Action against Antipersonnel Mines Program (AICMA). The audit noted that the program experienced poor

communication and coordination in the field and according to program reports, programming activities were delayed during 2004 and 2005 and jeopardized the achievements of the objectives of the program. OIG recommended that a more active approach be taken to improve coordination and communication at the national and bilateral level for achievement of program objectives, as well as compliance with GS/OAS directives regarding the use of generic Po's for unknown suppliers and compliance with the Field Financial Manual.

**Audit SG/OIG/AUDIT-03/05** was performed to review and evaluate internal controls within the General Secretariat Office in Bolivia during the period January 2004 through September 2005. The audit determined that, for the most part internal controls are satisfactory. However, in addition to the need for collection of Leo Rowe Fund loan balances in arrears and updating the fixed asset inventory report, the audit identified a need for compliance with the GS/OAS directives including the Field Financial Manual regarding issuing checks in numerical sequence, voided checks, preparation of performance evaluations and timely submission of the quarterly reports on releases of goods imported duty free. Four projects executed in Bolivia were reviewed: (1) SAP - Bermejo River (2) Development and Implementation of Prevention/Conflict Resolution in Bolivia (3) Democratic Transition, 2004 and (4) Generalized Land use evaluation and Management Tool (GLEAM). Except for the GLEAM project that was not yet completed, all final and progress project reports were submitted and indicated that the objectives established in the respective agreements and execution plans were achieved.

**Audit SG/OIG/AUDIT-04/05** was performed to review and evaluate internal controls within the General Secretariat Office in St. Kitts & Nevis during the period January 2004 through June 2005. The audit determined that, for the most part internal controls are satisfactory. However, in addition to the requirement for updating the signature card for the local bank account, the audit identified a need for compliance with the GS/OAS directives including the Field Financial Manual regarding personal use of the telephone, the use of the official car and automobile expenditures and disbursements in excess of US\$5,000. Five projects executed in Saint Kitts were reviewed: (1) Eastern Caribbean Geothermal Development Project (2) Skills Training for Community Development (3) Tourism Training and Certification Program (4) Legal Methodology Enhancement Program and (5) Consumer Services Administration Strengthening/Staff Development. The audit identified a repeat finding regarding the need for improved project management from Headquarters. The report also noted the establishment of the new Project Evaluation Committee (Ex. Order No. 05-11) and the Department of Planning, Control and Evaluation (Ex. Order No.05-15), which will address effective project management.

**Audit SG/OIG/AUDIT-05/05** was performed to review and evaluate internal controls within the General Secretariat Office in the Bahamas during the period January 2004 through June 2005. For the most part, OIG ascertained with reasonable assurance that the financial transactions were adequately recorded but there was need to strengthen internal controls and comply with GS/OAS directives related to voided and stale dated checks, the maintenance of the Petty Cash Fund, postage, fixed asset and telephone logs, the use of generic vendors, as well as personal use of the telephone. OIG also reviewed the Teacher Monitoring Project

executed in 2005. According to project reports, despite delays encountered during its execution, the objectives of this project were achieved.

## **II. Investigation Reports**

**Investigation SG/OIG/Inv-01/05** was undertaken at the request of the former Secretary General to determine (1) the amount of unpaid and unrecorded charges for 2004 building maintenance related services, (2) how presumably unfinanced estimated charges of approximately \$1.67M were allowed to accumulate in the absence of funds, (3) the staff members responsible for this violation of GS/OAS directives and (4) whether internal procedures were circumvented to allow for this accumulation of unpaid and unrecorded expenditures. The investigation determined that two major suppliers had submitted timely invoices for services that had been rendered in relation to telephone, security, cleaning and general maintenance. The investigation also revealed that, because there were no funds in the approved 2004 Program Budget to process payments for maintenance services, a former Administrative Officer in the former office of Procurement and Facility Services withheld the related invoices on the instructions of the former Director of the Division of Facility Services (formerly known as the Department of Technology and Facility Services – DTFS). OIG noted that the subsequent recording of those expenditures caused the 2004 Regular Fund to be overdrawn in the net amount of \$1.1M, after the application of savings from other areas of the General Secretariat.

GS/OAS directives require that obligations must be recorded prior to making commitments in order to ensure that funds are available for payment before the services are rendered. The report refers to the preferential treatment afforded to the former Director of the DTFS by the former Department of Financial Services (DTFS), through the structuring of building maintenance and related accounts that allowed payments of those expenditures whenever cash was available. The investigation determined that in general, certain staff members were able to circumvent established GS/OAS directives through the combined efforts of those staff members. In accordance with Staff Rule 111.2 the former Secretary General established a Joint Disciplinary Committee (JDC) to report on the advisability of disciplinary measures recommended in the OIG audit report. Following the reports of the JDC, the Administrative Officer was transferred from the Facility Services to the Office of Information and Technology Services (OITS) and the other staff member who was formerly Chief of the Policy and Reporting Division of the former Department of Finance was terminated in accordance with Article 57 (g) of the General Standards. At the time of the investigation, four of the individuals were no longer employed in the General Secretariat, however, two of those former staff members were required to reimburse the GS/OAS for the amount that was calculated as financial damage caused to the Organization. In addition, appropriate notations were placed in the personnel files of both former and current staff members.

**Investigation SG/OIG/Inv-02/05** was undertaken to investigate the alleged fraudulent use of cellular phones assigned to various staff members of the Office of Conferences and Meetings (OCM) and the termination of cell phone service in that area. The investigation concluded that recommendations for correcting internal control weaknesses, identified in previous OIG reports related to the use of GS/OAS telephones, had not been effectively implemented by the

Secretariat for Administration and Finance. OIG found no evidence of improprieties by GS/OAS staff members and instead the alleged fraudulent use of GS/OAS cellular phones resulted from actions of non GS/OAS personnel. However the investigation revealed that GS/OAS incorrectly paid for cell phone services for non-GS/OAS staff members and former staff members. OIG also noted the need to strengthen internal controls in the administration processes regarding the assignment and use of cell phones and for distribution of pertinent written policies and procedures. Specifically the audit report contained recommendations for improvement and standardization of the related business processes, effective invoice verification prior to payment and improvement in the timeliness of payments. Following the investigation, "Policies and Procedures regarding Cellular Telephones and Mobile Communication Devices" (Administrative Memorandum No. 115), was issued on 02/06/06 by the Assistant Secretary for Administration and Finance.

In accordance with Chapter II. C. 2 of Ex. Order No. 95-05, **Memo SG/OIG/19-05** dated June 21<sup>st</sup>, 2005, was issued to the Director of the Department of Democratic and Political Affairs, regarding the need for compliance with administrative procedures related to job descriptions, monthly leave reports, performance evaluations, annual statements of Net Worth and Conflict of Interest and compliance with the Performance Contract Rules.

### **III. Work in process**

At the end of 2005 the following auditing activities were in process:

#### **A. Investigations:**

1. Fraudulent disbursement transactions processed through the GS/OAS Office of Honduras during 2003 through 2005.
2. 2005 expenditures of \$2M related to Fellowships that were granted prior to recording the commitments.
3. Four FEMCIDI projects were referred by the IACD for investigation of disbursements processed after the approved project deadlines.

#### **B. Audits:**

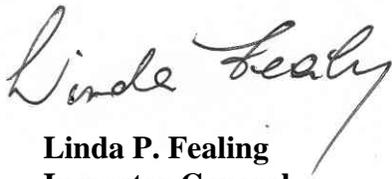
1. GS/OAS Office in Ecuador
2. Inter-American Children's Institute
3. Overhead - AG/RES 2059 (XXXIV – O/04)
4. Performance Contract mechanism - AG/RES 2059 (XXXIV – O/04)

#### **IV. Staffing**

The Secretary General has given his approval for addressing OIG staffing needs and the Director of the Department of Human Resources is assisting the Inspector General in the process. The Inspector General continues to utilize performance contractors for auditing services to supplement the staffing resources provided by the Regular Fund. In 2005, in addition to Regular Fund allocations, the OIG received US \$69K from the overhead generated by Specific Funds to assist in OIG activities.

#### **V. Other**

OIG observed various meetings of the Permanent Council and the CAAP, as well as GS/OAS meetings of the Contract Awards Committee, COVENT and the Publications Board Committee. The Inspector General continues to meet with managers of the General Secretariat to discuss the implementation of audit recommendations, as well as other operational issues related to the internal control environment, including proposals for changes to business processes.



**Linda P. Fealing**  
**Inspector General**

**June 30, 2006**