

ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL  
FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2009

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



17th St. & Constitution Avenue N.W.  
 Washington, D.C. 20006  
 United States of America

**Organization of American States**

P. 202.458.3000  
[www.oas.org](http://www.oas.org)

- Antigua and Barbuda
- Argentina
- The Bahamas
- Barbados
- Belize
- Bolivia
- Brazil
- Canada
- Chile
- Colombia
- Costa Rica
- Cuba
- Dominica
- Dominican Republic
- Ecuador
- El Salvador
- Grenada
- Guatemala
- Guyana
- Haiti
- Honduras
- Jamaica
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- United States of America
- Uruguay
- Venezuela

July 30, 2010

José Miguel Insulza  
 Secretary General to the  
 Organization of American States  
 Washington, DC

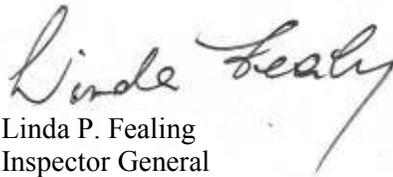
SG/OIG-07/10

Excellency:

I have the honor to submit to you the Activity Report of the Office of the Inspector General for the period January 1 through December 31, 2009.

This Office submits Activity Reports to you, for forwarding to the Permanent Council, in accordance with the provisions of Resolution AG/RES. 1321 (XXV-O/95.)

Accept, Excellency, the renewed assurances of my highest consideration.

  
 Linda P. Fealing  
 Inspector General

Encl.



17th St. & Constitution Avenue N.W.  
Washington, D.C. 20006  
United States of America

## Organization of American States

P. 202.458.3000  
[www.oas.org](http://www.oas.org)

Antigua and Barbuda  
Argentina  
The Bahamas  
Barbados  
Belize  
Bolivia  
Brazil  
Canada  
Chile  
Colombia  
Costa Rica  
Cuba  
Dominica  
Dominican Republic  
Ecuador  
El Salvador  
Grenada  
Guatemala  
Guyana  
Haiti  
Honduras  
Jamaica  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru  
Saint Kitts and Nevis  
Saint Lucia  
Saint Vincent and the Grenadines  
Suriname  
Trinidad and Tobago  
United States of America  
Uruguay  
Venezuela

July 30, 2010

Excellency  
Ambassador Maria Isabel Salvador  
Permanent Representative of Ecuador  
to Organization of American States  
Chair of the Permanent Council  
Washington, DC

Mrs. President:

Pursuant to Resolution AG/RES. 1321 (XXV-O/95) and Article 119 of the General Standards I have attached for the Permanent Council's consideration the Activity Report of the Office of the Inspector General for the period January 1 to December 31, 2009.

Accept, Excellency, the renewed assurances of my highest consideration.

Linda P. Fealing  
Inspector General

Encl.

**Activity Report**  
**Of the**  
**Office of the Inspector General**  
**January through December 2009**

**I. Audit Reports**

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

The OIG issued reports of nine audits and one investigation completed during the year ended December 31, 2009. Seven recommendations were issued for the six GS/OAS offices in the Member States that were audited, fifteen were issued for the three audits of programs administered at Headquarters, i.e. OASES Data Integrity, the Fellowships Program and the Portal of the Americas. In addition, the report of the investigation conducted in the GS/OAS Office in Bolivia contained four recommendations. In accordance with Article 119 of the General standards OIG reports are available to the Permanent Council.

Reports of audit activities provided twenty-six (26) recommendations to correct identified internal control weaknesses related to accountability mechanisms, operational processes, organizational efficiency and effectiveness. Those recommendations were classified as twelve (12) High Risk, twelve (12) Medium Risk and two (2) Low Risk. The recommendations addressed OIG findings that identified the need for: (1) compliance with GS/OAS directives including the Budgetary and Financial Rules, the Field Financial Manual, the Mandate of the Statutes of the Capital Fund and the Performance Contract and Procurement Rules, (2) improvement in various operational processes, such as effective supervision of personnel, reconciliations of project expenses, cost/benefit analysis for any requested OASES system improvements, (3) ensuring that assigned tasks agree with job descriptions, (4) training for Administrative Technicians to effectively perform required financial tasks, (5) written procedures for various tasks and (6) automation of various processes of the Department of Financial and Administrative Management Services (DFAMS) to improve efficiency and timeliness and reduce the level of risk associated with the manual processes for year end closings of financial statements. OIG also found the need for improve the review process of documentation including progress and final reports submitted by Executing Agencies receiving FEMCIDI funds. This is designed to ensure that (1) the information provided is accurate and complete and (2) that Executing Agencies comply with the terms and conditions of the project agreement and (3) to provide appropriate and timely feedback to the Executing Agencies. OIG also identified a need (a) for an effective plan to ensure that all essential personnel are available at the appropriate time to carry out required tasks for effective and timely operational processes so that the Scholarship program is not adversely affected during OAS personnel absences, (b) to establish an effective operational process when awarding Romulo Gallegos Scholarships (c) amend the Fellowships Management System specifically to: improve the online application mechanism for the scholarship program in order to eliminate duplication of efforts, capture all information for completeness and accuracy, particularly with regard to the refunds received for individual scholarships and produce meaningful reports not

only for effective analysis and decision making but also for timely reporting to the Member States. Recommendations were also provided to improve the management of the Educational Portal of the Americas to ensure: (1) that the Portal's website, the technical infrastructure, the search engine and the digital libraries are updated and (2) all announcements for online courses provided by the General Secretariat are centralized in the Portal's website (3) the name of the credit card holder is included in the participant's registration form when credit card payments are made by third parties and (4) fees charged by the banking institutions to students for wire transfer fees are included in the amounts paid to the Portal for participating in the courses.

All reports and recommendations submitted to the Secretary General were approved. As of July 30, 2010, fifteen (58%) of the 2009 recommendations have been implemented and eleven (42%) of the outstanding recommendations are in various stages of implementation, of which six were considered High Risk. All amounts identified by the OIG for reimbursement to the Organization have been paid.

**Audit SG/OIG/AUDIT-01/09** - was performed to verify the overall data integrity of the OASES system and verify that the OASES system data is reliable. The scope of the audit is focused on five key areas of the OASES system: (1) The overall integrity of the production data. (2) The integrity and accuracy of the Discoverer Plus tool for data extraction. (3) The integration of data between functional modules within OASES. (4) Vendor maintenance issues and (5) Alerts/alarms to indicate any data integrity issues during processing. This audit also targets the effects on data integrity during the last OASES upgrade process. The main weaknesses identified the need to: (a) Continue the ongoing efforts of cleaning up the OAS vendor file, make appropriate arrangements to transfer the vendor functions to OPS and establish an approved vendors' list with the development and enforcement of a vendor policy based on industry best practices. (b) Make appropriate arrangements for effective and timely follow-up of the Oracle TAR (Vendor Problem). (c) perform a complete range of data integrity tests for the Award through P.O. expenditure processes to fully confirm the integrity of the OASES data. (d) Consider the development and implementation of a cost/benefit analysis procedure for any requested OASES system improvements, so that the actual costs of the proposed changes may be available to the technical areas that request OASES enhancements and assist SAF management in establishing the impacts to the organization as a whole for efficiency of the OAS processes. (e) Take appropriate action to revisit the "super user" organizational responsibilities assigned to Staff Member EO8713 and any other GS/OAS staff member. (f) Provide appropriate instructions that will finalize the ongoing efforts of cleaning up and documenting the OAS vendor file and establish an approved vendors' list with the development and enforcement of a vendor policy based on industry best practices and (g) Coordinate efforts and continue the process of establishing business rules to improve the number of validation checks and ensure the accuracy of the OASES information.

**Audit SG/OIG/AUDIT-02/09** - was performed to review and evaluate internal controls within the GS/OAS Office in El Salvador during the period January 1, 2008 through April 30, 2009. OIG ascertained with reasonable assurance that internal controls were satisfactory in GS/OAS El Salvador for safeguarding assets and proper recording of financial transactions. Audit findings were mainly of an administrative nature and included: (1) Inventory and the Fixed Asset Report were not updated. (2) Petty Cash funds disbursement transactions and reconciliations were not performed by the Messenger/Chauffer, who is the designated custodian but instead the Administrative Technician performed those transactions and (3) Quarterly Reports on Releases of duty free goods were not submitted since 2004.

OIG reviewed disbursements and transactions related to the FEMCIDI Funded Project “Strengthen the Capacity of Competitiveness of Central America and the Dominican Republic regarding Globalization by way investment in Safety and Health in the workplace”, as well as the Specific Funded Project “Central-American Program of Teaching and Training for the Comprehensive Prevention of Drug Abuse and Violence, and the Treatment of Rehabilitation of Drug Addiction (PCEP)”. OIG found no irregularities and noted that project objectives were achieved.

**Audit SG/OIG/AUDIT-03/09** - was performed to review and evaluate internal controls within the GS/OAS Office in Costa Rica during the period January 1, 2008 through April 30, 2009. OIG determined that during the audit period internal controls were satisfactory in GS/OAS Costa Rica for safeguarding assets, proper recording of transactions and amounts, efficient use of resources and compliance with established rules and directives. The weaknesses identified during the audit were mainly of an administrative nature and related to : (1) The need for more effective monitoring and supervision of daily office operations by the Director. (2) The expenditure account number was used for petty cash vouchers (OAS Form 370) instead of the required numerical sequence numbering system. (3) The inventory list and the Fixed Asset Report were not updated. (4) Significant amounts for personal long distance phone calls were incurred by the Director (EO9965) and prior to the audit, the required surcharge had not been reimbursed. (5) The need for prior authorization from the Coordinating Office for the Offices and Units of the GS/OAS in the Member States storing the official vehicle at the Director’s residence at night and on the weekends.

OIG found no irregularities in the review of disbursements and transactions for two FEMCIDI Funded Projects: “School Management and Certification for Development and Accreditation for Labor Competencies at the Upper Secondary Level” and “Program for Assisting Small Hotels in Central America”. Project reports indicated that project objectives were achieved.

**Audit SG/OIG/AUDIT-04/09** - was performed to review and evaluate internal controls within the GS/OAS Office in Dominica during the period January 1, 2008 through June 30, 2009. Main weaknesses identified during the audit were: (1) The Director of GS/OAS Dominica did not have a copy of his job description. (2) The Director of GS/OAS Dominica is not certified in OASES and requisitions are approved by the Coordinating Office for the Offices and Units of the GS/OAS in the Member States. (3) Although it was necessary for security reasons to store the OAS official vehicle at his personal residence, the Director of the GS/OAS Office in Dominica did not receive prior authorization to do so. (4) Prior to April 1, 2008 when the current Director (EO1567) was appointed, check stubs did not contain enough information regarding the purpose of the payment, the source of funds and other relevant information. (5) Some payments for Specific Fund projects were not supported by appropriate documentation, such as the request for disbursement from the Technical Area and copy of the PO. (6) The cleaning person has been working for the OAS for over 20 years under the CPR mechanism and she expressed concern about her benefits and her work schedule. (7) The log for long distance telephone calls was not maintained on a regular basis. (8) The VOIP system was not installed in the Administrative Technician’s computer and the equipment for the VOIP was not working. (9) Discrepancies were noted in the Inventory records at OPS/Headquarters. (10) Quarterly Reports on Releases were not always submitted during the first ten days after the end of each quarter. (11) Office correspondence was not organized in numerical sequence and information in the files was outdated and the filing system was not maintained in accordance with the OAS Records Management Manual for Retention of Records.

OIG reviewed disbursements and transactions for two FEMCIDI Funded Projects: "Tourism Awareness and Training" and "Skills Training and Agricultural Activities for the Empowerment of Rural Women in Dominica and the Integration of Gender in Agricultural Development". OIG found no irregularities and noted that in some instances project achievements exceeded original goals. OIG recommended improvement in the SEDI review process of project progress and final reports that were submitted by Executing Agencies, to ensure that the information is accurate and complete. OIG recommended that SEDI should provide appropriate and timely feedback of irregularities to the Executing Agencies for appropriate corrective action.

**Audit SG/OIG/AUDIT-05/09** - was performed to review and evaluate internal controls within the GS/OAS Office in St. Lucia during the period January 1, 2008 through June 30, 2009. OIG determined that during the audit period internal controls were satisfactory for safeguarding assets and recording financial transactions. The main weaknesses identified during the audit were: (1) Information in the local bank did not include the signature of DFAMS Chief of Financial Operations. (2) One inactive OAS/Project account should be closed. (3) Information related to the inventory of unused checks sent to DFAMS was incorrect. (4) Inventory records in the GS/OAS St. Lucia Office did not agree with the Fixed Asset Report in the Office of Procurement Services. (5) Payments for office rent were not made on a timely basis. (6) Vehicle log is inaccurate and there is no evidence that the log was submitted on a monthly basis to the Coordinating Office for the Offices and Units of the GS/OAS in the Member States. (7) Copies of the disbursement checks have many typo errors because the system for printing those checks is outdated. (8) Local currency checks and US\$ checks were filed in the same folder and were not filed in sequential order. (9) Petty Cash vouchers were not numbered in sequential order. (10) Reimbursement for personal long distance telephone calls, although nominal, did not include the surcharge and the official form for long distance calls was not used. (11) The VOIP system is out of order due to problems with the local internet provider. (12) The Director kept the official vehicle at her residence without prior authorization from the Coordinator of the Coordinating Office for the Offices and Units of the GS/OAS in the Member States. (13) There is need for an appropriate vacation plan to ensure that staff members do not lose vacation hours because of the OAS policy regarding the maximum hours allowed for carry over to the following year. (14) The cleaning person was in possession of a copy of the office key and staff members were not always present while she was performing her duties in the office. (15) Information in the files was outdated and the filing system was not maintained in accordance with the OAS Records Management Manual for retention.

OIG reviewed disbursements and transactions for two FEMCIDI Funded Projects: "Development of Regulations and Legislation for Select Services sectors in St. Lucia, Grenada, St. Kitts and Nevis and Antigua and Barbuda" and "Community after School Program". OIG provided recommendations to SEDI to ensure that the reported financial information is accurate and that Executing Agencies comply with the terms and conditions of the project agreement. OIG was also able to observe some activities carried out during the CICAD Training Seminar in the area of "Diversion of Chemical Substances", held in St. Lucia on August 24-28, 2009 and concluded that the expected objectives for the seminar were successfully achieved.

**Audit SG/OIG/AUDIT-06/09** - was performed to review and evaluate internal controls within the GS/OAS Office in Jamaica during the period January 1, 2008 through June 30, 2009. OIG determined that during the audit period internal controls were less than satisfactory for safeguarding assets and the proper recording of financial transactions. The main weaknesses identified during the audit were: (1) Monthly Leave Reports were not always submitted within the required five-days while some reports were not dated. (2) Authorized signatures at the local bank did not agree with the information at Headquarters. (3) Four bank accounts (two active and two inactive) belonging to the Young Americas Business Trust (YABT) were registered in the GS/OAS name in the local bank. (4)

Reports of Local and U.S. Dollar currency checks were not always reported to Headquarters on the date of issuance, as required. (5) Bank reconciliations were submitted to DFAMS after the required 10th day of the following month. (6) Information in local bankbooks and bank reconciliations was inaccurate. (7) The inspection of the safety vault revealed that prior years' unused checks from completed FEMCIDI projects and from the personal OAS Federal Credit Union account of the former Administrative Technician were kept in the vault. (8) Original voided checks were retained in local files rather than sent to DFAMS at Headquarters as required. (9) OAS Form 370 was not used for recording Petty Cash expenses. (10) Several checks over US\$5,000 were issued with only one signature without evidence of DFAMS approval. (11) Many disbursements (about 50%) for Regular and Specific Funds did not have any or adequate supporting documentation such as invoices, receipts, requests for disbursements from the Technical Areas, contracts and copies of the Purchase Orders. (12) Check stubs did not have enough supporting information regarding the purpose of the payment, funds and other details. (13) Copies of checks were not filed in chronological order. (14) Payroll payments were issued and distributed prior to the date authorized by DFAMS. (15) Several rental payments were incorrectly charged to the Regular Fund (111) instead of the Fund 118 of the GS/OAS Jamaica. (16) GS/OAS Jamaica issued U.S. Dollar currency check for payments to local suppliers instead of local currency checks, which violates the GS/OAS directives. (17) Late fee charges for office rental payments for 2 months of 2008 had not been paid at the time of our field visit. (18) Payments for cleaning services were not made in accordance with the contract agreement and at the time of the field visit, OIG noted that the cleaning service was not satisfactory. (19) The mileage logs for the Official Vehicle were not sent to the Coordinating Office for the Offices and Units of the GS/OAS in the Member States as required by the OAS directives. (20) GS/OAS Office did not maintain a log for long distance telephone calls. (21) GS/OAS Jamaica did not maintain a current inventory list on file and the records kept at Headquarters were not correct and (22) Quarterly Reports on Releases for goods imported duty free were not sent to Headquarters, as required by the OAS guidelines.

OIG reviewed disbursements and transactions for a FEMCIDI Funded Projects: "Reduction of the incidence of Rural Poverty through interventions in Multigrade Schools". OIG recommended that for SEDI coordinate efforts with the Director of GS/OAS Jamaica and ensure that effective and timely follow-up action is taken regarding the OIG request for documentation to validate related to expenditures shown in the final report for the 2007 to 2009 cycle of the Project. OIG also reviewed transactions related to the CICAD Forum "Local diagnostic studies and information system in drug treatment" held in Montego Bay on March 5-6, 2009. OIG found no irregularities.

**Audit SG/OIG/AUDIT-07/09** - was performed to review and evaluate internal controls within the GS/OAS Office in Peru during the period January 1, 2008 through June 30, 2009. OIG determined that during the audit period internal controls were satisfactory for safeguarding assets and recording financial transactions and amounts. The main weaknesses identified during the audit were: (1) The Director of GS/OAS Peru is not certified in OASES and requisitions are approved by the Coordinating Office for the Offices and Units of the GS/OAS in the Member States. (2) The TSP Secretary discussed her concerns of an apparent unsatisfactory work environment in the Office with OIG. On October 13, 2009 those concerns were referred to the Department of Human Resources for appropriate action. (3) The TSP provider of cleaning services expressed his concerns to the OIG that his workload was extensively increased with no corresponding increase in his salary. (4) GS/OAS Peru issued various payments to local suppliers in U.S. Dollar currency instead of local currency checks, as required by the GS/OAS directives and (5) The Inventory records at GS/OAS Peru did not agree with the Office of Procurement Services Fixed Asset Report, because items marked for deletion were not removed from the Fixed Asset Report.

OIG reviewed disbursements and financial transactions of the FEMCIDI Project “Strengthening the regional capacity in biotechnology through the exploration of the Potato Genome, a crop of the Americas” and the Specific Funded Project “Comprehensive Action against Antipersonnel Mines in Ecuador (AICMA) in Peru and Ecuador”. OIG identified no irregularities and project reports indicated that objectives were satisfactorily achieved.

**Audit SG/OIG/AUDIT-08/09** - was performed as a follow up of the implementation of recommendations provided in the OIG report of the 2006 investigation conducted by the OIG related to the Scholarship Program (SG/OIG/INV-01/06). OIG audit activities were performed to review and evaluate internal controls for the operational activities of the OAS Scholarship Program, billings from and payments to the Third Party Administrator (TPA), compliance with the Manual of Procedures that provided the criteria for the announcement, application, selection and award process, functioning of the National Liaison Offices and selection Committees, benefits and obligations to and from the recipients, monetary caps and distributions between types of scholarships, and follow-up processes of those awarded OAS Scholarships. In addition, the OIG evaluated compliance with the requirements of the Capital Fund, and the efficiencies and effectiveness of the Fellowship Management System (FMS) for providing accurate reports. The audit covered the period January 1, 2006 through June 30, 2009.

The OIG determined that the Department of Human Development, Education and Culture (DHDEC) has complied with the requirements for various processes outlined in the Manual of Procedures, that filing of supporting documentation has significantly improved and the related weakness identified during the 2006 investigation has been corrected. Reporting requirements from both the TPA and DHDEC have been met and in general, the billing from the TPA agreed with the terms of the agreement and the DHDEC review of the TPA’s invoice is effective. OIG acknowledges the efforts made by DHDEC staff members who worked intensively in 2006 to develop and implement internal controls in the financial activities of the Fellowships Program ( Scholarships Program) that have contributed to the improved internal control environment. In June 2006 the General Secretariat received refunds from the Third party Administrator in the total amount of \$1,121,097.77 for reimbursements for the period prior to 2006. During this audit, the OIG noted significant improvements in the administration of the OAS Scholarships Program. The amendments to the Manual of Procedures for the OAS scholarship and training programs were approved by CEPCIDI/RES.137 on April 11, 2007 and provide the criteria for the announcement, application, selection and award process, functioning of the National Liaison Offices and Selection Committees, benefits and obligations of the recipients, monetary caps and distributions between types of scholarships, and follow-up processes of those awarded OAS Scholarships.

The report identifies several achievements of the Fellowships Program due to the efforts of the current Director and her team. The audit noted several FMS weaknesses and irregularities during the audit and recommended the need for coordinated efforts from the Directors of DHDEC, DFAMS and DOITS to improve the Fellowship Management System Application (FMS). OIG noted that the DHDEC operational processes for recording financial activities related to the financial information fellowship program has shown significant improvement. OIG acknowledges the success of the Scholarship Program of the Director of DHDEC and her team in increasing the number of agreements with the consortium of universities to 115 and the resulting increase in scholarships given during that period. Those results demonstrate the efficiency with which the program is currently being administered and managed.

The OIG determined that some actions taken during the scope period by the DFAMS regarding the execution of appropriations approved for the Fellowships program did not comply with OAS directives and in fact, resulted in benefits of financial resources to other areas of the General Secretariat, instead of the Fellowships Program, as intended by the Member States. OAS directives require that commitments/ obligations should be recorded on the date on which the commitment becomes legally binding. Generally Accepted Accounting Principles provide that FIFO is a method of recording inventory. The Inspector General is concerned that the unilateral actions taken by DFAMS that resulted in backdating 2008 and 2009 expenditures to prior years, the introduction of a FIFO administrative mechanism used only for recording the Scholarship program expenditures, the use of fellowship Program funds to cover negative variances of other GS/OAS areas, the approval of purchase orders in excess of approved budgets and the lack of transparency in reporting to the Member States creates a risk of a recurrence of the incidents that led to the 2005 and 2006 investigations of expenditures that were incurred in excess of approved allocations (SG/OIG/INV-01/05 and SG/OIG/INV-01/06). The departure from recording expenditures in the year that the commitment is made as required by OAS directives will, in the opinion of the Inspector General have a “domino” effect and adds to that risk. Furthermore the DFAMS “FIFO” method of recording expenditures against approved appropriations for the Scholarship program for each fiscal period does not allow transparency in the reporting process. The OIG provided several recommendations including the need for SAF and DFAMS to effectively carry out the responsibility for financial management of all OAS funds, including those of the Fellowship Program funds, so that unless specifically authorized by the General Assembly, no programs are adversely affected from GS/OAS actions that benefit other GS/programs, without the full and prior authorization of the Member States.

**Audit SG/OIG/AUDIT-09/09** – was primarily performed to evaluate whether the Educational Portal of the Americas (the Portal) is achieving its objectives and whether the persons assigned to the Educational Portal are executing responsibilities in accordance with the General Standards, Budgetary and Financial Rules, the Field Financial Manual, and other directives of the General Secretariat. The audit covered the period July 01, 2006 through June 30, 2009. The OIG determined that although there is need for improvement, the Portal fulfills its mandate to provide on line education at low cost to students and scholars throughout the Americas by using interactive comprehensive virtual courses. The main weaknesses identified the need to: (1) Centralize online classes and virtual education courses that are currently offered in other areas of the General Secretariat and currently are not available in the Portal’s website. (2) Improve transparency and the recording of transactions in OASES to ensure completeness and accuracy of information according to the individual courses. (3) Ensure that any wire fees deducted by financial institutions from the tuition cost is reimbursed by the participant (4) Consider Geographical distribution during the hiring process of consultants who provide services to the Portal (5) Update broken or missing links in the search engine and digital libraries of the Portal’s website and (6) Revisit and improve functionality and course contents of the Virtual classroom in order to be more user friendly. (7) Implement recommendations to improve functionality of the Virtual classroom provided by online tutors and coordinators as required by their terms of reference. (8) Provide progress reports on the Portal’s activities to the governing bodies.

**Investigation SG/OIG/INV-01/09** - This investigation was undertaken following receipt of Memorandum SG/SAP-DECO-1859/08 in which the OIG received complaints of serious allegations of financial irregularities that were submitted by current and former OAS personnel and performance contractors, regarding requests from the Administrative Technician of the GS/OAS Bolivia (EO6924) for kickbacks from local suppliers or other kinds of “benefits” in return to do business with the GS/OAS Bolivia Office, its projects and Electoral Observation Missions. The allegations also indicated that EO6924 intentionally withheld or delayed payments to demand a payment from a supplier. The findings of this investigation relate to the following: (1) Irregularities related to

Administrative Technician's performance (former EO6924). (2) Irregularities related to non compliance with GS/OAS directives including General Standards, Staff Rules, Procurement Rules, Budgetary and Financial Rules, Budgetary and Financial Manual (B&FM) for the Units of the General Secretariat in the Member States from disbursements processed by the Administrative Technician, former EO6924 and checks signed by the Director (former Staff Member EO3971). (3) Violation of the OAS/DITS Network Security Policy. (4) Lack of effective supervision and management of the internal controls of the operational processes by the Director (former Staff Member EO3971). The OIG was informed that the Messenger/Driver of the GS/OAS Office in Bolivia (Staff Member EO9159) had brought some of the alleged irregularities to the attention of the former Director for appropriate corrective action but his efforts were unsuccessful. The OIG issued recommendations addressed to the Secretary General to (a) take appropriate action, including disciplinary measures in accordance with Staff Rule 111.1, against Staff Member EO6924 for failing to comply with GS/OAS directives and effectively performing her fiduciary responsibilities as Administrative Technician in the GS/OAS Office in Bolivia and against the Director of GS/OAS Office in Bolivia (Staff Member EO3971) for failing to comply with GS/OAS directives and to carry out his fiduciary responsibilities to effectively manage that office and maintain satisfactory internal controls, and (b) to consider disciplinary action in the form of an oral admonition against the Driver/Messenger Staff Member EO9159 under Staff Rule 111.1.

OIG identified some irregularities and duplication of functions in the hiring of TSP Vendor # 132858 for secretarial support of a Specific Fund Project and made recommendations for the Director of DSDS to revisit the request for secretarial services of the Bermejo River Project in Bolivia. 2010. DHR informed the Inspector General that the Driver/Messenger (EO9159) received an oral admonition under Staff Rule 111.1 for compliance with the OAS directives for the use of the OIG Hotline to report alleged financial irregularities.

The Secretary General accepted the resignation of the Administrative Technician on July 31, 2009. The TSP contract for Vendor #132858 was not renewed after September 30, 2009 and the contract of the former Director (EO3971) was not renewed after March 31, A new Administrative Technician and a new Director were appointed on October 15, 2009 and April 1, 2010, respectively.

### **OAS Hotline**

Executive Order 05-08, Corr. 1 issued on April 14, 2005 outlines the General Secretariat's policy for encouraging the reporting of financial and administrative misconduct and provides protection for whistleblowers, informants and witnesses from retaliation in the reporting of those allegations. The investigation of the GS/OAS Office in Bolivia (SG/OIG/INV-01/09) was initiated as a result of information received through the OIG Hotline from a former GS/OAS employee.

## **Outstanding Recommendations**

As of the date of this report, fifteen (58%) of the 2009 recommendations have been implemented. Eleven (42%) of the twenty-six 2009 recommendations were still outstanding of which six were considered High Risk. The outstanding 2009 recommendations primarily focus on the need for improvement of the OASES data integrity as well as DFAMS responsibility for financial management of the OAS Scholarship Program and the Portal of the Americas.

### **SAF Transformation and Modernization Project (STAMP)**

The Secretariat for Administration and Finance (SAF) established the SAF Transformation and Modernization Project (STAMP) on May 1, 2007 to transform and modernize OAS resource management systems for improved internal governance. The five key objectives of the STAMP taskforce are:

- Standardization of resource policies and processes
- Transparency
- Accountability and providing meaningful reports
- Training
- Ethics

The 2009 audit report from the Board of External Auditors recommended that OAS continue with the SAF transformation.

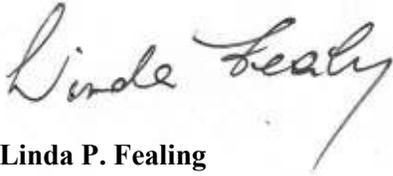
## **II. Staffing**

In addition to the position for the Inspector General, the 2009 Regular Fund Program Budget provided funding for two P3 Auditor posts, two P2 Junior Auditor posts and one P1 Audit Trainee position. . OIG staff members attend continued education training to meet annual professional requirements as recommended by the Board of External Auditors. The Inspector General continues to utilize performance contractors to supplement the staffing resources provided by the Regular Fund. In addition to Regular Fund allocations, the total 2009 contributions from the recovery of indirect costs generated by Specific Funds was \$87,026. Those funds were used to cover the cost of services of the G-5 Audit Technician, as well as performance contracts for audits to supplement Regular Fund resources. In 2009 the OIG also participated in the internship program.

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.

### III. Other

During 2009 OIG observed various meetings of the Permanent Council, the CAAP and CEPCIDI, as well as GS/OAS meetings, including the Transformation and Modernization Project Committee established by the Secretariat for Administration and Finance (STAMP), Procurement Contract Awards Committee, Committee for Disposal of Surplus and/or Obsolete Assets (COVENT), and Committee of Administrative Matters (CAM). The Inspector General continues to meet, as necessary, with the Offices of the Secretary General and Assistant Secretary General, as well as 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. Those meetings include discussions regarding the internal control environment, implementation of audit recommendations, as well as other operational issues such as proposals for changes to business processes. In addition, the OIG communicated directly with supervisors and provided appropriate recommendations regarding operational processes and issues towards the achievement of improved management controls. OIG also reviewed proposed amendments to the General Standards related to the OAS employment mechanisms, exception to the bidding process from related to the Electoral Observer Mission, amendments to FEMCIDI agreements and provided recommendations, where necessary.

A handwritten signature in cursive script that reads "Linda Fealing". The signature is written in dark ink and is positioned above the typed name and title.

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

**July 30, 2010**