

Annual Report of the Office of the Inspector General  
for the Period from January 1 to December 31, 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

Original: English



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

April 27, 2017

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

SG/OIG-16/06

Excellency:

I have the honor to submit to you the Annual Report of the Office of the Inspector General for the period January 1 to December 31, 2016.

I submit this Annual 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.

## **Annual Report of the Office of the Inspector General for the Period from January 1 to December 31, 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 auditing 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 1 to December 31, 2016. During this period, the OIG:

- Completed the audit of the **GS/OAS Performance Contract (CPR) Mechanism** from the 2015 work plan.
- Initiated seven audits from the 2016 work plan. Six have been finalized and one remains in the fieldwork phase:
  1. Regular Fund – **Transition Costs**. This audit was requested by the Permanent Council.
  2. Department of Financial Services – **Disbursement Process for Specific Fund** (carried over from 2015)
  3. Department of Information and Technology Services – **OASES Reporting and Data Integrity Assessment**
  4. The **GS/OAS Office of Peru**
  5. The **GS/OAS Office of Bolivia**
  6. Department of Procurement Services – **Management and Use of Travel Mileage**
  7. Department of Procurement Services – **Travel of Non-OAS Employees**

**Out of the total audit reports completed, 27 recommendations were issued and distributed to the respective areas.**

- Carried over and transferred to the 2017 work plan the audit of the **Department of Human Resources – Hiring, Promoting, and Transfer of Post**. This audit was requested by the Secretary General.
- Received six matters for investigation: two workplace harassment complaints; a whistleblower case of harassment, slander, and defamation of character; a case of alleged contract irregularities; a case of alleged wrongdoing; and a case of criminal history.
- Carried over four investigations from previous years.

**Of the 10 aforementioned investigations, one matter was closed following a full investigation, six investigations were subsequently closed at the preliminary review level and one was closed and referred to the Office of the Ombudsperson. Two matters for investigation remain open. Nine recommendations were also issued as a result of the completed investigative assignments.**

- Continued the process of conducting follow-up on the pending recommendations.
- Received for review two special assignments:
  - **Due Diligence Review of Contracts with Third Party (Virtual Educa)** – requested by the Office of the Secretary General
  - **Criminal Case Referral Follow Up (Health Care Fraud Scheme)** – requested by the Permanent Mission of Argentina and the Secretary General
- Spearheaded the process to modify the current GS/OAS Workplace Harassment Policy, specifically to incorporate the option to bring in an external investigator, when appropriate, to investigate such complaints
- Drafted several amendments to the current GS/OAS Workplace Harassment Policy at the request of the Office of the Secretary General
- Updated the GS/OAS Audit Universe including auditable activities to reflect the current structure of the organization
- Finalized the OIG's new Internal Audit Manual
- Updated the voice message for the OIG Hotline to ensure it follows best practices

## **II. Mandate**

**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.”*

**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 the 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.

**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, as well as allegations of fraudulent, corrupt,

coercive and collusive practices against the GS/OAS, whether committed by staff members or other persons, parties or entities, deemed to be detrimental to the Organization.

The International Professional Practices Framework, promulgated by the Institute of Internal Auditors (IIA), 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.*”

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.

### **III. Review of the BEA and Efforts to Strengthen the Functions of the OIG**

In April 2016, the BEA issued its 2015 Annual Audit Report. In this report, the Board reaffirmed its support of the functions and endorsed the OIG's performance 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 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 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 or augment their skill levels and ensure that they are adequately prepared to meet the required minimum annual Continuing Professional Education (CPE) credits. 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 IIA.

During the second semester of 2016, the Acting Inspector General and OIG staff had the opportunity to attend the following training events:

- Assessing Risk: Ensuring Internal Audit's Value (IIA). Among several topics, the course specifically:

- Provided practical insights relating to contemporary best practices of risk assessment activities, allowing participants to implement risk assessment activities at their organizations
- Reviewed fundamentals of risk assessment; nuances such as audit universe, risk appetite, and fraud; and the challenges of implementation
- Addressed skill gaps that many internal auditors struggle with, such as how to develop their own risk assessment frameworks and how to select or construct a risk ranking system
- Helped internal auditors in developing their own risk assessment frameworks by selecting those elements and accepted standards that best meet the risk assessment needs of their organizations
- Conducting Performance Audits. This course:
  - Consisted in instilling a strong foundation in the theory, principles and methodology for conducting performance audits in accordance with the Generally Accepted Government Auditing Standards (GAGAS)
  - Focused exclusively on the knowledge and skills needed for performance auditing; the expectations of public sector auditors; the purposes and types of performance audits; the role of audit objectives; the types and tests of audit evidence; methods of evidence collection and documentation; and the types of performance audit findings and applicable elements of those findings
  - Provided practice in audit techniques and developing audit findings through a series of public sector case-study exercises
- Practical Statistical Sampling for Auditors. This course:
  - Allowed OIG auditors to monetarize our findings
  - Offered basic concepts of statistical sampling and confidently explained how the concepts can be applied to decision making
  - Helped to gain an appreciation of the role statistical sampling plays in auditing, inspections and fact-finding. Through case exercises, internal auditors became proficient at applying basic statistical sampling principles and procedures in the audit environment
  - Emphasized sample-size determination and how to appraise and present the audit results

### **OIG Vacant Positions and Staffing**

The OIG is pleased to announce that the P-3 Investigator vacant position that was opened for competition was filled in November 2016. Nevertheless, the OIG still has a vacancy funded by the Regular Fund: a P-1 auditor position.

With regard to the P-1 auditor position, the OIG was informed by the Secretariat for Administration and Finance (SAF) 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-1 auditor position is critical to OIG operations. Excluding the acting IG's position, OIG current staffing has an equal number of CPRs and staff members (three each). By contrast, in 2008 the office had seven staff positions funded by the Regular Fund. Relying on CPRs to conduct OIG activities, inter alia, causes disruptions in the OIG operations since the consultants must take mandatory break to comply with CPR rules.

#### IV. Audit Activities

From the 2016 work plan, the OIG initiated seven audits and completed six, consisting of one audit that was included in the 2015 work plan and five audits from the 2016 work plan. One audit remained in the fieldwork phase, while another was carried over to the 2017 work plan. The OIG issued 27 recommendations. The OIG audits are risk-based and also focus on increasing accountability and higher adherence to GS/OAS rules and regulations, identifying operational processes that may lack internal controls, and promoting organizational efficiency and effectiveness. In addition, the OIG communicated directly with area directors and process owners, seeking their input and feedback in order to provide appropriate recommendations aimed at improving management controls.

**Table No. 1: List of Audits in 2016 Work Plan<sup>1</sup> and their Status**

Office of the Inspector General - 2016 Work Plan		
No.	Technical Area/Subject	Status
03/15	Department of Financial Services/Department of Procurement Services - Disbursement Process for Specific Funds	Completed
01/16	Department of Human Resources - Hiring Process and Transfer of Posts	Carried Over to 2017 Work Plan
02/16	Department of Financial Services - Regular Fund Transition Costs	Completed
03/16	Department of Procurement Services - Travel of Non-OAS Employees	Fieldwork Phase
04/16	Department of Information and Technology Services - OASES Reporting and Data Integrity	Completed
05/16	GS/OAS Office of Peru	Completed
06/16	GS/OAS Office of Bolivia	Completed
07/16	Department of Procurement Services – Management and Use of Travel Mileage	Completed

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

Objectives:

- Verify whether disbursements made through Specific Funds are in compliance with the established GS/OAS rules and regulations, including the Budgetary and Financial Rules, Administrative Memorandum No. 125, and other applicable guidelines and directives
- Evaluate internal controls surrounding the disbursement process for Specific Funds including how transactions were initiated, authorized, processed, recorded and reported during the scope period. The scope of the audit was limited to transactions related to Specific Funds' disbursements for the period of January 1, 2014 to December 31, 2015

---

<sup>1</sup> Not included in the above 2016 list is the audit of the GS/OAS CPR mechanism, which was part of the 2015 work plan.

#### Methodology:

- Reviewed applicable policies, procedures and guidelines pertaining to the Specific Funds' operations
- Conducted interviews with DFS and Projects' personnel and performed walkthroughs
- Performed analysis of the Specific Fund data including contributions received and expenditures for the scope period
- Identified risks that are inherent to the process and the key controls; and tested those controls
- Obtained Management's responses to our observations and recommendations

#### Results:

##### Areas of strength

- The SAF has drafted a manual that describes the process of disbursement for specific funds' projects (The Financial Handbook for Specific Funds' Projects)
- The SAF has taken steps to address many of the recommendations issued in prior OIG audit reports regarding the need to implement a more effective monitoring process of projects' expenditures

##### Areas for improvement

- Approximately USD 4.1 million of unspent Specific Funds remained in the accounting system long after the projects closed
- Awards with unspent funds and negative balances of USD 468,796
- Transactions recorded to expired awards and projects
- Manual process of data consolidation and aggregation relating to financial reports on Specific Funds

#### **Audit SG/OIG/AUD - 01/16 - Department of Human Resources - Hiring Process and Transfer of Posts**

This audit, initially planned for 2016, has been carried over and is now included in the 2017 work plan. It was both the result of the OIG 2015 risk assessment survey and a request from the Secretary General, who specifically asked that the OIG evaluate incompatibilities of personnel performing administrative, financial, procurement and contracting tasks.

To address the SG's request and the issues identified during the risk assessment regarding DHR processes and practices for hiring, promoting and transferring personnel within the Organization, the OIG sought the services of an external auditing and consulting firm with experience in Post hiring and Post audit practices used within the United Nations System. The cost proposal from the external consultant was below the amount that we had budgeted for the audit. However, when we submitted our request to release the funds for the contract through the Expense Authorization Request System (EARS), we were informed by the Secretary for Administration and Finance that the request was not approved and that the SG had decided to postpone the audit until the appointment of the new Inspector General. According to current policies, any expense above USD 1,000 must go through the EARS.

While the OIG understands the purpose of such practices, the OIG also is of the opinion that this policy limits OIG's scope of work and undermines OIG's independence with respect to our audits selection. Given OIG's lack of resources, there exists a patent need to exercise flexibility in contracting with outside consultants for co-sourcing audit activities. Based on the aforementioned, the OIG believes it to be in the best interests of the Organization to grant it an exception with regard to the EARS requirement.

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

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

#### Objectives:

- Verify that the obligations and expenses recorded in the designated separate account in the Regular Fund were strictly for the costs of the transition to the new administration
- Determine whether total expenses shown on the December 31, 2015 report produced by the Department of Financial Services are accurate
- 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
- Evaluate internal controls surrounding the transition costs, including:
  - Financial transactions – how they were initiated, authorized, processed and recorded in the system
  - Procedures for recruiting CPR personnel
  - Procedures for staff terminations

A final report of the audit was submitted to the Chair of the CAAP on April 7, 2016.

#### Methodology:

- Interviewed key personnel of the Department of Financial Services (DFS) and the Department of Human Resources (DHR)
- Obtained relevant documents from DFS and DHR
- Performed both sample analysis and analysis of the population of transactions, such as reviewing 100 percent of ex-staff members' liquidation benefits for proper supporting documentation and compliance with the staff rules
- Obtained an understanding of the components of the transition costs
- Reviewed the monthly financial reports issued by the DFS on the transition costs
- Reviewed financial transactions in OASES coded to the sub-accounts associated to Fund 114 (designated to record the transition costs) of the Regular Fund for proper supporting documentation and approval.

**Results:**

During the review process, nothing came to the OIG's attention indicating that activities undertaken in relation to the costs of the transition to the new administration during the scope period were not in compliance with the Organization's rules and regulations.

However, we 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, the OIG noted the following:

- USD 225,611 of expenses not paid as of December 31, 2015, were reported in the financial report with no disclosure
- USD 56,079 of repatriation benefits expired as of December 31, 2015, but were not reported by the DHR to DFS until March 4, 2016

**Audit SG/OIG/AUD-03/16 – Department of Procurement Services –Travel of Non-OAS Employees**

**Objectives:**

- Determine whether the activities related to official travel for non-OAS employees were carried out in compliance with established GS/OAS rules and regulations and other applicable guidelines and directives for the scope period, including:
  - Administrative Memorandum No. 122 – Travel Policy
  - Administrative Memorandum No. 79 Rev. 5 – Instructions for Travel in the General Secretariat of the Organization
  - Budgetary and Financial Manual
  - Donors Agreements
- Evaluate internal controls related to:
  - Approving and recording per diems for non-OAS employees' official travels
  - Reconciling the corresponding travel expense claims (TECs)
- Follow up on recommendations from previous travel audits related to non-OAS employees

**Methodology:**

- Reviewed existing travel policies and procedures for the GS/OAS and assessed the internal controls
- Reviewed the travel rules and regulations for the GS/OAS
- Performed inquiries of key management personnel in the Department of Procurement, Department of Financial Services and some Technical Secretariats, that allowed us to gain understanding on current operating procedures and department practices
- Selected samples of disbursements related to travel of non-OAS employees for detail testing. The samples were selected from the following accounts: 50402 Fare of Non-OAS Staff; 50406 Per-diem of Non-OAS Staff; and 50407 Terminal Expenses

**Please note that this audit has not been finalized, as it is in the fieldwork phase.**

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

A consulting firm contracted by the OIG provided this internal audit service on behalf and under the supervision of the OIG.

### Objectives:

- Examine OASES current functionalities and standard reporting capabilities
- Assess the integrity of the production data (including selecting a sample of three reports to test accuracy of information and compare to system data)
- Evaluate the interaction of data between functional modules within OASES
- Determine the existence of alerts/alarms in OASES to indicate any data integrity issues during processing
- Assess effects on data integrity during the last OASES upgrade process
- Verify that recommendations issued in prior OIG reports on OASES data integrity (e.g., SG/OIG/AUDIT-03/06 and SG/OIG/AUDIT-01/09) have been appropriately addressed

### Methodology:

- Developed a work program with detailed testing procedures for assessing the stated audit objectives
- Reviewed documentation provided by OAS personnel (see Appendix A for a list of documents reviewed)
- Interviewed OAS personnel to better understand the strategy, goals, and challenges with OASES reporting and data integrity, to inquire about specific OASES system concerns, and to learn about OAS' history and the uses for data generated by OASES (see Appendix B for a list of interviews conducted)
- Assessed the effectiveness of OASES reporting and data integrity through interviews and documentation reviewed in the planning phase
- Tested a sample of reports to verify data accuracy
- Compiled observations within the work program steps, which were based on the interviews conducted, documentation provided, and testing completed
- Validated the accuracy of observations and risks with OAS OIG leadership and key stakeholders (e.g., DOITS, DFS, DPS)
- Developed recommendations to address the observations noted
- Obtained management's response and plan of action for the observations and recommendations

### Results:

#### Areas of strength

- OAS has implemented many of the recommendations issued in the prior OIG reports, resulting in improved OASES data integrity
- The design of OASES appropriately segregates duties between inquiring, requesting, approving, and managing functions and assigns system access based on responsibility
- Most GS/OAS departments utilize Discoverer – an Oracle Business Intelligence tool – for enhanced reporting purposes to supplement the limited capabilities and static nature of the standard reporting within OASES (i.e., Seeded Oracle reports)

Areas needing attention

- Data entry and training
- System familiarity
- Documented processes for system testing and exception resolution
- Accounting period close
- Data interfaces
- Previous OIG audit recommendations issued in 2006 and 2009 reports regarding OASES data integrity

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

Objectives:

- 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
- 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. This audit covered the period from January 1, 2014 to December 31, 2015

Methodology:

- Interviewed OAS personnel from the Coordinating Offices of the General Secretariat in the Member States as well as the personnel office in Peru and other relevant departments
- Reviewed selected operational procedures to evaluate effectiveness and efficiency of internal controls to the efficient conduct of GS/OAS business in Peru
- Performed a formal assessment of the fixed assets assigned to the Peru National Office
- Analyzed samples of disbursements related to the operations done at the Peru National Office as well as of three other projects executed in Peru

Results:

Areas needing attention and/or improvement

- USD 50,031 of unspent Specific Fund balance related to projects' disbursements from 2006, 2013 and 2014 remained inactive in OASES
- Outdated archives of the GS/OAS Office in Peru
- Non-compliance with the requirement to maintain a control list for inventory items costing less than USD 500
- Elimination of the OAS Country Representative post
- Overspending noted related to Fund 118
- Co-mingling of awards/contributions from donors: Program for Action against Antipersonnel Mines AICMA-OAS
- Excessive maintenance and repair costs associated with the official vehicle

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

### Objectives:

- 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
- 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 Bolivia are appropriately designed and operating effectively and efficiently to ensure the orderly conduct of activities. This audit covered the period from January 1 to December 31, 2015

### Methodology:

- Evaluated selected operational procedures to gauge effectiveness and efficiency of internal controls to ensure the orderly and efficient conduct of in-country GS/OAS business
- Analyzed selected transactions for consistency, completion and sufficiency of evidence to obtain reasonable assurance on the efficiency of the office and compliance with established policies and procedures
- Reviewed documentation and invoices for prior and subsequent periods to ensure that systems are reliable for providing accurate and timely information, proper safeguarding of GS/OAS assets and optimum use of its resources
- Examined the processes of internal controls and the compliance with the rules and regulations of the Organization
- Interviewed personnel and reviewed at headquarters about the human-resources hiring process in the country office
- Performed a formal assessment of the fixed assets assigned to the Bolivia OAS office

### Results:

#### Areas needing improvement and/or attention

- USD 54,012 of unspent Specific Funds balance related to the office's operations from 2007 remained inactive in OASES
- Large volume of outdated archives
- Discrepancies related to physical inventory of fixed assets
- Telephones need upgrades
- The office's official vehicle mileage log is not completed properly
- Personal phone calls made from the official phone of the GS/OAS were not reimbursed at the time of our field visit
- Need to improve monitoring over OAS Partnership for Development Fund (FEMCIDI) projects

## **Audit SG/OIG/AUD-07/16 – Department of Procurement Services - Management and Use of the GS/OAS Travel Mileage Program**

### Objectives:

- Review the process for purchasing airplane tickets for official travels
- Establish how mileage is obtained, recorded and managed by the GS/OAS
- Verify the process for obtaining, recording and managing travel related reimbursements (in kind or monetary) made to the Department of Procurement
- Review the procedures for the administration and redemption of travel miles and points generated by the GS/OAS corporate credit cards
- Evaluate the effectiveness of the administration of the corporate benefits program as related to travel mileage and points earned

### Methodology:

- Interviewed key personnel of the Department of Procurement (DP) and the Department of Financial Services (DFS)
- Obtained relevant documents from the DP and DFS
- Obtained an understanding of the components of the purchasing of airplane tickets for official travels
- Reviewed the monthly financial reports issued by the DP and DFS on the purchasing of airplane tickets for official travels
- Reviewed financial transactions in OASES coded to the subaccounts associated to Fund 114 (designated to record purchasing of airplane tickets for official travels) of the Regular Fund for proper supporting documentation and approval
- Reviewed the monthly reconciliations between the purchase tickets, and the payments made

The methodology also included performing sample analysis and scrutinizing the population of transactions and compliance with the staff rules.

### Results:

#### Deficiencies identified

- Lack of clarity and understanding of the methods by which the Organization earns travel miles and points through corporate agreements with major airlines
- Missing data from the report of tickets purchased with corporate benefits (points)
- Incomplete report related to home leave travels
- Inadequate review of the information received from OMEGA, the travel agency contracted by GS/OAS
- Lack of DP's involvement and segregation of duties in the reconciliation and approval process of purchased tickets

**Note: As stated earlier in this report, 27 recommendations were issued to address the deficiencies and internal control weaknesses noted during the executions of the aforementioned audits.**

## V. Investigation Activities

In 2016, the Office of the Inspector General’s Investigations Unit (OIG/INV) received six matters for investigation: two relate to workplace harassment; one to a whistleblower case alleging harassment, slander, and defamation of character; one alleging potential contract irregularities; one case of misconduct; and one case of criminal history. The office also received internal and external requests for two other assignments to undertake special reviews.

The OIG also carried over four matters for investigation from previous years that were subsequently closed. The table below lists the nature of the assessments, preliminary reviews and investigations conducted by OIG/INV, the dates of receipt of the initial complaints and their current status.

**Table No. 2: Investigations and Special Assignments – 2016 and Prior Years**

2016	Nature/Subject Matter	Received	Status
OIG/INV-PR-16/01	Whistleblower - Harassment, Slander, Defamation	02/16/2016	Referral to SG
OIG/INV-PR-16/02	DCMM Workplace Harassment	04/25/2016	Closed / Referral
OIG/INV-PR-16/03	DHR Workplace Harassment	06/14/2016	Ongoing
OIG/INV-PR-16/04	Costa Rica NGO / Allegations of Wrongdoing	10/04/2016	Closed
OIG/INV-PR-16/05	Contract Irregularities	11/28/2016	Open
OIG/INV-PR-16/06	Criminal History	11/28/2016	Closed

  

2016	Special Assignments	Received	Status
OIG/REVIEW/16/01	Due Diligence Review of Contracts with Third Party (Virtual Educa)	07/25/2016	Open
OIG/REVIEW/16/02	Criminal Fraud Referral Follow Up (Health Care Fraud)	11/21/2016	Closed

  

2015-2014-2013	Nature/Subject Matter	Received	Status
OIG/INV-PR-15/06	Nonprofit Work in Haiti	08/5/2015	Closed
OIG/INV-PR-15/08	DGS Workplace Harassment	12/02/2015	Closed
OIG/INV-PR-14/11	Spain Partnership Fraud & Criminal History	11/14/2014	Closed
OIG/INV-PR-13/14	Tuition Reimbursement Benefits	03/26/2014	Closed

### 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 who alleged that a complaint filed against him by another GS/OAS employee on December 2, 2015, (Case No. OIG/INV/PR-15/08 referenced below) was retaliatory in nature. The employee, in his counter-claim, indicated that he had been the subject of institutional retribution for stating his concerns about the distribution of security assets and poor maintenance of the locker room located in the GSB building. The complaint appeared to consist of two parts: a “whistleblower case resulting in institutional retaliation”; and workplace harassment charges against several directors and officers of the GS/OAS.

The employee 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, the employee 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 considered 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.

The OIG referred this matter to the Secretary General on June 28, 2016.

### **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 took 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 had 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, 2016, 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. Therefore, and following the re-evaluation of the matter by the OIG/INV on August 4, 2016, the OIG/INV closed the case at the preliminary review stage.

### **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 indicating that he was being harassed by an employee of the GS/OAS Department of Planning and Evaluation (Strategic Council for Organizational Development and Management for Results, or SCODMR).

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.

After the complainant filed the complaint, the OIG proceeded swiftly to the first two of the three steps contemplated in its standard procedures, in accordance with the relevant rules and regulations.

Accordingly:

- On June 14, 2016, OIG promptly logged in the complaint as case number OIG/INV/16-03.
- After considering the evidence initially available (including interviews with the complainant and the alleged offender), OIG prepared a preliminary review report, which was sent to the SG on August 3, 2016. In that preliminary report, we informed the SG of the OIG's decision to open a formal full investigation into the case.

On August 23, 2016, as a result of a meeting between the IG and the SG, it was decided that several modifications needed to be done to the GS/OAS Workplace Harassment Policy to allow appropriate parties to elect to bring external investigators in such cases.

This case remains active and will be addressed once any potential revisions to the aforesaid policy are agreed upon and adopted by all stakeholders.

#### **Investigation SG/OIG/ INV/PR-16/04**

On October 4, 2016, the GS/OAS Department of Electoral Cooperation and Observation (DECO) received an emailed complaint from a lawyer in Costa Rica. The complainant claimed wrongdoing by a fellow Costa Rican attorney and founding partner of a Costar Rican NGO "Asociación de Observadores Electorales Costarricenses" (ADOEC).

According to the complainant, the NGO founder has been conducting irregular business transactions on behalf of the nonprofit, which the complainant asserted had adversely affected the good name and/or reputation of the OAS.

Specifically, the complainant indicated that the lawyer running ADOEC improperly charged fees to allow certain individuals to participate in GS/OAS Electoral Observation Missions and OAS General Assemblies. Both the complainant and the NGO founder were listed as participants in the 2015 OAS General Assembly under ADOEC's name in the "Special Guests – CSOs" category. Despite requests to the complainant, OIG/INV did not receive any evidence of alleged improprieties by the NGO founder and/or ADOEC.

However, OIG/INV noted a lack of proper disclaimers on the OAS relevant websites, which should state that the GS/OAS does not charge fees to participate in any of its activities. OIG/INV recommended that, similar to a disclaimer the OIG recently endorsed for Human Rights petitions, the GS/OAS CSR Section and SARE should include in the special website created for OAS General Assemblies a disclaimer specifying that the OAS does not charge fees to participate in its General Assemblies.

The matter was deemed eligible for closure on December 28, 2016.

#### **Investigation SG/OIG/INV/PR-16/05**

On November 28, 2016, OIG/INV received information that a GS/OAS staff member was allegedly receiving bribes in a kickback scheme and was improperly directing GS/OAS employees to allegedly work on a side business. To date, no improprieties have been readily identified; however, in the

course of assessing the preliminary information, it was determined that contracts involving the GS/OAS staff member's department warrant further scrutiny. This review is ongoing.

### **Investigation SG/OIG/INV/PR-16/06**

On November 28, 2016, OIG/INV learned that a 2013 criminal case naming a GS/OAS staff member exists in online databases. The specific offense under the "Criminal Records" heading was listed as "Contributing to Delinquency of Minor" (sic) – a "Misdemeanor Class 1" charge. Subsequent investigative information found in a commercial proprietary database corroborated the anonymous tip and identified Virginia as the jurisdiction in which the criminal case was filed.

An examination of the employee's DHR files, reviews of courthouse records, as well as interviews with court and law-enforcement personnel in several Virginia counties, revealed that there are no arrest records or criminal cases for the GS/OAS employee available for public viewing because they have been expunged, most likely following a dismissal of the charges or acquittal.

However, a lawsuit filed by the staff member against the Virginia Department of Social Services (VDSS) on January 25, 2015, shows that he/she appealed an administrative finding of "Founded-Physical Abuse-Level Three" that was leveled against the staff member for a fight he had with his/her teenage son on December 6, 2013. VDSS used the standard of proof "by a preponderance of the evidence" in ordering that the employee's name remain in a state registry of child abuse offenders. As of March 27, 2017, the aforesaid civil case remained pending.

While no violation of staff rules was found during this preliminary review, OIG/INV identified several deficiencies in the GS/OAS job application forms, which omitted soliciting arrest history from prospective applicants, e.g. "Have (sic) ever been convicted, fined or imprisoned for the violation of any law (excluding minor traffic violations)?"

The aforementioned findings resulted in several recommendations, including the revision of the job application language and its standardization for both staff members and contractors/consultants.

Furthermore, OIG/INV recommended that any future high-profile subjects submit to more robust background-check screening and that DHR avail itself of the OIG/INV's services and resources.

This matter was closed on December 29, 2016.

**Note: As previously stated, nine recommendations were issued as a result of the completed assessments, preliminary reviews and investigations.**

### **Special Assignments Tasked to the OIG**

#### **OIG/REVIEW-16/01**

In May 2016, the OIG was contacted informally by the Secretariat for Access to Rights and Equity (SARE) regarding a previous investigation the OIG performed in 2012 involving Virtual Educa (VE), an online educational platform that has partnered with GS/OAS since at least 2003. SARE requested assistance and advice on some inquiries its personnel were performing about the relationship between the GS/OAS and VE.

On July 25, 2016, the OIG received a memo – OSG/375-16 – from the Office of the Secretary General (OSG) requesting that it re-assess the investigation performed in 2012.

The OSG, in its memo, also asked that the OIG evaluate the following:

- Status of the contract between VE’s so-called “Secretary General” and the GS/OAS and the possibility of granting an Associate Staff Member status to this individual
- Transparency of VE’s operations with the GS/OAS and other international organizations
- Current contract and agreement/Memorandum of Understanding (MoU) between the GS/OAS and VE
- Any potential risk to the organization

VE is an online educational initiative that involves multiple associated organizations around the world. Among others, these include: Asociacion de Educacion y Formacion No Presencial; Virtual Educa Foundation; Asociacion Virtual Educa; Fundacion Iberfuturo; Fundacion Virtual Educa Andina; and Virtual Educa Inc.

The records show that VE has a board of directors, councils and other supervisory bodies, whose members are government employees of many countries and officials of other known organizations, including the OAS.

An OIG review of the documents obtained and publicly available information relating to VE revealed the following:

- There are a lot of unanswered questions and uncertainties about VE, its sister organizations and operations
- There is a lack of transparency relating to VE’s operations with the GS/OAS and its network of sister organizations

In light of these findings, there appears to be potential reputational risks associated with the GS/OAS relationship with VE, given that:

- Until recently, VE’s physical address was the same as the GS/OAS<sup>2</sup>
- VE uses the name and logo of the OAS on all its activities and reports to third parties

## **OIG/REVIEW-16/02**

On November 21, 2016, the SG’s office forwarded to OIG a request by the Permanent Mission of Argentina to the OAS – dated November 17, 2016 – related to an official judicial inquiry and petition by a criminal court judge in Buenos Aires related to a prior OIG investigation report (Case No. SG-OIG-INV-15-02) involving a former GS/OAS Staff Member who participated in a health-care fraud scheme.

Specifically, the Argentine justice on October 5, 2016, requested answers to several questions and documentary evidence regarding the case of the Argentine citizen formerly employed by GS/OAS who submitted multiple fraudulent medical reimbursement claims amounting to USD 109,800, which were paid out between August 2008 and October 2014.

---

<sup>2</sup> On March 16, 2017, VE’s director informed GS/OAS that VE had relocated to a new address in Washington D.C. on March 1, 2017, under the aegis of the Virtual Educa Foundation.

The aforementioned investigative report was forwarded to the Permanent Mission of Argentina in March 2016 as a referral, so that Argentine authorities could address the matter of the usurpation of physicians' names and identities in the fraudulent reimbursement scheme. OIG/INV, in coordination with DLS, in July 2015 also identified the various physicians affected by the false and fraudulent health-care claims submitted to GS/OAS in a letter to the Permanent Mission of Argentina.

The OIG's official response, transmitted to the Permanent Mission of Argentina, was sent on December 2, 2016.

### **Investigations Carried Over From Prior Years**

As of December 2016, four matters for investigation received in previous years remained open or at the Preliminary Review stage. These cases have been closed: two cases date from 2015; a third from 2014; and a fourth from 2013.

These cases are as follows:

#### **Investigation SG/OIG/INV/PR-15/06**

On August 5, 2015, the Department of Legal Services Director forwarded to OIG an email from a former OAS consultant. The ex-consultant claimed that an OAS Staff Member was utilizing her own U.S.-based charity and "her employment at the OAS to commit abuses and crimes in Haiti." The former consultant further noted that since 2014 the staff member had faced various lawsuits and charges in Haitian courts of law related to charitable projects by her nonprofit. The complainant added that the charges against the staff member and her charity included "abuse of trust, fraud, property destruction, theft and vandalism," for which the former consultant filed a lawsuit in Haiti. The ex-consultant also reported filing a complaint with Maryland's Office of the Secretary of State to report the "misuse of funds and lack of transparency" on the part of the former staff member's nonprofit.

OIG/INV subsequently learned that the staff member had retired from GS/OAS in the summer of 2016 and therefore this individual was no longer subject to GS/OAS staff rules or OIG jurisdiction as an active staff member. The former consultant, who donated money to and served as a volunteer with the staff member's nonprofit in Haiti, had major differences with the latter over the operations and treatment of local workers and beneficiaries of the nonprofit's work. The complainant, reached in early 2017, explained that the staff member had repaid her for the consultant's past donations, volunteer work and as compensation for a plot of land in Haiti sold by the staff member to the complainant.

When prodded further for details, the former consultant did not provide any specific information, either in the form of complaints, lawsuit filings or any other documentation, about any activities undertaken by the former staff member that may have adversely impacted the good name and/or reputation of the OAS. OIG/INV informed the complainant that as the Staff Member was no longer subject to OAS staff rules or regulations, the OIG/INV was not in a position to investigate this matter further. As no additional evidence was presented that the individual violated any OAS rules or regulations and as financial restitution appears to have been made, the case was closed.

### **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 aforementioned incident was not the first such encounter with the alleged offender.

The OIG/INV interviewed the complainant and the alleged offender, as well as other individuals who might have been 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 current 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 concluded with the issuance of a final report that included two recommendations on August 23, 2016.

### **Investigation SG/OIG/INV/PR-14/11**

On November 14, 2014, an official with the Catalan Consumer Agency (**Agencia Catalana del Consumo** - ACC) emailed the OIG Hotline to alert and denounce that a Spain-based consultant working with GS/OAS had been arrested on fraud and corruption charges in 2012 in Spain but yet was profiting by conducting consumer-product safety seminars for the GS/OAS throughout the Americas.

The consultant, through his company, contracted with the GS/OAS in November 2013 to offer a workshop for the Inter-American Rapid Alerts Systems (SIAR), under the umbrella of OAS' *Red Consumo Seguro y Salud* (RCSS), or Consumer Safety and Health Network.

From preliminary inquiries, it appears that the consultant was associated with RCSS from at least 2010 to 2015. **This individual was indicted in March 2012 by a Spanish Criminal Court in Barcelona on charges of influence-peddling, bribery, contract rigging and other fraud-related crimes in a wide-ranging investigation by the Spanish customs agency and anti-fraud authorities in a high-profile case involving contracts unrelated to GS/OAS.**

Furthermore, the ACC official, in his November 2014 email to the OIG Hotline, reported that the news accounts and union complaints "called into question the true interest behind ACC and its current director in participating in the RCSS project," specifically the Memorandum of Understanding (MoU) signed by ACC's directors and the former SG on October 3, 2014. ACC, it should be noted, reportedly made several donations – in annual contributions of €20,000 between 2011 and 2014 that were ostensibly used to offer post-graduate consumer-safety courses to some 500 professionals from throughout the Americas. The consultant, his wife and others associated with the Universitat Pompeu Fabra (UPF) prepared and taught the seminars between 2011 and 2014 at GS/OAS headquarters.

**In addition to the criminal indictment of the aforesaid consultant, the ACC director who signed the 2014 MoU himself was the subject of a June 2013 complaint by the ACC workers union,**

**filed with Cataluña's Anti-Fraud Agency.** The complaint accused the ACC director of being involved in influence peddling and contract irregularities in relation to a €60,000 (USD 77,000) contract awarded by ACC to a Barcelona law firm in early 2013 that employed his lawyer son. **This now-former ACC director was indicted on criminal charges in October 2016.**

**Given that the 2014 MoU with ACC has not expired, and as there is ample public information – in the form of news articles, workers' union complaints, court records and reports from Cataluña parliamentary anti-fraud and anti-corruption commission inquiries – there exists a strong potential for serious reputational risks to the OAS.**

As the former GS/OAS staff members who coordinated and promoted the RCSS program and hired the GS/OAS consultant, his firm and by extension, his wife – as well as those GS/OAS staff members and officials who signed and/or administered the MoU with ACC – are no longer at OAS, the OIG deemed that the first phase of this matter should be closed.

**However, based on the aforementioned derogatory information on the subjects whom the GS/OAS has contracted and partnered with, the OIG will address the issue of the existing MoU and its relevant ramifications in a new preliminary OIG review currently under way in 2017.**

#### **Investigation SG/OIG/INV/PR-13/14**

On March 26, 2014, the former OAS Inspector General authorized a full investigation into a matters arising out of the OIG's Audit Unit (Audit No. SG/OIG/AUD-02/12), which uncovered two cases of "improper" tuition reimbursement in two GS/OAS departments.

However, those findings and the subsequent investigation at hand became the subject of a termination grievance filed by a former OIG auditor against the SG at the OAS/TRIBAD (Complaint No. 301). The former auditor, *inter alia*, alleged deceit, misrepresentation and retaliation for "unfavorable audits performed."

Documentary evidence presented at the TRIBAD revealed that neither of the two staff members – a DLS employee and a DFS technician who were the subjects of the previous audit and investigative inquiries – committed fraud or misconduct with regard to the receipt of tuition reimbursements. Instead, affidavits before the TRIBAD demonstrated that the sums – USD 1,000 and USD 1,475 – identified in the 2012 audit as an incorrectly reimbursed sum and an overpayment, essentially amounted to an "administrative oversight" and "administrative error," respectively.

Subsequently, the OAS/TRIBAD rendered a decision (Judgment No. 162) on December 29, 2014, that rejected the former OIG auditor's allegations and concluded that "all the principal and accessory issues in the present case are deemed to be settled with prejudice."

Accordingly, the OIG closed this matter on April 5, 2017, as no further action is required.

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

The OIG appreciates the support and collaboration of the Chair of the CAAP for his efforts to improve the dialogue between the OIG and the CAAP with respect to the implementation process of OIG recommendations. Specifically, the OIG takes note of the proposal drafted by the Chair and his committee that will require the Inspector General to make presentations on the status of the

implementation of OIG recommendations on a quarterly basis. This proposal has caught the attention of many department heads within the General Secretariat who have contacted the OIG to provide updates on the recommendations issued to their areas or to request additional information.

In 2016, the OIG issued a total of 27 recommendations that were communicated to the various areas and stakeholders. Currently, the OIG has a database of 206 issued recommendations, of which 97 (or about 47 percent) are reported as closed based on information received from the respective areas and departments. However, the OIG has not been able to validate all the responses and actions taken by the areas to close all the recommendations in our audit management software – TeamMate<sup>3</sup>. To date (as of April 2017), 109 recommendations remain open or pending in the system.

**Table No. 3 – Audit Recommendations Issued in 2016**

Project Code	Audit Name	Status		Total
		High	Medium	
2015-03	Disbursement Process for Specific Funds	2		2
2016-06	GS/OAS Office in Bolivia	2	5	7
2016-05	GS/OAS Office in Peru	6	1	7
2016-07	Management and Use of GS/OAS Travel Mileage		3	3
2016-04	OASES Reporting and Data Integrity Assessment	4	2	6
2016-02	Transition Costs	1	1	2
<b>Total</b>		<b>15</b>	<b>12</b>	<b>27</b>

**Table No. 4 – Status of Open/Pending Recommendations by Level of Risk**

Open Recommendations as of December 2016, by Level of Risk and Status			
Level of Risk	Status		Total
	Pending	Open	
High	41	36	77
Medium	15	15	30
Low	2		2
<b>Total</b>	<b>58</b>	<b>51</b>	<b>109<sup>4</sup></b>

<sup>3</sup>TeamMate has been adopted by many organizations as the preferred audit management solution, as it incorporates widely-endorsed industry best practices.

<sup>4</sup> Total does not include nine recommendations issued in OIG’s 2016 investigative reports.

**Table No. 5 – Status of Open/Pending Recommendations by Year and Level of Risk**

Year	Year and Level of Risk			Total
	High	Low	Medium	
2009	1	-	-	1
2010	-	-	1	1
2011	-	-	1	1
2012	-	-	-	0
2013	9	-	4	13
2014	26	2	7	35
2015	28	-	8	36
2016	13	-	9	22
<i>Total</i>	<i>77</i>	<i>2</i>	<i>30</i>	<i>109</i>

As the OIG undertakes additional follow-up procedures to validate management’s responses and actions, OIG Staff will provide updates on the recommendations in the 2017 OIG activity reports.

The OIG performs follow-up on the status of open recommendations with our audit management software, TeamMate, which has become an essential tool for the OIG to augment our procedures and enhance its operations. TeamMate has allowed the OIG to implement new standards to follow up on recommendations by properly lodging responses from the respective areas efficiently and consistently.

**Status of OIG Investigations & Special Assignments**

As required by Article 118 of the General Standards, a summary of the investigative activities and special assignments undertaken by the OIG’s Investigations Unit in 2016 follows below. Recommendations derived from these preliminary assessments, formal investigations and special assignments are also included below.

**Table No. 6 – OIG Investigation Activities and Special Assignments in 2016**

2016	Nature/Subject Matter	Recommendations Issued	Level of Risk	Number of Recommendations
OIG/INV-PR-16/01	Whistleblower - Harassment, Slander, Defamation	None	-	-
OIG/INV-PR-16/02	DCMM Workplace Harassment	None	-	-
OIG/INV-PR-16/03	DHR Workplace Harassment	TBD <sup>5</sup>	-	-
OIG/INV-PR-16/04	Costa Rica NGO / Alleged Wrongdoing	Yes	High	1
OIG/INV-PR-16/05	Contract Irregularities	TBD	-	-
OIG/INV-PR-16/06	Criminal History	Yes	High	6
<b>2016</b>	<b>Special Assignments</b>	<b>Recommendations Issued</b>	<b>Level of Risk</b>	
OIG/REVIEW/16/01	Due Diligence Review of Contracts with Third Party (Virtual Educa)	TBD	-	-
OIG/REVIEW/16/02	Criminal Charges Referral Follow Up (Health Care Fraud Scheme)	None	-	-
<b>2015-2014-2013</b>	<b>Ongoing<sup>1</sup></b>	<b>Recommendations Issued</b>	<b>Level of Risk</b>	
OIG/INV-PR-15/06	Nonprofit Work in Haiti	None	-	-
OIG/INV-15/08	DGS Workplace Harassment	Yes	-	2
OIG/INV-PR-14/11	Spain Partnership Fraud & Criminal History	None	-	-
OIG/INV-PR-13/14	Tuition Reimbursement Benefits	None	-	-
			<b>TOTAL</b>	<b>9</b>

<sup>5</sup> TBD – To Be Determined

## VII. Risk Assessment

According to Standard 2120-A1 (Risk Management) of the International Professional Practice Framework (IPPF) for internal auditing, “the internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding: (1) Reliability and integrity of financial and operational information; (2) Effectiveness and efficiency of operations and programs; (3) Safeguard of assets; and (4) Compliance with laws, regulations, policies, procedures and contracts.”

In line with the aforementioned standard, in the fourth quarter of 2016, the OIG worked with the various areas of the GS/OAS to initiate the Risk Assessment process. The responses the OIG received from these areas identified the high-risk areas that the organization may be exposed to and assisted the OIG in formulating risk-based audit plans for 2017 and 2018, in accordance with Article 118 of the General Standards. Furthermore, this information has been added to the OIG database of actual risks that could negatively affect the organization’s ability to achieve its objectives.

Additionally, this information could help facilitate the dialogue on Risks and Controls and the implementation of an organization-wide Enterprise Risk Management (ERM) framework to manage both internal and external risk factors effectively.

The report on the results of the annual risk assessment for 2016 was submitted to the Secretary General on February 23, 2017, along with a transmittal letter for subsequent forwarding to the Chair of the Permanent Council.

## VIII. High Risk Areas

A total of 104 responses represent the universe of responses or risk areas for 2016. This total also includes risk areas that were identified in the 2015 risk assessment, as well as 22 new risks.

The risk ranking matrix formulated by the OIG is defined in terms of what is called the vulnerability scale (i.e., Very High, High, Medium, Low and Very Low). “*Vulnerability refers to the susceptibility of the entity to a risk event in terms of criteria related to the entity’s preparedness, agility, and adaptability. Vulnerability is related to impact and likelihood. The more vulnerable the entity is to the risk, the higher the impact will be should the event occur.*”

It also bears noting that an organization’s approach to risk assessment and the model used depend on its business processes and audit universe. For instance, banking or lending institutions employ different means according to their needs and utilize a different risk assessment model than, say, a manufacturing company or an insurance business.

The OIG’s approach to risk measurement and the selection of the top 20 risk areas from the universe of 104 responses obtained from the survey uses a combination of both quantitative input (e.g., magnitude/materiality) and qualitative judgment (e.g., familiarity with the process, complexity). This method includes and takes into account the following:

- Analysis and queries of data in OASES
- Review of prior audit recommendations and reports
- Consideration of red flags and risk trends identified from analysis of the responses obtained from the areas
- Evaluation of risks already registered in TeamMate

- Results of interviews conducted with key GS/OAS personnel
- Feedback from internal discussions within the OIG audits and investigations units

All risk areas selected fall within the scale range of **Very High** to **High** based on their probability/likelihood of occurrence and their impact on the achievements of the particular areas' objectives.

**Note: The numbering of the risks from 1 through 20 is primarily used to display the information on the heat map referenced in the 2016 OIG Annual Risk Assessment report and for the purpose of cross-referencing the audits selected on the 2017 and 2018 work plans therein. Therefore, a priority value should not be ascribed to the numerical presentation below.**

The risk areas selected were further grouped within the four broad categories of risks identified in the 2016 risk assessment. Traditionally, risks under the Strategic and Development category tend to be Very High. By their nature, they are also more complex to analyze and interpret. The 20 risk areas are as follows:

### **1. Strategic and Development**

1. Mission, values and priorities not relevant to the region
2. Inputs or assumptions used for strategic decisions are incorrect
3. Country development outcomes not relevant or not supported by stakeholders
4. Failure to update the policies in a timely manner to reflect evolution of the strategy or lessons learned
5. Disconnect between institutional priorities and allocation of resources
6. Inability to attract, acquire and retain the necessary human talent
7. Budget process timing inconsistent, leading to poor planning
8. Changes in opportunities and threats, and other conditions affecting the market and the long-term viability of the GS/OAS

### **2. Operational**

9. GS/OAS lacks current financial assets and reserves to confront financial liabilities
10. Lack of participation of specialists from the finance and procurement areas at the time of the review of projects
11. Transfer of personnel undertaken without requesting a full review of qualifications, leading to personnel in key positions who lack the skills necessary to fully carry out their duties
12. Budget and accounting not operationally connected
13. Errors on financial transactions in the National Offices due to untimely recording before issuance
14. Procurement process in electoral observation missions
15. Inefficiencies resulting from duplication of functions when additional dependencies are created to carry out activities traditionally within the responsibilities of DHR, with personnel assigned without technical expertise to implement such activities

**3. Reporting**

- 16. Liquid assets are not available to meet the financial commitments of the GS/OAS, particularly for medium- and long-term commitments
- 17. Due to the use of internal rules rather than international standards, information reported to readers may not be compatible with reports produced under international accounting standards

**4. Compliance**

- 18. Recurring requests for exceptions to rules and regulations create internal conflicts and erode credibility
- 19. Non-compliance with the conditions and obligations agreed between the GS/OAS and a donor can lead to an agreement termination and return of funds to the donor, jeopardizing future contributions and commitments
- 20. Non-compliance with the GS/OAS Code of Ethics

**IX. Proposed Work Plans for 2017 and 2018**

The proposed 2017 and 2018 work plans are based on the risk assessment and other information that came to the OIG’s attention.

For 2017, the selection of projects to be included in the work plan was based on an analysis of the universe of the disbursements data related to the Secretariat, Department or Area over a specific period.

For example, the La Plata Basin and Cultural Heritage Phase II projects (Audit Nos. 04/17 and 05/17) are managed by the Executive Secretariat for Integral Development. The OIG analysis of disbursements data in OASES for 2015 and 2016 shows total amounts of approximately USD 4 million and USD 1.2 million, respectively.

With regard to Audit No. 06/17 on the list, Procurement Process – Electoral Observation Missions, the total disbursements from 2014-2017 amounted to approximately USD 11.2 million.

**Table No. 7: 2017 Proposed Work Plan**

Office of the Inspector General	
No.	Technical Area/Subject
01/16	Department of Human Resources (Hiring Process and Transfer of Post)
01/17	Department of Procurement - GS/OAS Credit Card Payment Process
02/17	Department of Planning and Evaluation – Project Monitoring
03/17	OAS Code of Ethics
04/17	SEDI Department of Sustainable Development - La Plata Basin (Project No. SDU-ES/132)
05/17	SEDI Department of Economic Development - Cultural Heritage Phase II (Project No. SID1403)
06/17	DECO - Procurement Process – Electoral Observation Missions

**Table No. 8: 2018 Proposed Work Plan**

Office of the Inspector General	
No.	Technical Area/Subject
01/18	Review of the Functions of the New Secretariats/Dependencies
02/18	Review of the Process for Recording Financial Transactions at the Country Offices
03/18	Canada - MACCIH Project Selected Disbursements
04/18	Evaluation of the GS/OAS Financial Liabilities
05/18	Review of the GS/OAS Contracts with IBS
06/18	Secretariat for Multidimensional Security - Inter-American Drug Abuse Control Commission (CICAD) - Demand Reduction Section
07/18	(DHR) Approval Process for Exceptions to GS/OAS Rules and Regulations

### **VII. OIG Participation at Meetings**

In 2016, the OIG staff participated as observers at multiple meetings of the Permanent Council and the CAAP, as well as in various gatherings of committees and working groups of the General Secretariat. These included meetings of the Selective Bid and Contract Awards Committee (CAC) and the Committee for Sales and/or Liquidation and/or Movable Property (COVENT).

In addition, the OIG continues to encourage department managers to consult with the office regarding matters that may present a potential risk to the Organization, the implementation of recommendations, or other issues or concerns related to the internal control environment, including proposals for changes in business processes and reviews of draft operational procedures.

The OIG believes the aforesaid endeavors will contribute to the improvement of internal communications on matters related to operational risks and internal control activities within the General Secretariat.

Garry LaGuerre  
Interim Inspector General