

CHAPTER 2

COMMENTS RELATING TO OTHER OAS ENTITIES

The Board is pleased to note that OAS has arranged audits of the various entities within the OAS organizational structure that have material amounts of OAS resources. Independent audits provide information and assurances that controls are in place to protect OAS resources. In the complex organizational structure that constitutes OAS, management attention needs to be focused on all major entities or parts of entities that manage material amounts of OAS resources.

As discussed earlier, the external financial statement auditors expressed unqualified ("clean") opinions, the highest level audit results, on the following 2005 financial statements of OAS entities. The external auditor had not identified any internal control weaknesses that rose to the level of a reportable condition during these audits, although it did identify other internal control or compliance issues that it reported to OAS management in a management letter.

- Leo S. Rowe Pan American Fund (Rowe Pan American)
- Rowe Memorial Benefit Fund (Rowe Memorial)
- Medical Benefits Trust Fund (Medical Benefits)
- Department of Democratic and Political Affairs (DDPA)
- Inter-American Agency for Cooperation and Development (IACD)
- Trust for the Americas
- Inter-American Defense Board Fund (IADB)
- Retirement and Pension Fund

The audit of OAS' Retirement and Pension Funds financial statements was not complete at the time of the board meeting but is include at the end of this report.

LEO S. ROWE PAN AMERICAN FUND

The Rowe Pan American Fund is a trust fund established to provide loans to students from Member states, other than residents and citizens of the United States, and to make loans to OAS employees for educational and emergency purposes. Student loans are interest-free and repayments commence after students have completed their courses of study. Loans to employees bear interest rates equivalent to the prevailing prime rate in the United States. Employees repay these loans through payroll deductions.

New loans to students decreased by 50 percent to \$275,500 in 2005 compared to \$573,800 in 2004. New loans to employees for education or emergencies went down slightly from \$173,884 in 2004 to \$97,462 in 2005. Total assets of the Fund increased approximately four percent to \$13 million in 2005. The main assets of the Fund as of December 31, 2005, were financial investments (78 percent), loans to students (15 percent) and loans to OAS employees (3 percent).

As of December 31, 2005, the Rowe Pan American Fund had outstanding loan balances to employees totaling \$380,679 and students totaling \$1.98 million. The amount of loans collected remained approximately the same and totaled \$631,356 in 2005 and \$644,104 in 2004.



The following table summarizes the financial results of the Leo S. Rowe Pan American Fund for 2005 and 2004:

Financial results
(In Thousands)

Year	2005 (Audited)	2004 (Audited)
Income	\$ 814	\$ 1,082
Expenses	(296)	(317)
Change in net assets	518	765
Net assets, beginning of year	12,410	11,645
Net assets, end of year	\$ 12,928	\$ 12,410

ROWE MEMORIAL BENEFIT FUND

The assets of the Rowe Memorial Benefit Fund have been accumulated principally from contributions received from Dr. Leo S. Rowe, a former Director General of the PanAmerican Union. These assets are held in trust to provide certain welfare benefits for OAS employees and to provide awards of up to \$300 to OAS staff that have made an outstanding contribution. As of December 31, 2005, the Rowe Memorial Fund had \$248,252 in net assets. Activity in this fund is limited.

The following table summarizes the financial results of the Rowe Memorial Fund for 2005 and 2004:

Financial results
(In Thousands)

Year	2005 (Audited)	2004 (Audited)
Dividends and Income	\$ 7,233	\$ 4,998
Subsidies	(2,000)	(12,500)
Official Recognition	(740)	-
Technical Services	(3,500)	(6,500)
Change in net assets	993	(14,002)
Net assets, beginning of year	247,259	261,261
Net assets, end of year	\$ 248,252	\$ 247,259

MEDICAL BENEFITS TRUST FUND

The Medical Benefits Trust Fund provides medical benefits to staff members of OAS. Claim adjudication is handled by Blue Cross Blue Shield.

The following table summarizes the financial results of the Medical Benefits Trust Fund for 2005 and 2004:

Financial results
(In Thousands)

Year	2005 (Audited)	2004 (Audited)
Income	\$ 9,694	\$ 9,742
Expenses	(7,915)	(7,531)
Change in net assets	1,779	2,211
Net assets, beginning of year	12,954	10,743
Net assets, end of year	\$ 14,733	\$ 12,954

DEPARTMENT OF DEMOCRATIC AND POLITICAL AFFAIRS (DDPA)

The DDPA provides assistance to Member states to improve their institutions and democratic processes, supports the generation, dissemination, and exchange of information on political systems and democratic values, encourages the exchange of experiences related to the promotion of democracy, provides assistance in the observation of electoral processes, and supports the process of national reconciliation and peace-building. During 2005, the DDPA received major contributions from The Netherlands, Norway, Sweden, the United Kingdom, and the United States. As of December 31, 2005, the DDPA fund balance was \$8.9 million.

The following table summarizes the financial results of the DDPA for 2005 and 2004:

Financial results (In Thousands)

Year	2005 (Audited)	2004 (Audited)
Income	\$ 28,576	\$ 20,700
Expenses: Including realized and unrealized losses on investments	(32,304)	(16,738)
Change in net assets	(3,728)	3,962
Net assets, beginning of year	10,129	6,167
Net Transfers	2,501	-
Net assets, end of year	\$ 8,902	\$ 10,129

INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT (IACD)

IACD was created in 1999 to promote, coordinate, manage and facilitate the planning and execution of programs, projects and technical assistance activities within the scope of OAS. The IACD is financed by transfers from the OAS Regular Fund and by contributions from Specific Funds. IACD's combined fund balance as of the end of 2005 was

approximately \$23 million, a decrease of 22 percent when compared to the 2004 fund balance of \$30 million. Income decreased from \$20.1 million in 2004 to \$9.7 million in 2005 (51 percent).

The following table summarizes the financial results of the IACD for 2005 and 2004:

Financial results (In Thousands)

Year	2005 (Audited)	2004 (Audited)
Income	\$ 9,762	\$ 20,108
Expenses:		
Including realized and unrealized losses on investments	(16,312)	(21,058)
Change in net assets	(6,550)	(950)
Net assets, beginning of year	30,400	31,350
Net assets, end of year	\$ 23,850	\$ 30,400

Currently, all of IACD financial information is included in the GS/OAS financial system (OASES). The Board could not find any internal policies that require IACD to have separate financial statements. The Board believes that OAS could save limited resources (both internal staff who prepare the separate financial statements and the cost of the external audit of those financial statements) by including IACD information in the financial statements for the Specific Funds.

2.1 The Board recommends that GS/OAS no longer issue a separate financial statement for the Inter-American Agency for Cooperation and Development. The financial information for these funds should be included in the financial statements for the Specific Funds.

The Board believes that the mechanisms in place to monitor the execution and technical aspects of the Special Multilateral Fund of the Inter-American Council for Integral Development's (FEMCIDI) projects were weak. The Board

believes that an audit of FEMCIDI projects, from identification to implementation and evaluation, should be performed by the Office of Inspector General.

2.2 The Office of Inspector General should perform an audit of FEMCIDI's projects during 2006.

TRUST FOR THE AMERICAS (TRUST)

The Trust serves to mobilize contributions from IACD and other institutional donors to address extreme poverty and promote democracy. The Trust has a significant grant agreement with the United States Agency for International Development for activities in Colombia. OAS, through IACD, supports the Trust with the provision of financial, material, and staff support. As of December 31, 2005, the Trust for the Americas held \$623,305 in net assets compared to \$269,859 in 2004. Approximately 20 percent of the Trust's \$2.9 million in revenue was related to in-kind contributions.

The following table summarizes the financial results of the Trust for 2005 and 2004:

Financial results
(In Thousands)

Year	2005 (Audited)	2004 (Audited)
Income	\$ 2,874	\$ 1,424
Expenses: Including realized and unrealized losses on investments	(2,797)	(1,819)
Change in unrestricted net assets	77	(395)
Temporarily restricted contributions	276	230
Change in net assets	353	(165)
Net assets, beginning of year	270	435
Net assets, end of year	\$ 623	\$ 270

The external financial statement auditors informed the Board that the Trust for the Americas had modified how they obtained funds from the U.S. government for grants. In the past, the funds were obtained after the funds had been spent (reimbursement). Now, the Trust for the Americas is obtaining funds in advance. Although this is allowed under the grant, the external auditors reported that the Trust for the Americas did not have adequate procedures in place to ensure the funds were needed for immediate use and would be spent within a reasonable period of time. The Trust for the Americas and GS/OAS have implemented improvements in the oversight process and plan to meet monthly to improve communications.

2.3 The Board recommends that the Trust for the Americas ensure that it adheres to U.S. government requirements related to grants. In addition, GS/OAS staff should work more closely with staff from the Trust for the Americas to ensure that a reasonable estimate is calculated for the draw downs based on anticipated spending activity.

INTER-AMERICAN DEFENSE BOARD (IADB)

IADB was established in 1942 and is comprised of military officers representing the highest echelons of their nation's defense establishments. IADB receives substantial contributions from OAS but has administrative autonomy. The Board's expenses were primarily for four functions: the Council of Delegates, the International Staff, the Inter-American Defense College, and administrative support. In 2005, IADB's net assets increased to \$394,000 from the total amount of net assets in 2004 of \$178,000 (121 percent). The total amount of revenue increased from \$4.6 million in 2004 to \$5.9 million in 2005 (28 percent). In addition, the total amount of expenses increased from \$4.6 million in 2004 to \$5.7 million in 2005 (24 percent).

The following table summarizes the financial results of the IADB for 2005 and 2004:

Financial results
(In Thousands)

Year	2005 (Audited)	2004 (Audited)
Income including net assets released from restrictions	\$ 5,900	\$ 4,643
Expenses	(5,693)	(4,605)
Change in unrestricted net assets	207	38
Change in temporarily restricted net assets	-	(44)
Net assets, beginning of year	178	184
Net assets, end of year	\$ 385	\$ 178



