

CHAPTER 3

COMMENTS RELATING TO THE OFFICE OF THE INSPECTOR GENERAL

This chapter discusses issues related to the Office of the Inspector General (OIG). The status and role of the OIG within OAS is important to the Board since the OIG is an essential continuing safeguard to assess and maintain the internal control environment. Under Executive Order 95-05, The Internal Audit Function of the General Secretariat and the OIG, is charged with the responsibility of assisting the Secretary General and the governing bodies to monitor various levels of management with respect to the General Secretariat's and OAS' programs and resources, and adherence to the legal system governing them.

Status of Recommendations from the Board's 2004 Report

In its 2004 Report, the Board discussed several issues related to OIG operations and provided specific recommendations to address them. The Board is satisfied with the progress made by OIG in implementing its recommendations despite limited resources. The Board is closing one recommendation that it made in its 2004 report. Five of the recommendations remain open, although the Board has revised some of these to accommodate changing circumstances, and the Board is including one additional recommendation related to training.

OIG Staffing and Budget

The Board has concluded that OIG is not adequately staffed to provide necessary internal audit and investigative support. Currently, OIG staff consists of the Inspector General, two auditors, one junior auditor, and one administrative assistant funded by reimbursements from specific funds. In addition, OIG has one unfilled position (senior auditor), which is currently unfunded.

The IG informed the Board that OAS management has been very supportive of her requests to increase the number of staff in her office within OAS' limited budget. OAS has approved one additional auditor position. In addition, the IG has obtained permission to abolish the unfilled senior auditor position and create two lower-graded auditor positions in its place. OIG plans to transfer contractor funds to cover the additional costs of these positions. However, the IG is not sure whether funding will be available for any of these three positions in 2006 due to severe budgetary constraints within OAS. The IG indicated that the three additional auditors would allow OIG to address important high risk areas.

The OIG's lack of resources is still a barrier that prevents it from adequately responding to OAS audit needs, issuing reports in a timely manner, and performing required follow-up. The Board understands the budgetary



limitations. However, given the importance of the work performed by OIG to ensure a sound internal control environment and the importance of obtaining timely audit results, it is essential to adequately staff OIG.

3.1 The Board recommends that the OIG's request for funds to hire additional auditors be given favorable consideration and priority.

3.2 Given the projected increase in specific funds and projects at OAS, the Board reaffirms its recommendation that GS/OAS work to include a specific provision in project agreements to ensure that OIG receives the necessary funds to perform required audits.

Training and Professional Development

The IG confirmed that all OIG staff had received sufficient training to maintain their auditing skills, especially considering the budget constraints and limited available time. In 2005, in addition to the in-house training offered to all GS/OAS staff, the IG, one senior auditor, and the junior auditor received professional audit training (two courses each). Training was scheduled for the other senior auditor, but it was cancelled due to personal reasons. However, the IG has provided on-the-job training and the training will be rescheduled for later this year.

The IG's training goal for 2006 is for OIG employees to maintain their professional certification credits, to attend systems related courses, and to attend other appropriate courses such as preparing effective and timely audit reports. However, the OIG training budget for 2006 was only \$7,900 (although this was an increase from the 2005 budget of approximately \$4,000.)

3.3 The Board reaffirms its recommendation that the OIG's budget be sufficient to obtain training that meets minimum professional requirements.

3.4 The Board recommends that the IG should develop a formal long-term training plan for all levels of auditors. This plan should be used each year to estimate the budget for training.

Professional Standards Review

The General Secretariat's Executive Order 95-05 makes reference to the need for the OIG to be periodically subject to a comprehensive evaluation or peer review conducted by independent auditors from outside OAS, who shall report on compliance in accordance with the Standards for the Professional Practice of Internal Auditing. The IG stated that as of the date of this report, no evaluation has been performed or scheduled, and no funds have been budgeted for this purpose. OIG should pursue opportunities to participate in the peer review process of another international organization in the Washington D.C. area.

3.5 The Board reaffirms its recommendation of the need for a peer review evaluation to be performed every three years in accordance with standards. The Board recommends that the IG include this item in the annual budget request and recommends that the requirement be properly funded.

Improved Cooperation

The Board was pleased to find improved cooperation between OIG and GS/OAS. The IG now regularly consults with management on high-risk issues, reviews draft policies and procedures, consults with Legal Services on investigations, and attends various OAS meetings related to business processes. The Board encourages both the IG and

GS/OAS to maintain an open and constructive working relationship.

2005 OIG Audit Work Including Status of OIG Recommendations

During 2005, OIG issued five audit reports, two reports based on investigations, and one memorandum related to a review. In addition, OIG conducted audit work on four other issues. Those reports have not been issued as final.

The completed audits covered internal control activities at four National Offices. The objectives of the audits related to the National Offices were to assess the internal controls in place related to operational activities, including cash receipts and disbursements, and verify the offices were executing responsibilities in accordance with internal policies and procedures. In addition, OIG reviewed a demining program. The purpose of the audit of the demining program was to evaluate the internal control over financial transactions and ensure that all parties had complied with the program agreements. The investigations related to maintenance expenses and allegations of improper cell phone use.

OIG issued a total of 38 recommendations (25 were considered high risk, 12 considered medium risk, and one low risk) in its 2005 audit reports. Out of these recommendations, 12 were related to building maintenance expenses, 18 were related to non-compliance with internal policies and procedures, three were related to student loan collections, and five were related to other internal control issues.

OIG reported that as of the date of this report, 25 of the recommendations were in the process of being implemented and 13 recommendations had been implemented. According to OIG, four recommendations from 2004 (two considered high risk and two considered medium risk) remained open at the time of this report. Two of these recommendations

related to system issues; one related to oversight of travel; and one related to student loans.

The following table outlines the audits and investigations performed by OIG and the recommendations for each report by risk level.

Summary of OIG Reports and Recommendations Issued in 2005

Report Number	Date	Entity	Recommendations			
			High	Med	Low	Total
AUD-01	December 2005	GS/OAS Office in Peru	3	2	1	6
AUD-02	December 2005	Action Against Antipersonnel Mines Program in Peru	1	0	0	1
AUD-03	December 2005	GS/OAS Office in Bolivia	1	4	0	5
AUD-04	December 2005	GS/OAS Office in Saint Kitts and Nevis	1	1	0	2
AUD-05	December 2005	GS/OAS Office in Bahamas and Selected Projects	3	5	0	8
INV-01	February 2005	2004 Building Maintenance and other Related Expenditures	12	0	0	12
INV-02	March 2006	Loss of Cell Phones Services by Staff Members of the Office of Conference and Meetings	4	0	0	4
Memo-19	June 2005	Unit for the Promotion of Democracy	0	0	0	0
TOTAL			25	12	1	38

The board recognizes OIG's continuing achievements despite lower resources, and encourages it to continue its ongoing audit follow-up process, so that adequate action is taken on open recommendations.

2006 OIG Work Plan

The IG presented the Board with its tentative 2006 audit work plan. Annually the IG performs a risk assessment to identify areas to audit. Because of the limited resources, the IG must prioritize the work performed. During the planning process, the IG considers recommendations made by the

Board of External Auditors; resolutions from Member states; referrals from other sources; and areas internally identified as high risk. For instance, the IG indicated that, in her opinion, the five highest risk areas for GS/OAS in 2006 are system issues (includes data integrity, system security, and flexibility of systems to meet user reporting needs); use of generic vendors; the internal control environment at the National Offices; inadequate resources for internal audits and investigations; and the ability to meet mandates on a timely basis within the budgetary constraints.

The IG also tries to audit each National Office on a cyclical basis, and will therefore choose ones that have not been reviewed in some time. This is consistent with a recommendation made by the Board in 2002. For 2006, nine of the 15 audits planned (60%) relate to National Offices.

OIG often gets special requests for audits or investigations that must be performed. Sometimes, due to limited staffing, other ongoing work will be delayed to address these special requests. For instance, in 2005, five audits were put on hold due to work on other unexpected projects. In addition, seven projects included on OIG's 2005 work plan were not begun. Five of these seven projects are included in OIG's 2006 work plan.

In order to enhance the effectiveness of the internal control evaluations performed by OIG and the procedures performed by the external financial statement auditors, OIG coordinates its activities with those of the Board and the independent financial statement auditors selected by the Board and OAS management. The Board believes that this process is generally working effectively. However, the Board did note that OIG and the external financial statement auditors should coordinate their audit plans more closely in future years.

3.6 The Board recommends that the Inspector General and the external auditors coordinate more closely during the audit of the 2006

financial statements, especially related to travel to National Offices.

The Board supports and agrees with OIG's planned audit activities for 2006. However, as discussed in Recommendation 2.2, the Board requests that OIG include an audit of FEMCIDI projects in its work plan for 2006. The Board encourages OIG to continue to focus its limited resources on areas with a high degree of risk and/or those with the highest potential for increasing efficiency, economy, and effectiveness within OAS.

