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Uruguay

Venezuela

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

OIG-IG-19-14

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, 2018.

I remit this Annual Report to you, for subsequent 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.

Hugo Eduardo Ascencio
Inspector General

Encl.



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2018

Annual Report of the Office of the Inspector General
for the Period of January 1 to December 31, 2018

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

16 May 2019
Original: English

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I. Summary

This report is submitted in conformity with Article 122 of the General Standards. It covers the activities of the Office of the Inspector General (OIG) from January 1 to December 31, 2018.

The Inspector General enjoys the functional independence needed to initiate, perform, and report to the Permanent Council and to the Secretary General on the audits, investigations, and inspections required to ensure the correct use and administration of the Organization's resources and to safeguard its assets, as well as on the overall efficacy of the functions of the OIG.

During the period from January 1 to December 31, 2018, the OIG staff:

1. Completed a total of seven audits; two of which were requested by the General Assembly and another one by the Secretary General;
2. Initiated 21 investigative matters, including two Special Requests from the Secretary General;
3. Led the Observation Mission of the Process for Delivery of Humanitarian Aid by the Government of the Republic of Guatemala to those affected by the Volcán de Fuego;
4. Carried out the preparation for the External Quality Assessment of its Internal Audit Activity;
5. Successfully implemented the strategy for the enhancement of the monitoring of audit recommendations;
6. Worked closely with the CAAP Working Group on the Review of OAS Programs in the monitoring of the implementation by the General Secretariat of the OIG recommendations;
7. Actively supported the entire competition process of two P02 Auditor Positions, that was led by the Department of Human Resources, from inception until its conclusion;
8. Conducted the continuous professional education program for the OIG's staff;
9. Continued acting as observer at a number of GS committees; as well as met and presented reports to the OAS governing bodies; and
10. Met peers of other International Organizations (IDB, IMF, WB and PAHO) to exchange best practices and explore collaboration opportunities.

II. Mandate

Article 117 of the General Standards to Govern the Operations of the General Secretariat (General Standards) - Internal audit: *“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.”*

Article 119 of the General Standards - Independence of the Inspector General: *“The Inspector General shall enjoy the functional independence needed to initiate, perform, and report to the Permanent Council and to the Secretary General on the audits, investigations, and inspections required to ensure the correct use and administration of the Organization's resources and to safeguard its assets, as well as on the overall efficacy of the functions of the Office of the Inspector General and on the qualifications and performance of the staff and independent contractors providing services in said office.”*

Article 122 of the General Standards - Reports of the Inspector General and the General Secretariat's Obligation to act: *“The Inspector General shall present the Secretary General with reports on the audits, investigations, and inspections he conducts, with copies to the Permanent Council and the Board of External Auditors. In submitting his reports, the Inspector General shall recommend such measures as he deems necessary to safeguard their confidentiality.”* Moreover this article adds that: *“The report of the Inspector General will be made available to the member states at Office of the Inspector General with clearly defined procedures and appropriate protection for sensitive information that could compromise pending legal action, expose sensitive organizational data of designated operators, endanger the safety and security of any entity, unit, or individual, or infringe on the privacy rights of any individual”.*

Executive Order No. 14-03, Procedures for Whistleblowers and Protections against Retaliation, issued on November 21, 2014, outlines the General Secretariat's general policies for encouraging the reporting of financial and administrative misconduct, as well as procedures to accept reports by prospective whistleblowers seeking protection from reprisals for their actions. Specifically, this policy provides the basis for the protection of whistleblowers, informants and witnesses from retaliation in the reporting of financial and administrative misconduct and is essential in the fight against fraud.

The OIG Hotline is available to the public as 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 involving the GS/OAS, whether committed by staff members or other personnel, parties or entities, and deemed to be detrimental to the Organization.

Executive Order No. 15-02, Policy and Conflict Resolution System for Prevention and Elimination of All Forms of Workplace Harassment, adopted on October 15, 2015, emphasizes that the GS/OAS is committed to provide a workplace that is free of all forms of harassment. The OIG is the competent and chosen authority by the General Secretariat to address formal workplace harassment complaints.

III. External Quality Assessment

The General Standards establish in its Article 127 – Evaluation of the Audit Function, that in order to maintain conformance with International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (the Standards), an external audit firm should periodically (at least every 5 years as per the Standards) assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. Results of the assessment shall be presented to the Permanent Council and the Secretary General for review and action as needed.

In compliance with this Standard, the Inspector General's Office announced on November 6, 2018, that the Office would undergo the above mentioned External Quality Assurance by the firm IIA Quality Services, LLC, a branch of the Institute of Internal Auditors, the authority that defines and regulates the internal auditing activity worldwide.

The review was scheduled to be performed during the first quarter of 2019. In conformance with the General Standards Art. 127 quoted above, the assessment's outcome will be fully presented to the Permanent Council and the Secretary General for review and action as needed.

IV. Internal Audits

In the January 1 - December 31, 2018 period, the OIG's Internal Audit Section initiated a total of nine audits, seven of which were completed in the year as further detailed in the table below:

Code	Title	Origin	Status at year end
AUD-16/01	Inspections of Personnel Transfers, Internal and External Competitions, and Reclassifications Included in the Program-Budget 2017	General Assembly Request	Completed
AUD-17/02	Project Monitoring	Audit Plan	Completed
REV-17/05	Audit of Personal Data Protection	SG Request	Completed
AUD-17/06	Procurement Process – Electoral Observation Missions	Audit Plan	Completed
AUD-18/01	MACCIH - Organization & Performance Management, Hiring Process and Management of Funds	Audit Plan	Completed
AUD-18/02	Inspections of Personnel Transfers, Internal and External Competitions, and Reclassifications Included in the Program-Budget 2018 - 1st Semester 2018	General Assembly Request	Completed
AUD-18/03	Accounts Payable Process	Audit Plan	Completed
AUD-18/04	Contract Management - Major Contracts of the GS/OAS	Audit Plan	In Process
AUD-18/05	401 (m) Plan Contracts Review	SG Request	In Process

The results of the completed audits were as follows:

AUD-16/01 – Inspections of personnel transfers, internal and external competitions, and reclassifications included in the program-budget

The General Assembly through Resolution AG/RES. 2(LI-E/16) rev. 4 - Program Budget of the Organization for 2017 requested the following under the Human Resources section:

“11 c. To instruct the Office of the Inspector General in its Semimanual reports to ascertain that personnel transfers, internal and external competitions, and reclassifications included in this program-budget are done in strict accordance with the applicable standards.”

As per the General Assembly instruction stated above, the OIG performed a review of the related personnel actions for the period from January 1 to September 30, 2017.

Our review, based on representative samples randomly selected by us, noted full adherence with the Organization’s relevant regulations for the personnel transfers, internal and external competitions, and reclassifications performed. However, we noted two instances in which the provisions for the Program-Budget of the Organization for 2017 AG/RES. 2 (LI-E/16) were not fully met. Both are detailed below:

1. **The limit on staff positions financed by the Regular Fund in the Program-Budget of the Organization for 2017 could have been exceeded by four additional staff positions:** Notwithstanding this, at year end, the staff positions financed by the Regular Fund did not exceed the 366 positions approved in the Program-Budget.
2. **A trust position approved as “Associate personnel” in the Program Budget of the Organization for 2017 was later filled and funded by the Regular Fund:** However, the trust position was later approved and financed by the Regular Fund for the Program Budget of the Organization for 2018 (AG/RES.1 (LII-E/17)).

AUD-17/02 – Project Monitoring

The audit of the monitoring process over the projects executed by the General Secretariat (GS) with specific funds covered the period from January 1 to December 31, 2017. In order to perform our procedures, we selected a sample of six projects or programs executed during the aforesaid period, which were:

1. Sustainable Management of the Water Resources of the La Plata Basin.
2. Small Business Development Centers, CARICOM.
3. Support for the Peaceful Resolution of the Border Conflict between Guatemala and Belize.
4. Program of Comprehensive Action against Antipersonnel Mines in Colombia.
5. Support to the National Identification Office of Haiti in the Provision of Identity Cards to Haitian Migrants in the Dominican Republic.
6. Inter-American Judicial Facilitators Program.

The major findings noted in the audit were as follows:

- Lack of a regulatory framework for the fundraising process, as well as the minimum standards for project monitoring.
- Low ratio of projects audited and/or evaluated and lack of a person in charge of the overall oversight of specific fund projects (i.e. a Project Controller).
- Lack of general reports that facilitate a centralized review of the status of the projects.
- Non-compliance with Executive Order 08-01 Rev. 7as Administrative Personnel (AMS) are not reporting functionally to the Secretariat of Administration of Finance (SAF).
- Management should evaluate the structure in place to support projects administratively as the allocation of administrative personnel (AMS) by technical area is not uniform in relation to the number of projects assisted.

- Lack of an induction plan for new staff participating in projects.
- The criteria for the handling of unused funds of completed projects of the Administrative Memorandum 125 are not being observed.

REV-17/05 – Audit of Personal Data Protection

This audit fieldwork took place in the time period from April 2 to June 29, 2018. Its main objective was to make an assessment of the relevant controls, processes and procedures related to access, collection and protection of personal and confidential information of Staff Members and Consultants (CPRs) at the General Secretariat level.

Our evaluation did not include a review of the adequacy of the Organization's Information Technology (IT) Infrastructure and Systems Management with respect to personal data protection against intruders (i.e. hackers). This decision was made considering that: 1) a 2014 Information Security Review by an external third-party related to the security of the Organization's IT systems did not identify major weaknesses or vulnerabilities to its networks; and 2) the OIG lacks resources to conduct IT audits without third party support.

The OIG used the Generally Accepted Privacy Principles (GAPP) established by the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants (CICA) as guidelines for the execution of this audit.

We concluded that while the Organization has internal rules and regulations that describe the responsibilities of individual staff members, CPRs and vendors related to confidentiality, discretion, safeguard and protection of the Organization's assets (including intangible ones); the information is dispersed and does not address some of the principles of privacy and personal/confidential information established in the GAPP guidelines. In that sense, the OIG recommended the General Secretariat to establish a privacy framework to effectively manage privacy risks.

Our review also noted weaknesses of control in the management of personnel and vendor data. Management committed to address those issues within the new Enterprise Resource Planning (ERP) System implementation.

AUD-17/06 – Procurement Process – Electoral Observation Missions

The Department of Electoral Cooperation and Observation (DECO) coordinates the Electoral Observation Missions (EOMs) through its Electoral Observation Missions Section.

The main objective of this audit was to assess the effectiveness and efficiency of the internal controls surrounding the EOMs' procurement process related to: disbursement transactions, including performance contracts, travel expenses and acquisitions of goods and/or services to assess how they were initiated, authorized, processed and recorded in OASES (the OAS/GS Enterprise Resource Planning System) for the period in scope, which was from January 1, 2016 to August 31, 2017.

Overall, the audit noted good internal controls established by DECO for this process including procedures, manuals and an online information system supporting the process.

Notwithstanding the above, our audit noted improvement opportunities in two areas as follows:

- **Purchase of air tickets:** Our analysis, based on a sample, noted that tickets were purchased with an anticipation of between two and 13 days, with an average of six days, whereas the internal regulations require an anticipation of at least 15 days. As per management comments, the major obstacle faced to improve the anticipation of purchase needs for air tickets is the late availability of donor funds for the EOMs.

- **Screening process for the selection of Specialists and Observers for the EOMs:** The authenticity of credentials and other information submitted by the individuals applying for a Specialist or Observer position is not further validated by DECO or the Department of Human Resources (DHR). Moreover, there is no formal process established to consult with other departments than DECO, such as DHR or the Department of Legal Services (DLS), for any known past bad performances or legal issues that the individual may have had within or outside the Organization.

AUD-18/01 – MACCIH - Organization & Performance Management, Hiring Process and Management of Funds

Following a competitive process, the external firm Baker Tilly Virchow Krause, LLP was selected to provide internal audit services on behalf of and under the supervision of the OIG. These services included an audit of the GS/OAS Mission to Support the Fight against Corruption and Impunity in Honduras (hereinafter referred to by its Spanish acronym MACCIH, or as Mission).

The objectives and corresponding main observations of this internal audit were as follows:

1. Assess the effectiveness and efficiency of the MACCIH's organizational structure for the achievement of its mission and objectives.
2. Evaluate the current performance and performance management system of key areas thematic to the Mission.
3. Assess the effectiveness, efficiency and internal control environment in the following processes:
 - a. Management and uses of funds, and
 - b. Hiring of personnel
4. Assess if the processes listed above (e.g., management and uses of funds and hiring of personnel) were/are conducted in adherence to the GS/OAS internal regulations and the Agreement between the Government of the Republic of Honduras and the GS/OAS.

As an outcome of the audit, the following main observations were noted for the audit objectives listed above:

- **Objective 1:**
 - Lack of documentation to support the GS/OAS Implementation Committee for Missions (IC) work or IC governance roles and responsibilities.
- **Objective 2:**
 - Continuous delays in sub-activities related to the Mission's outcomes which put at risk timely meeting the overall goals of the Mission.
- **Objectives 3 and 4:**
 - Incomplete performance contracts (CPR) evaluations.
 - Lack of background checks in the hiring process.
 - Current regulation allows the GS/OAS to directly fill Special Observer positions without a selection process.

AUD-18/02 – Inspections of Personnel Transfers, Internal and External Competitions, and Reclassifications Included in the Program-Budget 2018 - 1st Semester 2018

The General Assembly through Resolution AG/RES. 1 (LII-E/17) rev. 2 - Program Budget of the Organization for 2018 requested the following under Human Resources section:

“12 c. To instruct the Office of the Inspector General in its semiannual reports to ascertain that personnel transfers, internal and external competitions, and reclassifications included in this program-budget are done in strict accordance with the applicable standards.”

In addressing that request, the OIG performed a review of the related personnel actions for the period from October 31, 2017 to June 30, 2018 for this audit scope. The Department of Human Resources (DHR) provided the OIG with a list of 155 files/records that covered personnel transfers, competitions and reclassifications of posts.

The main audit observations resulting from our analysis based on representative samples were as follows:

- In 33% of the cases reviewed, the supporting documentation provided suggests that the request for an audit of the post was based on the performance of the incumbent rather than directed at the posts as requested by Staff Rule 102.1(c).
- Post reclassifications rely only on the results of the audit posts conducted by a long-time serving consultant. While this practice is in conformance with Staff Rule 102.3, in order to increase transparency and ensure consistency across the GS/OAS, the audit of post results should be confirmed by an internal committee. Moreover, in our opinion, the audit reports provided to DHR by the consultant lack sufficient information to provide assurance about the results.
- Generally, no formal background checks are performed as part of the competition processes for vacant positions. It should be noted that this is not explicitly required by the General Standards or the Staff Rules. Notwithstanding, DHR acknowledged the relevance of conducting background checks as part of the hiring process.

AUD-18/03 – Accounts Payable Process

The main objectives of this audit were to assess the internal control environment of the Accounts Payable Process and validate compliance with applicable GS/OAS regulations. The audit scope period covered January 1 to June 30, 2018. The major findings of our audit work were as follows:

- The text files used for electronic payments are susceptible to manual changes. For the audit period, 80% of the GS/OAS payments to third parties were made via electronic payments.
- The current ERP (OASES) set-up does not allow for a proper three-way match automated control¹.
- Services and goods paid by the National Offices in Member States are not being confirmed as received, neither by the National Offices nor by the areas at Headquarters that requested them.

¹ The three-way match is an accounting control that ensures the payments an Organization makes are accurate and complete. The process involves matching up three documents (the purchase order; the invoice and; the shipping receipt, packing slip, or bill of lading) and verifying them before payments are made to vendors.

V. Investigations

In the January to December 2018 period, the OIG’s Investigation Section (hereinafter OIG/INV) processed 21 investigative matters, 9 of which were completed. Of those, two were Special Requests (REV-17/04, REV-18/01 requested by the Secretary General). Details are reflected in the following table:

Code	Technical Area/Subject	Status at year end
INV-16/03	Alleged DHR Workplace Harassment	Completed
INV-16/05	Alleged Contract Irregularities DOITS	Completed
INV-17/11	Alleged DOITS Workplace Harassment	Completed
REV-17/04	MACCIH Alleged Infiltration	Completed
INV-18/01	DHR Consultant’s Alleged Harassment of Interns	Completed
INV-18/02	MACCIH - Alleged Irregularities in Bidding Process	Completed
INV-18/05	MACCIH - Alleged Acts of Hostility in Termination of Contracts	Completed
INV-18/08	MACCIH - Alleged Workplace Harassment	Completed
REV-18/01	Review of Intelligence Activities at the MACCIH	Completed
INV-17/12	MACCIH - Whistleblower Complaint	In process
INV-17/13	MACCIH - Alleged Irregularities in Hiring of Consultants	In process
INV-17/14	MACCIH - Unauthorized Access to Information	In process
INV-18/03	MACCIH - Alleged Lack of Protection of Personal Communications	In process
INV-18/04	MACCIH - Alleged Discriminatory and Racist Comments Made by MACCIH Officials	In process
INV-18/06	MACCIH - Internal Communications Leak	In process
INV-18/07	Alleged Irregularities in Grant’s fund Management	In process
INV-18/09	IACHR - Leak of Internal Information	In process
INV-18/10	Alleged Irregularities in Program Administration	In process
INV-18/11	Alleged Misconduct of OAS Staff Member	In process
INV-18/12	Alleged Irregularities in US Tax Reimbursement by Staff Member	In process
INV-18/13	Alleged Workplace harassment in the Department of General Services	In process

The results of the completed investigations were the following:

INV-16/03 – Alleged DHR Workplace Harassment

On June 14, 2016, the OIG/INV received a complaint from a Department of Human Resources employee indicating that he had been harassed by an employee of the GS/OAS Department of Planning and Evaluation (Strategic Council for Organizational Development and Management by Results, or SCODMR). Specifically, the complainant indicated that the most severe incident of workplace harassment was related to his appointment selection in 2015, but that he did not learn about it until May 2016. The complainant added that this incident was not isolated and that the alleged offender had exhibited a pattern of workplace harassment behavior against him since 2012.

A preliminary review report was issued on August 3, 2016, paving the way for a formal investigation. However, the accused raised various bias and conflict-of-interest objections before the Organization. Thereafter, the OIG obtained feedback from the Secretary General and other GS/OAS areas

on the potential to amend the existing workplace harassment policy to allow for the use of external investigators in certain cases. The case was suspended from September 2016 until October 2017, when it was reassigned within the OIG. Once the OIG's formal investigative process resumed and in line with the investigative inquiries and procedures undertaken, the OIG/INV concluded that:

- There was no evidence – either via witness testimony or documentary records – that the accused engaged in isolated or recurrent incidents of workplace harassment specifically against the complainant.
- The complainant's many accusations fell outside the one-year statutory timeframe for filing a formal harassment complaint.
- The complainant overreached by attempting to include in his complaint uncorroborated accounts of alleged harassment of third parties at the hands of the accused.
- The complainant's many accusations lacked specificity and appeared contrived to prevent the accused from testifying in an OAS Administrative Tribunal process affecting the complainant, who resigned from the OAS in March 2017.

The OIG determined that the complainant's allegations were wholly unfounded and without merit; the case was closed with the issuance of a report on March 26, 2018.

INV-16/05 – Alleged Contract Irregularities DOITS

On November 28, 2016, OIG/INV received an anonymous complaint in the form of a mailed letter via the U.S. Postal Service that a GS/OAS Staff Member was allegedly receiving bribes in a kickback scheme and was improperly directing GS/OAS employees to work on a side business. During a preliminary assessment, no such improprieties were uncovered or identified. However, in the course of evaluating the information presented, it was determined that contracts involving CPR consultants warranted further scrutiny.

The OIG/INV undertook a cursory review of the contracts to ascertain their amounts, terms of reference and conducted inquiries both in the U.S. and abroad to determine whether the Staff Member had any businesses or corporations under his name. The results of the latter inquiries were negative.

The OIG/INV assessed the allegations of bribery, potential nepotism and/or favoritism, conflicts of interest and the hiring of personnel in the CPR capacity, and evaluated them against the pertinent applicable GS/OAS rules, regulations, executive orders and guidelines. On May 30, 2018, the OIG determined that no elements of admissibility were presented to substantiate the allegations that the Staff Member improperly awarded CPR contracts or that consultants were hired under fictitious terms.

INV-17/11 – Alleged DOITS Workplace Harassment

On June 19, 2017, a consultant of the Department of Information and Technology Services (DOITS) submitted before the OIG a written workplace harassment complaint against a DOITS staff member. The complaint detailed a series of incidents related to the complainant's job assignments and responsibilities that allegedly took place in early 2017. It also indicated that the most severe incident of workplace harassment took place on May, 30, 2017, during an internal meeting between them. The complainant further stated that the alleged offender had improperly used a position of authority to harass and intimidate her -specifically through aggressive forms of speech- and exhibited a pattern of workplace harassment behavior.

On November 29, 2017, and after analyzing all available evidence, OIG/INV decided that there were sufficient grounds to open a formal investigation. Following the issuance of its Preliminary Report, the OIG was unofficially informed about an alleged personal relationship between the complainant and her sole witness of the case. During the investigation process, both complainant and witness acknowledged that relationship existed; however, according to them, it was prior to the date of the facts

being investigated. In light of a possible conflict of interest as defined in the GS/OAS Code of Ethics, the OIG disregarded the potential witness testimony from its analysis and conclusions.

The final report regarding the investigation was issued on February 15, 2018, with no recommendations. The OIG/INV closed the case, as it was not able to corroborate the alleged facts due to the lack of conclusive evidence.

REV-17/04 – MACCIH Alleged Infiltration

In response to a special request from the Secretary General – which he based on a complaint received by the GS/OAS Implementation Committee for Missions during a September visit to Tegucigalpa, Honduras, that the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH) had been infiltrated and that its telephone lines and computer systems were compromised – the OIG/INV carried out a special review. The SG asked the OIG to inquire about the MACCIH management's knowledge of the complaints and its ensuing response. With the assistance of contractors and a consultant, the OIG/INV carried out a three-pronged investigative approach undertaking: an electronic counter-measures sweep of the entire MACCIH building; an inspection and assessment of the entire IT systems architecture; and a collection of testimonial and documentary evidence with more than 20 field interviews.

The electronic sweep did not detect any surreptitious listening or filming devices introduced and installed in the MACCIH premises; however, the OIG/INV received multiple complaints about instances of improper remote monitoring or unauthorized access to computers with sensitive information at the MACCIH.

No concrete evidence surfaced that any person inside the MACCIH's investigative unit was involved in the leaking of sensitive information or unauthorized disclosure of any kind in 2017; however, the OIG/INV separately noted that the MACCIH investigations unit – for various reasons – suffered from marked deficiencies in its case selection process and expected production, including infighting due to claims and counterclaims of gender-based harassment, low morale, poor leadership and weak supervision between January and September 2017.

Upon learning of the allegations of infiltration and suspected eavesdropping of communications and IT systems, the former MACCIH's management ordered stricter IT security protocols, including an inventory of all hardware/software systems with digital credentials, and keys and other sensitive information to be stored in a safe. MACCIH's former management also requested a forensic audit of MACCIH's IT systems. On the infiltration issue, which was one of the main uncorroborated claims and for which the OIG later found inconclusive evidence, MACCIH's management ordered its security department to conduct inquiries on an employee, whom they transferred out of the unit.

The OIG concluded that throughout 2017 – but particularly after June when it was presented with the aforementioned allegations – the former MACCIH management withheld key information from the GS/OAS, including superiors and the OIG, about the true internal state of affairs at the MACCIH; and that this omission warranted a disciplinary measure in conformance with Staff Rule 111.1. In addition, the OIG noted areas of improvement in the selection and hiring processes for international staff assigned to special OAS missions and recommended thorough vetting and background checks for candidates to posts with access to sensitive information, as well as security clearances of maintenance workers and contractors at the MACCIH. This report was issued on March 1, 2018.

INV-18/01 – DHR Consultant's Alleged Harassment of Interns

On December 14, 2017, the OIG received from the Department of Human Resources (DHR), documents related to allegations of workplace harassment by a CPR consultant that was providing services to that department. The allegations involved two incidents of alleged workplace harassment

against an intern of the Department of Public Security (DPS). The alleged incidents took place during the 2017 fall session of the Internship Program at the OAS.

Based on a preliminary review, on January 22, 2018, the OIG decided to open an ex-officio full investigation into alleged incidents of workplace harassment in addition to a pattern of prohibited conduct by the individual. After analyzing documentary and testimonial evidence, OIG/INV concluded that the allegations of workplace harassment with regard to the two incidents against the intern were conclusive, yet the pattern of prohibited conduct could not be established. The aforementioned findings resulted in two recommendations for the Secretary General, including the permanent debarment from future contracts with the GS/OAS for the consultant. This matter was closed on June 18, 2018.

INV-18/02 – MACCIH - Alleged Irregularities in Bidding Process

On April 6, 2018, the acting MACCIH chief alerted the OIG that two MACCIH officers were refusing to re-issue a signed “intelligence” report that they authored in 2017 and that was used to disqualify a company in a renewed bid process in early 2018.

The OIG/INV found that the report in question was based and prepared with questionable information-gathering processes and was later distributed without sufficient quality controls. The OIG/INV did not find elements to sustain that the actions of the two – now former MACCIH employees – amounted to willful misconduct or malice. However, their actions constituted culpable negligence that cost the Organization overpayments to their preferred bidder based on information from a single confidential source, when neither the information nor the source was fully or properly vetted. The due care and diligence expected of GS/OAS professionals in processing and channeling such information were deficient. Both individuals also were careless in disregarding multiple requests in 2018 to release a signed copy of a report that they authored, approved and upheld with a categorical recommendation only a year earlier.

While one of the officers resigned on April 27, 2018, it was recommended that the findings of this report be included in his DHR file and that the other officer’s contract not be renewed after July 15, 2018. It was also resolved that both officers be deemed ineligible for future GS/OAS employment. This report was completed on June 15, 2018.

INV-18/05 – MACCIH- Alleged Acts of Hostility in Termination of Contracts

On February 20, 2018 a former MACCIH officer presented two complaints to the OIG alleging hostility and retaliation from the GS/OAS in the acceptance of the resignation of one of his colleagues, as well as in the acceptance of his own resignation.

The MACCIH employee complained that the GS/OAS accepted the resignations of his colleague and himself with immediate effect (February 20, 2018) while he and his former colleague had communicated the resignations should be effective on April 3, 2018 and on March 19, 2018, respectively.

He alleged *inter alia* that the anticipated acceptance of their resignations violated their employment contracts, exposed them to be uncommunicated as the Organization’s mobile phone assigned to them was withdrawn, and that they should be protected by the OIG by virtue of the Procedures for Whistleblowers and Protections Against Retaliation (GS/OAS Executive Order No. 14-03) – as they had previously reported admissible whistleblower reports to the OIG (INV-17-12 and INV-17-13).

Upon reviewing the complainant’s allegations, their employment contracts, the documentation of their employment contract termination, as well as the GS/OAS relevant regulations, the OIG concluded that the alleged hostility in the acceptance of these officers resignation was unsubstantiated considering that:

1. Clauses 1.3 and 1.4 of their employment contracts explicitly granted authority to GS/OAS for terminating their employment contracts at any time if considered convenient for the overall safeguard of the Organization.
2. The GS/OAS communicated to them in the acceptance of their resignation letters that their full salaries and benefits until their requested termination dates would be honored and paid.
3. The Organization's acceptance of their resignations cannot be deemed a retaliation measure, as it was not the Organization that initiated the decision to rescind their services.
4. Both officers failed to exhaust the internal instances established by the GS/OAS to deal with allegations of alleged misconduct, as they both leaked to the media and social networks information about the complaints that they had previously presented to the OIG. *Executive Order No. 14-03, Procedures for Whistleblowers and Protections Against Retaliation* does not shield complainants from their own misconduct.

Consequently the case was closed at the preliminary phase on May 23, 2018.

INV-18/08 – MACCIH - Alleged Workplace Harassment

On April 23, 2018, a MACCIH staff member filed a workplace harassment complaint against the acting MACCIH chief with a member of the GS/OAS Implementation Committee for Missions at Headquarters. Said complaint was forwarded to the OIG for subsequent consideration and analysis to evaluate whether it contained elements of admissibility.

The complaint alleged that the officer was experiencing a “situation of persecution” at the hands of the interim mission chief, who was employing “an abuse of authority,” “influence” and “power” to “negatively affect my [*the officer's*] career track or employment conditions.” Additionally, the officer claimed that the former acting Mission chief was “exerting pressure” on a supervisor to terminate the officer's employment.

Based on interviews and evaluations of other documented compliance reviews regarding the complainant, the OIG/INV concluded the following:

1. The officer's tasks were curtailed for the Mission's benefit; the gleaned evidence did not show that the officer's career path was negatively affected by the interim chief's instructions.
2. The GS/OAS workplace harassment policy enables a manager and/or supervisor to adopt corrective measures that could affect an employee negatively (e.g. with respect to performance, evaluations, promotions, contract renewals or work assignments related to post).
3. The officer denied being part of any conspiracy against the mission chief, while the latter also dismissed having made any such accusation; due to conflicting statements from witnesses, there is no supporting evidence either to substantiate or dismiss both versions. Additionally, the officer's claims that the chief denied the officer multiple meetings could not be corroborated, although the mission chief acknowledged that it was difficult at that time to have extra appointments due to a heavy work load.
4. In relation to the supposed request to terminate the officer, the OIG/INV found that a meeting took place between the officer's supervisor, an area coordinator and the mission chief sometime in April 2018; but the three witnesses differ as to the purpose and results of the encounter. While the supervisor claimed that he was coerced to find a way to remove the officer, the area coordinator stated that no such order was given and instead the supervisor was counseled to rein in the activities of the officer; the former mission chief meanwhile affirmed that she recalled a meeting to discuss tasks/functions related to the officer, but did not remember any particular meeting in which a discussion to terminate someone was broached.

Due to the inexistence of documentary proof and inconclusive testimonial evidence, the OIG closed the case as uncorroborated at the preliminary stage on September 13, 2018.

REV-18/01 – Review of Intelligence Activities at the MACCIH

On March 14, 2018, the Office of the Secretary General requested that the OIG review and investigate “the undertaking, both inside and outside the MACCIH, of intelligence activities during the prior administration.”

The OIG conducted a post review of the Security and Intelligence Officer position held by a MACCIH special missions contract Staff Member.

The OIG determined that it did not possess elements or indications to conclude that functions and tasks performed by the MACCIH security department’s security officer were incompatible with the terms of reference under which the person was hired for the post; the person was in charge of information analysis, threat assessments and risk mitigation vis-a-vis the Mission, its staff and facilities.

There was also no basis to conclude that the officer had exceeded any of his actions during the previous administration or that he/she participated in clandestine espionage and/or undertook counterintelligence measures not in accordance with his position. The OIG further judged that the responsibilities and functions carried out by the officer conformed to job descriptions in definitions of similar security positions in other public international organizations.

This report was completed and issued on April 11, 2018.

VI. Status of Audit Recommendations

In 2018 the OIG successfully implemented its plan to enhance the monitoring of the audit recommendations. The plan presented to and endorsed by the CAAP Working Group on the Review of OAS Programs (CAAP Working Group) considered the following:

1. **Review of the Audit Approach:** to enhance clarity of OIG recommendations, instill a risk-based criteria process to establish priorities and use OIG’s resources optimally. As part of such plan, a risk-based criteria for the rating of the OIG recommendations was established; the SMART (Specific, Measurable, Achievable, Responsible person and Time Specific) concept was introduced in the audit approach for the definition of the management actions to address OIG recommendations. Moreover, the OIG is applying now the Institute of Internal Audit (IIA) recommendations for the implementation of the Standard 2500 – Monitoring Progress for small audit activities. As per those guidelines, the OIG is monitoring quarterly the audit recommendations rated either high or medium priority. The audit recommendations rated low priority are entrusted for validation by the business process owners and will be considered in subsequent audits.
2. **Reassessment of Existing Open Recommendations:** to ensure that management attention is given to the most relevant issues of the Organization. With this aim, the entire open recommendations as of December 31, 2017 were re-assessed. The inputs of Member State Representatives in the CAAP Working Group were also considered in that re-assessment. As an outcome of that exercise, 14 of the open audit recommendations as of December 31, 2017 were selected for monitoring in 2018.
3. **Enhancement of Management Attention:** to employ a systematic reporting to the General Secretariat and to the CAAP Working Group. In accordance with this plan, every quarter the OIG has been monitoring with the General Secretariat and presenting to the CAAP Working Group the status of the OIG recommendations.

This OIG plan proved to be effective. At year-end 2018, management was able to implement all but one of the 14 recommendations from prior years that were selected for monitoring.

In 2019 the OIG will continue this approach to monitor: i) the 21 high/medium priority audit recommendations that resulted from the audits conducted in 2018; ii) the one recommendation still open coming from audits of prior years; and iii) any high or medium priority recommendation that might arise from the audits to be conducted in 2019.

VII. Training

In accordance with the Institute of Internal Auditors (IIA) Standard 1230 – Continuing Professional Development, the OIG endeavors to make training an essential part of staff development in order to enhance their knowledge, skills, and other competencies to ensure that they are adequately prepared to meet the Organization’s needs

During the period of January 1 to December 31, 2018, OIG staff attended two training events:

- 1) “Evaluating Organizational Ethics” a course imparted by the IIA
- 2) “Project Design: The Logical Framework Approach” - a course given by the GS/OAS Dept. of Planning Evaluation / SCODMR

The attendance led to the accrediting of a total of **208 Continuing Professional Education (CPE)** credits during 2018.

VIII. OIG Participation at Meetings and Coordination with Other Oversight Bodies

During 2018, the OIG staff participated as observers during meetings of the CAAP, as well as in various committee meetings and working groups of the General Secretariat that may impact internal controls, such as the Contract Awards Committee.

The OIG also remained in communication with the External Auditors of the Organization, as well as with other oversight bodies of the GS/OAS in order to ensure proper coordination, coverage and minimize duplication of efforts.

Moreover, the Inspector General met during 2018 with peers of other International Public Organizations (IDB, IMF, WB and PAHO) to exchange best practices and explore collaboration opportunities.

IX. Proposed Audit Plan 2019 - 2020

Article 118 of the General Standards establishes that the Inspector General shall present to the Permanent Council a plan of activities for the next two years and shall update it annually. In that regard, the OIG interviewed the Secretaries of the General Secretariat in order to obtain their inputs for the Audit Plan 2019-2020. The Plan was also presented and discussed with the Chief of Staff of the Secretary General, the Secretary General and the Board of External Auditors.

Moreover, the risk based audit plan proposed for the biennial 2019-2020 period took into consideration the following elements:

- **Organization’s Strategy:** The information available with the Organization’s strategy was considered in the design of the audit plan.
- **Elapsed time since last audit:** Consideration was given to areas that have not been audited for a long time.
- **Perceived Risks, Concerns or Relevant Changes:** These factors were analyzed for each component of the Audit Universe based on the major risks already identified by Management as well as the OIG insight.
- **Significance:** Consideration was given to the amount at risk of each Audit Universe component. The significance was estimated by the OIG based on the information available and produced by the GS/OAS.
- **Value Added of an Audit:** Last but not least, the proposed Audit Plan took into account the potential value that an internal audit can add to mitigate the risk being analyzed, considering the nature of the risk and/or existing management actions addressing it.

The tables below detail the proposed audit plan for 2019 and 2020 that resulted from our risk-assessment referenced above.

Proposed Audit Plan 2019

#	Code	Subject	Proposal Basis
1	AUD-18/04	Contract management - Major contracts of the GS/OAS	OIG Risk Assessment
2	AUD-18/05	401 (m) Plan Contracts Review	
3	AUD-19/01	Inspections of personnel transfers, internal and external competitions, and reclassifications included in the program-budget 2018 – 2nd Semester 2018	General Assembly Mandate
4	AUD-19/02	IACHR - Audit of Disbursements & Hiring of Personnel	OIG Risk Assessment
5	AUD-19/03	External Funding Strategy and Regulations Framework	
6	AUD-19/04	OAS Medical Benefits Fund	
7	AUD-19/05	Audit of a National Office	
8	AUD-19/06	Inspections of personnel transfers, internal and external competitions, and reclassifications included in the program-budget 2019	General Assembly Mandate

Proposed Audit Plan 2020

#	Code	Subject	Proposal Basis
1	AUD-20/01	Retirement & Pension Plan Fund	OIG Risk Assessment
2	AUD-20/02	Procurement Process	
3	AUD-20/03	Payroll Process	
4	AUD-20/04	Audit of Organization’s Ethics Program	
5	AUD-20/05	Audit of a National Office	
6	AUD-20/06	Audit of a Specific Fund Project	
7	AUD-20/07	Audit of a Specific Fund Project	
8	AUD-20/08	Assets Maintenance	
9	AUD-20/09	Cash Management – GS/OAS Treasury Fund	

X. Other Relevant Activities Conducted by the OIG in 2018

Observation Mission of the Process for Delivery of Humanitarian Aid by the Government of the Republic of Guatemala to those affected by the Volcán de Fuego

Following a June 11, 2018 request of the Government of the Republic of Guatemala, the General Secretariat of the OAS appointed an observation mission to oversee the process for delivery of humanitarian aid by the Government of the Republic of Guatemala to those affected by the Volcán de Fuego. The Mission - known as OEA-MOPEAH - was led by the Office of the Inspector General and incorporated natural disaster and risk-management experts from the Department of Sustainable Development and the Strategic Counsel for Organizational Development and Management by Results. During the week of June 18-22, the Mission met with Guatemalan authorities to review civil emergency preparedness and disaster relief accounts, as well as transparency and accountability protocols, and toured the affected areas. Subsequently, it issued a report with recommendations for the consideration of the Government of the Republic of Guatemala.

Competition Process of two P02 Auditor Positions

Pursuant to established procedures and regulations, the General Secretariat of the OAS opened a competition for the External Employment Opportunity N° EO/46/17 – Level P02 - Auditor (two positions). Thirty individuals expressed interest in being considered for posts in the Office of the Inspector General, including the two incumbents of those positions.

Based on the preliminary review of the Department of Human Resources (DHR), 19 candidates were identified as fulfilling the essential requirements for the posts. Based on this information, the analysis of the information submitted by the candidates and the references provided by the individuals indicated by them, the OIG selected nine candidates to be invited to participate in a technical skills assessment (Technical Test). The Technical Test was developed by the Inspector General and coordinated by the DHR. The assessment of the results was performed by Director of the Department of Financial Services and the Inspector General

The six top performers of the Technical Test were then invited to participate in a personal interview with a panel of three Staff Members comprised of: a specialist from DHR; a member of the Advisory Committee on Selection and Promotion (ACSP); and the Inspector General.

From the ensuing process, the two incumbents were confirmed to fill the posts for P02 Auditor.

Hugo Eduardo Ascencio
Inspector General