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

OIG-IG-18-08

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, 2017.

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.

Hugo Eduardo Ascencio
Inspector General

Encl.

Annual Report of the Office of the Inspector General
for the Period from January 1 to December 31, 2017

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

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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, 2017.

The OIG is the dependency responsible for exercising the functions of financial, administrative, and operational auditing, as well as investigations of complaints or allegations of any kind of misconduct at the General Secretariat (GS) of the OAS. Internal audits are conducted with 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 OIG is organized in 2 sections: the Internal Audit Section and the Investigations Section.

The Inspector General enjoys the functional independence needed to initiate, perform, and report to the Permanent Council and to the Secretary General (SG) 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 2017, the OIG:

1. Initiated 9 audits, of which 7 were part of the 2017 Audit Plan and the remaining 2 were initiated as per request of the SG
2. Initiated 22 investigative matters, including 4 requests from the SG
3. Worked closely with the CAAP Working Group on the Review of OAS Programs in the monitoring of the implementation by the GS of the OIG recommendations
4. Conducted its continuous professional education program for the OIG's staff
5. Continued being an observer at a number of GS committees; as well as met and presented reports to the OAS governing bodies

Moreover, the Inspector General vacancy was filled by the Organization on July 17, 2017 in full adherence with the established regulations.

II. Mandate

Article 117 of the General Standards to Govern the Operations of the General Secretariat (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.”*

Article 119 of the General Standards establishes that: *“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 indicates that: *“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”*

Article 123 of the General Standards states as follows: *“Annual summary reports of the Inspector General will be made available to the public on the General Secretariat's website.”*

Executive Order No. 14-03, 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 revamped 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, adopted on October 15, 2015, emphasizes that the General Secretariat of the Organization of American States 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. Inspections of Personnel Transfers, Competitions, and Reclassifications

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 instructions stated above, the OIG performed a review of the related personnel actions for the period from January 1 to September 30, 2017. The Department of Human Resources (DHR) provided the OIG with a list of 124 records that covered personnel transfers, competitions and reclassifications of posts.

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 4 additional staff positions:** The Program – Budget of the Organization for 2017, established a limit of 366 staff positions financed by the Regular Fund for the period from January 1 to December 31, 2017. Our review of the personnel register in the OASES system as of September 30, 2017 noted that the number of staff positions financed by the Regular Fund was 357 plus 13 positions with competition status “In Process” financed by the Regular Fund. This brings the potential total of staff positions to 370, which exceeds the limit established in the 2017 Program-Budget by 4 positions. This variance was due to the fact that 4 vacancies for Country Office representatives (Trinidad and Tobago, Ecuador, Dominica and St. Lucia) published for competition in 2017 were not included in the Budget for that year. The processes were initiated in 2017 with the vacancies expected to be filled in 2018. At year end, the staff positions financed by the Regular Fund did not exceed the 366 positions approved in the Program-Budget;¹ but it could have happened if the entire competitions initiated in 2017 would have been completed before December 31, 2017.
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:** The Program-Budget of the Organization for 2017 approved 21 Trust Positions financed by the Regular Fund. The list also included 2 Trust Positions financed by Specific Funds and 1 position (Director of CICTE) as an Associate Personnel (staff position not funded by the Regular Fund). While comparing those details with the records in the Organization System, we noted that the Director of CICTE was appointed as a trust position financed by the Regular Fund (appointed by the Secretary General with an effective date of December 16, 2016). This 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).

¹ The staff positions financed by the Regular Fund as of December 31, 2017 were 356.

IV. Internal Audits

In the January 1 - December 31, 2017 period, the OIG’s Internal Audit Section initiated a total of nine audits as further detailed in the table below.

Code	Title	Origin	Status at year end
AUD-16/01	Hiring Process and Transfer of Post	Audit Plan	Completed
AUD-16/03	Travel Expenses Not Currently Managed Through the TEC System	Audit Plan	Completed
AUD-17/01	GS/OAS Credit Card Corporate Programs	Audit Plan	Completed
AUD-17/05	Cultural Heritage Phase II Project	Audit Plan	Completed
REV-17/03	Judicial Facilitators Review	SG Request	Completed
AUD-17/02	Project Monitoring	Audit Plan	In process
AUD-17/04	La Plata Basin Project	Audit Plan	In process
AUD-17/06	Procurement Process – Electoral Observation Missions	Audit plan	In process
REV-17/05	Audit of Personal Data Protection	SG Request	In Process

The results of the completed audits were as follows:

AUD-16/01 Hiring Process and Transfer of Post

This slot in the Audit Plan 2017 was used to address the General Assembly Resolution AG/RES. 2(LI-E/16) rev. 4, paragraph 11.c, as further detailed in the section III of this report above.

AUD-16/03 Travel Expenses Not Currently Managed Through the TEC System

Travel expenditures account for a significant portion of the operations of several areas of the GS/OAS. Travel to the Country Offices and other places where projects are being executed is necessary to ensure proper supervision of the activities related to those projects. The Travel Expense Claim (TEC) system is used at the GS/OAS to manage, document and control the travel expenses of staff members. The system is a good internal control mechanism; however only around 33% of the travel disbursements of the Organization is managed through it. Individuals contracted under the following types of contract mechanism are not managed through the TEC System: Performance Contracts (CPRs); Special Observer Contracts; Local Professionals; Temporary Support Personnel; and Associates. This also includes: Human Rights Commissioners; Meeting Participants; Fellowships; Guests; and every person that travels on behalf of the GS/OAS and/or with GS/OAS funds. The audit noted progress made by the Secretariat of Administration and Finance (SAF) in addressing some of the recommendations issued in prior OIG audits. At the same time, the audit noted improvement opportunities in the internal control environment of the process related to:

- Insufficient control over cash advances made to travelers: which are paid in advance to travelers based on airplane ticket reservations but are not later on reconciled against actual travel records.
- The lack of control over consultants (CPRs) traveling on behalf of the Organization: instances were noted of CPRs traveling without a valid contract.

AUD-17/01 GS/OAS Credit Card Corporate Programs

Three Credit Card Corporate Programs are managed by the GS/OAS through the SAF – Department of Procurement Services (DP). Of those 3 programs the most relevant one from an expenditure perspective is the AMEX Corporate Credit Card Program, which is primarily used to purchase air travel tickets. It accounted for 80% of the total disbursements made by the GS/OAS with a corporate credit card. The most significant findings noted in this audit are:

- Limited segregation of duties in the oversight of the corporate membership rewards: internal requirements for the oversight of the corporate membership rewards (i.e. Administrative Memorandum 129) were not observed by management prior to the performance of the audit. Compliance with these requirements will help to enhance transparency and oversight over the Organization's corporate membership rewards program. Notwithstanding this lapse of control, our audit noted that the entire rewards obtained in the audit period were properly redeemed and credited to the Organization.
- Lack of formal procedures regulating the usage of the AMEX P-card: At the time of the audit those procedures were in draft phase. Our analysis determined that the drafts were not being used consistently.

AUD-17/05 Cultural Heritage Phase II Project

The Cultural Heritage Project is a specific fund project. Its phase II was managed by the Department of Economic Development (DED) of the Executive Secretariat for Integral Development (SEDI) as its technical area. The project aims to "contribute to expanding the socio-economic benefits of regional Cultural Heritage as valuable, non-renewable public resources through a new paradigm of public engagement". The objectives of this audit were to verify that project's transactions were processed in compliance with GS/OAS regulations and to evaluate the effectiveness and efficiency of its activities. The results of the audit work noted:

- Delays in the delivery of progress reports to the Department of Planning and Evaluation (DPE) by the technical area.
- Approximately 26% of the activities planned for the project were not completed on time.
- For the period under review, it did not appear that the project's indicators at the purpose level were achieved.

REV-17/03 Judicial Facilitators Review

The Office of the SG asked the OIG to review and update the OIG's findings of the October 3, 2014 Audit of the Judicial Facilitators Program (JFP). The main objective of the JFP is to strengthen access to justice for citizens living in more isolated rural areas, establishing a service with national coverage, administered by the Judicial Branch of each country where the Program operates. As of December 31, 2013, the JFP operated and collaborated with authorities in seven countries: Nicaragua, Guatemala, Costa Rica, Panama, El Salvador, Paraguay and Argentina. The JFP received an award for Innovative Justice in 2011. This award is granted by the Hague Institute for the Internationalization of Law (HIIL). The most relevant findings noted in this audit are:

- Accountable Advances: USD 34,528 from cash advances made in 2014 and 2015 were pending of reconciliation as of the date of the audit report.
- Consultants' Contracts: lack of consistency in the way consultants are contracted – individuals may be awarded different types of contracts during the same calendar year.
- Consultants' Per-Diems: inconsistencies in the payments of per-diems to the Program's consultants.
- Purchase of Air Tickets: only approximately 3% of a total of USD 132,657 of air tickets purchased by the Program during the scope period were made through the OAS' preferred travel agency. This may lead to inefficiency and an increase of travel costs as the Program may not be taking advantage of the benefits of corporate rates offered by the Organization's official/preferred travel service provider.

V. Investigations

In the January-December 2017 period, the OIG’s Investigations Section processed 22 investigative matters, including 4 requests received from the Secretary General (REV-16/01, REV-17/01, REV-17/02 and REV-17/04) as further detailed in the table below:

Code	Technical Area/Subject	Status at year end
INV-13/14	Tuition Reimbursement Benefits	Completed
INV-14/11	Spain Partnership Fraud & Criminal History	Completed
INV-17/06	Spain Partnership Fraud - MOU	Completed
INV-15/06	Nonprofit Work in Haiti	Completed
INV-16/04	Costa Rica NGO / Allegations of Wrongdoing	Completed
INV-17/01	US Tax Reimbursement Fraud/Misappropriation	Completed
INV-17/02	OAS Scholarship Debt Collection Practices	Completed
INV-17/03	MACCIH Alleged Workplace Harassment I	Completed
INV-17/04	MACCIH Alleged Workplace Harassment II	Completed
INV-17/05	IACHR Complaints	Completed
INV-17/07	Whistleblower Protection/Retaliation	Completed
INV-17/08	MAPP Issues Complaint	Completed
INV-17/09	DFS Workplace Harassment	Completed
INV-17/10	DLS Misconduct Complaints	Completed
REV-16/01	Due Diligence Review of Contracts with Third Party	Completed
REV-17/01	2016 PR-16-06 Criminal History Follow Up	Completed
REV-17/02	401 (m) Plan Contracts Review – Due Diligence	Completed
INV-16/03	DHR Workplace Harassment	In process
INV-16/05	Contract Irregularities DOITS	In process
INV-17/11	DOITS Workplace Harassment	In process
INV-17/12	MACCIH Whistleblower Complaint Protection/Retaliation	In process
REV-17/04	MACCIH Alleged Infiltrated	In process

The results of the completed investigations were as follows:

INV-13/14 Tuition Reimbursement Benefits

On March 26, 2014, a full investigation was opened into matters arising out of the OIG’s Audit AUD-02/12 that uncovered two cases of improper tuition reimbursements within two departments of the GS/OAS. 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). Documentary evidence presented at the TRIBAD revealed that neither of the two staff members, a DLS employee and a DFS technician, committed fraud or misconduct in regard to the receipt of tuition reimbursements. Instead, evidence presented before the TRIBAD demonstrated that the sums – USD1,000 and USD1,475 – identified in the 2012 audit as an incorrectly reimbursed amount and an overpayment, were attributed to an administrative oversight and administrative error, respectively. Subsequently, on December 29, 2014 the OAS/TRIBAD rendered a decision (Judgment No. 162) that rejected the former OIG auditor’s allegations

and concluded that all principal and accessory issues in the case were deemed to be settled with prejudice. Due to its low priority, the nonexistence of recommendations and owing to the lack of investigative resources in the interim, this matter was not addressed until April 5, 2017 by a final report of the OIG.

INV-14/11 Spain Partnership Fraud & Criminal History

On November 14, 2014, the OIG received an email through its Hotline alerting that a Spain-based consultant working with GS/OAS had been arrested on influence-peddling, bribery, contract rigging and other fraud-related crimes charges in 2012 in Spain but yet was profiting by conducting consumer-product safety seminars for the GS/OAS throughout the Americas. The consultant was associated with the OAS' *Red de Consumo Seguro y Salud* (RCSS), or Consumer Safety and Health Network, from 2010 to 2015. In addition, the tipster mentioned that the director of a consumer agency who signed a Memorandum of Understanding (MoU) for consumer-safety training with the GS/OAS on October 3, 2014 was indicted on criminal charges in October 2016 for his involvement in influence peddling and falsification of records related to the hiring of his son's law firm. Given the ample derogatory information on the subjects whom the GS/OAS contracted and partnered with – in the form of news articles, workers' union complaints, court records and reports from Spanish anti-fraud and anti-corruption commission inquiries – the OIG deemed that there existed a strong potential for serious reputational risk to OAS. The OIG closed this preliminary review phase on April 6, 2017 and conducted a Follow-up Review (INV-17/06), which is further discussed below.

INV-17/06 Spain Partnership Fraud – MoU

The OIG undertook this preliminary review as a follow-up to the findings in INV-14/11 referenced above; the OIG contacted two Spanish officials with knowledge of the criminal histories of the former consultant and former consumer agency director who partnered with the GS/OAS; furthermore, the OIG briefed the Department of Social Inclusion (DSI) and other personnel within the Secretariat for Access to Rights and Equity (SARE). As the potential for serious reputational risks remained, the OIG recommended that SARE and DSI rescind the existing MoU that was signed between GS/OAS and the related consumer agency in October 2014. The OIG closed its review on September 8, 2017. The GS/OAS notified the related agency of its intent to cancel the referenced accord on October 12, 2017.

INV-15/06 Nonprofit Work in Haiti

On August 5, 2015, the Department of Legal Services Director forwarded to the OIG an email from a former OAS consultant who claimed that an OAS Staff Member was utilizing a 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,” which formed the basis for litigation filed by the former consultant against the then-staff member 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. The OIG subsequently learned that the staff member had retired from GS/OAS in the summer of 2016. 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 contributions, volunteer work and as compensation for a plot of land in Haiti reportedly sold earlier by the staff member to the complainant. When asked to submit documentation, the former consultant did not provide any specific information, either in the form of complaints, lawsuit filings or any other records. 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 on January 31, 2017.

INV-16/04 Costa Rica NGO / Allegations of Wrongdoing

On October 4, 2016, the GS/OAS Department of Electoral Cooperation and Observation (DECO) received an emailed complaint from a lawyer from Costa Rica, stating wrongdoing by another Costa Rican attorney and founding partner of a Costa Rican NGO. According to the complainant, the founding partner had been conducting irregular business transactions on behalf of the NGO. Allegedly, he was improperly charging fees to allow certain individuals to participate in GS/OAS Electoral Observation Missions and OAS General Assemblies. The OIG did not identify any evidence of improprieties in connection with OAS activities on the part of the Costa Rican NGO or its founding partner. Accordingly, the case was closed and a report was issued on February 1, 2017.

INV-17/01 US Tax Reimbursement Fraud / Misappropriation

On January 11, 2017, the OIG received information from the Department of Legal Services (DLS) indicating that a former Department of Financial Services (DFS) employee fraudulently diverted several U.S. tax reimbursement checks into his personal account at the OAS Staff Federal Credit Union (OAS FCU) over several years. Further analysis by OIG concluded that of the 66 U.S. tax reimbursement checks and five electronic tax settlement deposits issued between 2011 and 2016, the former DFS Staff Member misappropriated a total of USD 42,678. Only nine of the 63 checks he received were properly endorsed and submitted to tax authorities: three each in 2011, 2012 and 2013. As a result of this investigation, the former employee admitted his guilt and forfeited USD 40,100 from his retirement and pension fund account. Furthermore, the OIG issued appropriate recommendations to address the deficiencies, risks and areas of concerns identified during this process. A final report was issued on March 6, 2017.

INV-17/02 OAS Scholarship Debt Collection Practices

On January 24, 2017 the OIG received a phone call to its Hotline from a citizen of Trinidad and Tobago residing in the U.S. claiming that certain employees from the GS/OAS Department of Human Development, Education, and Employment (DHDEE) were trying to deceive him, exploiting his financial hardship situation with an unrealistic repayment schedule and exorbitant interest rates, into paying off his scholarship through unscrupulous and fraudulent business practices. On March 24, 2017 the OIG received a supplementary email from the complainant requesting a formal investigation into alleged collusion between the DHDEE and the Scholarship and Advanced Training Division of Trinidad and Tobago (SATD) to extort monies from him. Allegedly, the referenced parties had engaged in an elaborate racketeering scheme to extort money from him and presumably other OAS scholarship recipients. After analyzing a voluminous amount of documentary and testimonial evidence, the OIG concluded that the complaint was unsubstantiated, since none of the information or documentation collected suggested any collusion, racketeering, misconduct or any other irregularities. This investigation's final report was issued on August 4, 2017.

INV-17/03 MACCIH Alleged Workplace Harassment I

On March 6, 2017, the OIG received information from the Department of Sustainable Democracy and Special Missions (DSDSM) about an alleged workplace harassment complaint filed by a driver against an international Staff Member at the OAS's Mission to Support the Fight against Corruption and Impunity in Honduras, or Misión de Apoyo Contra la Corrupción y la Impunidad en Honduras (MACCIH).. The driver complained that the Staff Member had mistreated him via telephone on March 1, 2017, after the former transported two fellow international employees from a local gym to a residential complex after hours. The Staff Member allegedly was upset that the driver abandoned his post – without informing him – to make the drop off. No violation of staff rules was identified during the preliminary review process, which ended on March 17, 2017; however, the OIG noted a lack of guidance on the use of drivers after office hours. The latter resulted in modified policies for the transportation and movement of personnel to avoid such future incidents.

INV-17/04 MACCIH Alleged Workplace Harassment II

On March 24, 2017, an officer of the Department of Sustainable Democracy and Special Missions (DSDSM) forwarded to the OIG a written workplace harassment complaint submitted by an employee of the MACCIH against a fellow colleague. The written complaint detailed a series of incidents that allegedly took place in early 2017. The complainant claimed that the alleged offender had belittled her and caused her personal humiliation, embarrassment and indicated that this situation had created an intimidating, hostile, and offensive work environment. Following its standard investigative procedures, the OIG concluded that there were sufficient grounds to open a formal investigation. However, due to the fact that the alleged offender resigned effective May 31, 2017 from the OAS, the issue became moot and the OIG deemed no practical reason to open a formal investigation. Hence, this matter was closed at the preliminary review stage on June 23, 2017 with no recommendation.

INV-17/05 IACHR Complaints

On May 3, 2017, the OIG received a call through its Hotline from a citizen from Trinidad and Tobago who claimed that the Inter-American Commission on Human Rights (IACHR) had violated its own regulations in term of admissions and timeframes for requests of precautionary measures. The individual, who in 2016 had submitted a formal petition and a request for precautionary measures via IACHR's web portal, requested that the OIG investigate the IACHR's handling of his case. On May 12, 2017, the complainant amended his original complaint about precautionary measures to include an accusation of bribery and collusion against the attorney overseeing his request and whose unit helps process precautionary measures at the IACHR. As a result of the investigation, the OIG concluded that the complainant's allegations of misconduct or wrongdoing (i.e., collusion or bribery) by any IACHR/OAS employee or consultant in violation of the Ethics Code and/or Staff Rules by IACHR were without merit and that the IACHR's alleged violations of its own regulations were unfounded. This matter was closed on October 13, 2017 with no recommendation.

INV-17/07 Whistleblower Protection/Retaliation

On May 22, 2017, the OIG received a written complaint from a former Department of Legal Services (DLS) attorney who accused his supervisor of potential retaliation with regard to the former's contributions to an OIG due diligence special review. The whistleblower complained that his supervisor had allegedly threatened to rescind his GS/OAS attorney duties and remove him from his office. The complainant also alleged potential retaliation owing to a reassignment of duties and disciplinary proceedings instituted against him by DLS and the Department of Human Resources for unrelated serious misconduct, which ultimately led to his summary dismissal from the Organization. The OIG found that the former DLS attorney's assertions were meritless and that he misled the OIG and others while attempting to conceal his misconduct. The OIG concluded that the aforementioned misconduct was not protected activity by a whistleblower and thereafter withdrew any protections afforded the individual upon the closure of the case on August 22, 2017.

INV-17/08 MAPP Issues Complaint

On June 5, 2017, the OIG was informed of an anonymous email denouncing allegations of workplace harassment, potential nepotism and/or favoritism, conflicts of interest and the improper hiring of a relative at the OAS Peace Process Support Mission, or *Mision de Apoyo al Proceso de Paz* (MAPP) in Colombia. The anonymous message, *inter alia*, asserted that MAPP's "senior officials" engendered an environment that allowed "constant and systematic mistreatment" against "colleagues and subordinates." Except for references to one alleged offender – the MAPP's Security Chief – no names of aggrieved parties, victims or dates for any of the above alleged acts of misconduct or wrongdoing were provided in the email, which was general and vague. The OIG assessed the allegations against several internal rules, regulations, executive orders and guidelines; no evidence surfaced to support the complaint. However, the OIG noted that the hiring of the Security Chief's daughter under the CPR mechanism – in which there was no evidence that the father played a role – was fully vetted by superiors both at headquarters and in Bogota; moreover,

it was undertaken in accordance with the existing rule that allows the employment of relatives for Staff Members who hold the rank of P-3 or below. The investigation was closed at the preliminary review stage on October 4, 2017.

INV-17/09 DFS Workplace Harassment

On June 16, 2017 a senior employee of the DFS, through the DHR, submitted to the OIG a workplace harassment complaint against two of her fellows DFS colleagues. The complainant indicated that three incidents of workplace harassment allegedly took place between late 2016 and early 2017. The complainant claimed that the alleged offenders' behavior – specifically through aggressive forms of speech - was abusive towards her, and that they had improperly used a position of authority to harass and intimidate her. After analyzing documentary and testimonial evidence, the OIG concluded that the allegations of workplace harassment were not conclusive. Accordingly, since there was no evidence to support the allegations the case was closed in its preliminary review stage on October 25, 2017.

INV-17/10 DLS Misconduct Complaints

On June 13, 2017, a DLS employee brought a complaint to the OIG alleging various acts of misconduct and wrongdoing on the part of a DLS colleague. Among other things, the complainant stated that his colleague had directed him to use a restricted commercial database for personal benefit, had used profanity and derogatory terms to refer to fellow GS/OAS colleagues in a private social-media conversation and had provided false information in an affidavit to the OAS Administrative Tribunal. The OIG evaluated the admissibility of the allegations in a preliminary review that was concluded on October 19, 2017; it was followed by a formal investigation that found by a preponderance of evidence that the Staff Member engaged in inappropriate use of OAS resources and used profanity and derogatory terms to disparage fellow Staff Members in a social-media chat. The accusation that the person misled the OAS/TRIBAD in an affidavit was unfounded. Based on the evidence gathered and analyzed to conclude the aforementioned, the OIG recommended to the Secretary General that a written admonition be included in the Staff Member's DHR file. The formal investigation process concluded on December 20, 2017.

REV-16/01 Due Diligence Review of Contracts with Third Party

On July 25, 2016 the Office of the SG requested the OIG perform an evaluation of the Contracts subscribed between the GS/OAS and a third party. After several unsuccessful attempts to obtain relevant financial information from the third party that would allow the OIG to gain a better understanding of the organization's operations and the internal controls surrounding its relationship with the GS/OAS and its network of affiliates -- and also considering public information available of the third party -- the OIG communicated to GS/OAS Management that it was concerned about the potential reputational risks associated with the continued OAS partnership with this organization. As a result, on October 27, 2017, the OIG recommended the rescission of the contractual agreements with the Third Party. The General Secretariat is already working in the implementation of this recommendation.

REV-17/01 2016 PR-16-06 Criminal History Follow-Up

This follow-up review derived from a 2016 OIG investigation that was closed at the preliminary phase. The case was initiated on November 28, 2016 when the OIG received information in an anonymous envelope from an OAS director indicating that an OAS senior staff member may have a criminal history in the form of an arrest not previously known or disclosed to GS/OAS at the time of his recruitment. Subsequent investigation revealed that the case referenced the inclusion of this individual's name in a Commonwealth of Virginia registry of child abuse offenders resulting from an altercation he had with his teenage son. Court records also show that the individual filed a lawsuit against the Virginia Department of Social Services (VDSS) to appeal the administrative finding against him. The OIG concluded in its preliminary review that there were no violation of staff rules in the recruitment of the OAS staff member. Subsequent to the issuance of that report, the Office of the SG requested the OIG to monitor the status of the ongoing civil lawsuit filed by the staff member against the VDSS. As part of these monitoring activities the OIG learned that on July

19, 2017, a Loudoun County Circuit Court judge signed a final order to discontinue the individual's lawsuit based on inactivity by either party during the previous two years. The decision implies that the individual will likely remain in Virginia's Central Registry database. The OIG stands by its original conclusion that no violation of staff rules were made at the time of the individual's application for his current position. However, the SG may at his discretion conduct additional inquiries based on OAS Staff Rule 104.14 Information Required of Staff Members.

Rev-17/02 401(m) Plan Contracts Review - Due Diligence

On February 21, 2017 the Office of the SG requested the OIG review and analyze the 401(m) retirement plan of the Organization (hereinafter the Plan), including the contractual relationships in place for administration of the plan. The Plan, created in 1999 and established as a U.S. tax-exempt qualified retirement contributions plan in 2001, operates as an alternative to the OAS Retirement and Pension Plan for short-term contract holders and those in trust positions. The Plan has grown to include 193 participants with accounts worth some USD 21 million. Between 2000 and 2005, the Plan was administered by a specialized financial institution which was responsible for all operations. The financial institution, in turn, subcontracted its recordkeeping and investment advisory services to two additional corporations. The financial institution ended its contractual relationship with GS/OAS in 2005. Since then, the current records keeper became the default contractor, as the most economical option to continue administering the plan, while a specialized third party became the Plan's Trustee and Assets Custodian. That same year, the OAS 401(m) Plan Administration Committee (PAC) – a three-member body – was established to act as the Plan administrator and fiduciary. Based on the information available at the time of our review, the OIG concluded in its report of July 11, 2017, that there were deficiencies and inefficiencies with the Plan administration and contractual agreements with third parties. Subsequent to the issuance of the report, additional plan information was identified by the administration, including plan contracts not previously found. The SG submitted this additional information to the OIG on October 23, 2017. Considering these new elements and the ongoing activities and priorities of the OIG at that time, it was agreed to reassess the subject and the new elements in a new audit. Accordingly, a 401(m) Plan Audit has been included in the proposed Audit Plan 2018 shown in Section IX of this report.

VI. Status of Audit Recommendations

During 2017 the OIG worked closely with the General Secretariat and the CAAP Working Group on the Review of OAS Programs in the monitoring of the implementation of the OIG recommendations. As part of those efforts, 42% of the audit recommendations from prior years were addressed by management and 11 new audit recommendations were added over the year as a result of the audits conducted in the period. At year-end, 66 audit recommendations remained open, down from 95 open audit recommendations at the beginning of the year.

Moreover, the OIG introduced a plan to enhance the monitoring of the recommendations, which at the same time also addresses the recommendations provided by the Board of External Auditors on this matter². The plan presented to and endorsed by the CAAP Working Group on the Review of OAS Programs considered the following:

1. Review of the Audit Approach: to enhance clarity of OIG recommendations, ensure a risk-based criteria process to establish priorities and use OIG's resources optimally
2. Reassessment of existing open recommendations: to ensure the management attention is given to the most relevant issues of the Organization

² In its 2016 Report to the Permanent Council, the Board of External Auditors recommended the OIG to "review all open audit recommendations, including a reevaluation of the criteria used to rank each one as either high, moderate, or low risk, and promptly close recommendations that have been adequately addressed by management or that are no longer valid".

3. Enhance management attention by means of a systematic reporting to the General Secretariat and to the CAAP Working Group on the Review of OAS Programs

Derived from this plan, since the last quarter 2017, 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 planned the introduction of criteria for the audit observations rating, as well as the application of the Institute of Internal Audit recommendations for the implementation of the Standard 2500 – Monitoring Progress.

The results of the plan implementation will be reported in the next OIG report of the activities performed or to be performed by the Office during the first semester of 2018.

VII. Training

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 Organization needs. During the period January – December 2017, one OIG CPR obtained his certification as a fraud examiner (CFE). In addition, the OIG purchased the “Fraud Examination Certification” software for the OIG investigator.

During the third quarter of 2017, OIG staff attended four training events encompassing subjects such as Building a Sustainable Quality Program, Workplace and Sexual Harassment Workshop, Use of Metrics to Assess Performance and Performing an Effective Quality Assessment and Improvement Program. In total, 184 CPE credits were obtained over the period.

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

During 2017, the OIG staff participated as observers during meetings of the Permanent Council and the CAAP, as well as in various committee meetings and working groups of the General Secretariat that may impact internal controls, which included the Selective Bid and 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.

IX. Proposed Audit Plan 2018 - 2019

The risk based audit plan proposed for the biennial 2018-2019 period took into consideration the following elements:

- Completion of audits in process at year-end 2017: Audits initiated in 2017 that were not concluded were directly included into the audit plan 2018
- Organization’s Strategy: The information available with the Organization’s strategy was considered in the design of the audit plan. Moreover, the OIG Audit Universe was revisited and aligned with the Organization Strategy
- 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 insights

- 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 consideration 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 2018 and 2019 that resulted from our risk-assessment referenced above.

Proposed Audit Plan 2018

#	Code	Subject	Source
1	AUD-17/06	Procurement Process – Electoral Observation Missions	Carry Over
2	AUD-17/02	Project Monitoring	Carry Over
3	Rev-17/05	Audit of Personal Data Protection	Carry Over
4	Rev-17/02	401 (m) Plan Contracts Review	Carry Over
5	AUD-18/01	MACCIH - Organization & Performance Management, Hiring Process and Management of Funds	Risk Assessment
6	AUD-18/02	Inspections of personnel transfers, internal and external competitions, and reclassifications included in the program-budget 2018 - 1st Semester 2018	General Assembly Mandate
7	AUD-18/03	Accounts Payable Process	Risk Assessment
8	AUD-18/04	Contract management - Major contracts of the GS/OAS	Risk Assessment

Proposed Audit Plan 2019

#	Code	Subject	Source
1	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
2	AUD-19/02	Cash Management - GS/OAS Treasury Fund	Risk Assessment
3	AUD-19/03	Payroll Process	Risk Assessment
4	AUD-19/04	Retirement & Pension Plan Fund	Risk Assessment
5	AUD-19/05	Review of the External Funding Strategy and Regulations Framework	Risk Assessment
6	AUD-19/06	Assets Maintenance	Risk Assessment
7	AUD-19/07	Procurement Process	Risk Assessment
8	AUD-19/08	Audit of a Specific Fund Project	Risk Assessment
9	AUD-19/09	Audit of a National Office	Risk Assessment

X. Closing message from the Inspector General

During 2017 the OIG was able to reduce significantly its investigations backlog which had increased over the last few years mainly derived from the lack of sufficient resources³. While most of the Investigations Section’s workload cannot be anticipated, I remain confident that in the coming years the OIG will be able to shift its focus more toward the performance of internal audits rather than the performance of investigations in order to strengthen even more the internal control environment of the GS/OAS.

In 2017, the OIG adopted a strategy based on 4 key elements. For each of those elements we have established a long term ambition that we will pursue through specific objectives that will get us closer to it. The key elements, long-term ambition and main objectives for the biennial 2018-2019 period are summarized in the table below.

Key Element	Long-Term Ambition	Main objectives 2018-2019
Continuous improvement	Optimized processes led by a learning organization	<ul style="list-style-type: none"> - Promote an Audit Committee - Establish the OIG’s Portal - Explore Data Analytics Options
Audit Activities	Certified audit activity that provides value added recommendations, monitors agreed actions and ultimately helps OAS achieve its objectives through world-class audit services	<ul style="list-style-type: none"> - Implement the Plan to Enhance Recommendation’s Monitoring - Quality Assessment - Update Audit Charter and Other OIG Regulations - New Audit Approach and Manual - Perform the Audit Plan
Investigation Activities	Diligent and expeditious investigations that strengthen OAS transparency & accountability	<ul style="list-style-type: none"> - Update the Investigations Manual and Propose Changes to Relevant Regulations.
People	A team that attracts and develops talent	<ul style="list-style-type: none"> - CPE Fulfillment - Conclude Recruitment Process - Introduce Individual Development Plans

Last but not least, I want to acknowledge and thank the strong support that my Office and myself have received and is receiving from different stakeholders of the Organization, including: representatives of the Member States; the CAAP, particularly through its Working Group on the Review of OAS Programs; the Board of External Auditors; the Secretary General and the Assistant Secretary General; the Chief of Staff of the Secretary General; the Secretary General’s Advisors; the Secretaries, Directors and other staff of the General Secretariat; and specially to my team of the OIG for their strong support and commitment to add value to the Organization.



Hugo Eduardo Ascencio
Inspector General

³ The former OIG Investigator took a 5 month leave of absence from August to December 2015 and subsequently resigned from the Organization on January 29, 2016. The position was later filled on November 14, 2016. The IG position remained open from November 2014 to July 2017.