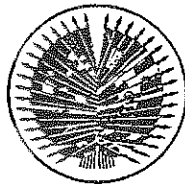


ORGANIZATION OF AMERICAN STATES



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April 9, 1999
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REPORT TO THE
PERMANENT COUNCIL
OF THE
ORGANIZATION OF AMERICAN STATES

AUDIT OF ACCOUNTS AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 1998
AND 1996

By the
Board of External Auditors

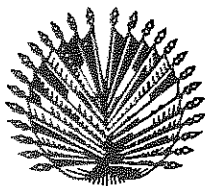
GENERAL SECRETARIAT
ORGANIZATION OF AMERICAN STATES
WASHINGTON, D.C. 20006
1999

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ORGANIZATION OF AMERICAN STATES BOARD OF EXTERNAL AUDITORS

The Board is responsible for the external audit of the accounts of the General Secretariat pursuant to the General Assembly Resolution 123 adopted on April 14, 1973, and Permanent Council Resolution 124 dated June 30, 1975. It began to function in March 1976, and adopted detailed rules and procedures to carry out its duties and responsibilities. These rules reflect the standards and requirements prescribed by the General Assembly and the Permanent Council for the external audit of the OAS.

The Board is composed of three members elected by the General Assembly.



ORGANIZACION DE LOS ESTADOS AMERICANOS
ORGANIZAÇÃO DOS ESTADOS AMERICANOS
ORGANISATION DES ETATS AMERICAINS
ORGANIZATION OF AMERICAN STATES

JUNTA DE AUDITORES EXTERNOS
BOARD OF EXTERNAL AUDITORS
JUNTA DE AUDITORES EXTERNOS
COMMISSION DE VÉRIFICATEURS EXTÉRIEURS

17th Street and Constitution Avenue, N.W. Washington, D.C. 20006

April 9, 1999

To the Permanent Council of the
ORGANIZATION OF AMERICAN STATES

The Board of External Auditors is pleased to present its annual report on the external audit of the accounts and financial statements of the ORGANIZATION OF AMERICAN STATES (OAS) in accordance with Article 117 of the General Standards to govern the operations of the General Secretariat. Our report covers the year ended December 31, 1998, and includes:

- Comments and recommendations by the Board for improving the OAS' operating procedures and internal accounting controls;
- Audit of the accounts and financial statements of major OAS funds:
 - Regular Fund
 - Special Multilateral Fund of the Inter-American Council of Integral Development (FEMCIDI)
- Audit of the accounts and financial statements of the Rowe Memorial Benefit Fund and the Leo S. Rowe Pan American Fund;
- Audit of the accounts and financial statements of the Planning for Adoption to Global Climate Change Project;
- Audit of the accounts and financial statements of the Retirement and Pension Fund;

- Audit of the accounts and financial statements of the Inter-American Defense Board;
- Audit of the accounts and financial statements of the Unit for the Promotion of Democracy (OAS/Democ); and
- Audit of accounts and financial statements of the Trust for the Americas.

The Board's annual report is based primarily on the audit conducted by Ernst & Young, which was performed in accordance with generally accepted auditing standards. The Board reviewed and discussed the audit work and related workpapers with representatives from the firm. In preparing its report, the Board has also considered the reports of the organization's Inspector General and discussions with management officials.

The Regular Fund and FEMCIDI financial statements included in this report represent the financial activity for the year ended December 31, 1998, on a comparative basis with the year ended December 31, 1996. The statements have been prepared in conformity with accounting practices prescribed by the Budgetary and Financial Rules of the General Secretariat which require the measurement of financial position and operating results in terms of historical cost without regard to changes in the purchasing power of money over time. Ernst & Young's opinion, as it pertains to the financial statements for the year ended December 31, 1998, is unqualified.

Based on the opinions rendered by Ernst & Young on funds audited, the Board certifies in accordance with Article 119 of the General Standards to govern the operations of the General Secretariat that:

- The financial statements of all funds audited agree with the books, records, documents, and vouchers of the General Secretariat.
- The securities and cash on deposit have been checked by means of certification from depositories of the General Secretariat and the cash on hand has been checked by actually counting it as deemed appropriate by the Board in accordance with generally accepted auditing standards.

We have included as Appendix A of Section I Ernst & Young's opinion on compliance with the General Standards to govern the operations of the General Secretariat. In addition, our report contains a number of recommendations designed to improve OAS' operating procedures and internal accounting controls both at Headquarters and at the Offices in the member states.

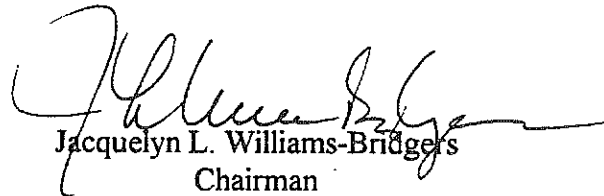
In May 1997, the Permanent Council adopted CP/RES. 703 (1122/97) which revised Article 108, renumbered it as Article 124, and provided that:

"The Board shall submit its report to the Permanent Council within the first four months of the year. The report shall include the preliminary comments of the General Secretariat. Additional formal comments on the plans for adopting measures relating to the recommendations of the report shall be furnished by the General Secretariat and the Office of the Inspector General. The Permanent Council shall make such observations and recommendations as it sees fit. The Report shall be submitted to the next regular session of the General Assembly, together with the observations from the Permanent Council, the General Secretariat and the Office of the Inspector General".

This report is submitted in accordance with Article 124.

As of December 31, 1998, the Regular Fund had a negative fund balance of \$921,000 which was a decrease of more than \$6 million from the December 31, 1997, balance of about \$5.5 million. Quota collections in the Regular Fund during 1997 totaled approximately \$67.5 million (with 82% of the current year assessment and 17% of prior years' arrearages collected). Uncollected quota balances at December 31, 1998, totaled \$49 million, as compared to \$42.9 million at December 31, 1997.

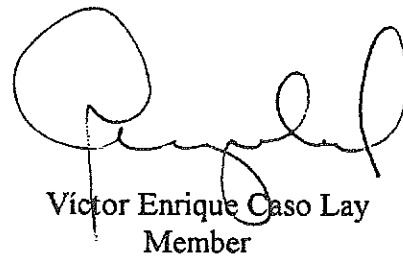
The Members of the Board wish to express their appreciation for the cooperation of the General Secretariat in facilitating the audit work and to the General Assembly and Permanent Council for the opportunity to assist in evaluating the financial operations and management of the OAS.



Jacquelyn L. Williams-Bridgers
Chairman



Adrian Strachan
Member



Victor Enrique Caso Lay
Member

ORGANIZATION OF AMERICAN STATES

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SECTION I

COMMENTS AND RECOMMENDATIONS TO IMPROVE

OPERATING PROCEDURES AND

INTERNAL ACCOUNTING CONTROLS

CHAPTER 1

COMMENTS RELATING TO THE GENERAL SECRETARIAT

Issues related to the General Secretariat have been grouped into three categories as follows: (1) issues of continuing concern, (2) action on prior issues, and (3) new issues. Seven issues discussed in last year's report related to the General Secretariat continue to be of concern to the Board members.

ISSUES OF CONTINUING CONCERN

Staffing Skills and General Business Process

Over the past few years, several offices of the Secretariat have experienced personnel reductions and, as a result, operate with minimal staffing levels. The Board understands that downsizing is a necessity. However, the Board feels it is important to ensure that adequate staffing levels and skills is maintained especially in the most critical functions and the most vulnerable areas of the OAS, such as in the Department of Management Systems and Information (DMSI) and the Department of Financial Services (DFS).

The Board learned that the Director of Human Resources is in the process of performing an OAS-wide review of employee's abilities and training needs during the development of a performance evaluation system. The Board considers this an ambitious, but necessary, undertaking that will provide a wealth of information for staffing improvements. However, the Board reiterates its prior recommendation that OAS management review the staffing within the Organization. The Board recommends that the staffing study include a review of staffing levels and skills of employees to ensure that areas are right-sized and that employees are assigned to jobs that are most appropriate. OAS management would, of course, identify the scope of this review. We understand that OAS management believes that because OAS is in a state of flux it is not the proper time to do this study. However, the Board does not agree with this assessment.

The implementation of a new management information system (MIS) will enable more efficient operations in OAS' critical business functions. However, OAS must take maximum advantage of the first new system

implemented in over 20 years by expanding its effort to reengineer its core business processes in conjunction with the implementation of the new system. An expanded staffing study, as recommended above, would allow OAS to determine how the new system has affected the need for staffing. The Board recommends that an outside contractor be used to review the core business processes and to suggest ways to reengineer operations, incorporating ideas to utilize the new OAS/Oracle system in the most effective manner.

Review of Policies and Procedures

As in prior years, the Board determined that OAS' overall policies and procedures governing daily operations of the General Secretariat were in need of being updated. In fact, the IG indicated that this was her number one concern. This includes the Budgetary and Financial Rules of the OAS, the Field Financial Manual, as well as the Departmental manuals which govern the day-to-day activities and operations. Ernst and Young (E&Y) noted that an effort to update the manuals outlining competitive bidding procedures was underway, but had not been completed.

The Board recommends, as it has in prior years, that the OAS facilitate efforts to upgrade the General Secretariat's policy and procedural guides. It is important that a consistent body of criteria which documents the existing rules and regulations of the OAS exist to ensure that employees and contractors are aware of and comply with these procedures, especially in light of the significant changes within the OAS. The Board recommends that OAS update policies and procedures in conjunction with any review of staffing and reengineering of core processes that is performed. The Board realizes that this project will take time to complete; however, the Board believes that there are certain areas for which a more immediate need exists to have updated policies and procedures. The Board recommends that OAS prioritize areas, and, at a minimum, establish policies and procedures for high-priority areas as soon as possible.

Management Information Systems

DMSI is in the process of implementing corrective measures to enhance the overall control structure of OAS' MIS environment. The Board members believe the new computer system is one of the most vital issues facing OAS at this time and feels that much attention and effort needs to be focused on this area in the next year, especially

considering the unavoidable Year 2000 (Y2K) deadline. The Board recommends that adequate funding for this program be provided in a timely manner.

Physical Access - In the past, the Board has expressed concern with the physical access to the data center. OAS significantly improved access controls. However, due to the switch from the mainframe environment to a client-server architecture, a new set of security issues has been raised. In a client-server environment, facilities and services are physically distributed across an organization. Instead of having a data center that requires access controls, there now are other facilities that require controlled access, including multiple server rooms, routing and switching rooms, and secured communications management facilities.

As part of the Modernization Plan, OAS is updating its facilities and installing secured access controls to all client-server installations in order to provide adequate access controls for security sensitive operations, including access cards, controlled access lists, locking devices, and access monitoring devices. OAS plans to complete their physical security improvements in the second quarter of 1999. The Board is pleased with the improvements and recommends that OAS complete this work in a timely manner.

Program Change Controls Test Requirements - OAS has established policies and procedures for system development and maintenance. The policies cover requirement definition, programming standards, and documentation standards. However, there are no policies regarding testing to be performed as part of the program development and change process. The lack of guidance could compromise the quality of newly developed or changed programs. The Board recommends that procedures regarding program testing be formalized and communicated to all personnel involved in the system development and change process.

Disaster Recovery Planning - The OAS contingency plan is out of date and needs to be revised to reflect the current systems environment so that all critical OAS business processes can be recovered in a timely manner. OAS has done a significant amount of work in this area and believes that a full disaster recovery plan will be in place by the end of the year. The major elements of the Disaster Recovery

Plan are: a main server room with limited access; a secondary server room; an auxiliary server room; and off-site backup facilities. The Board believes this is an important issue and recommends that the OAS implement its plan at the earliest possible time.

PC User Guidelines - The use of PCs within the organization becomes more important as more functions are migrated from the Mainframe environment to the PC LAN. With the exception of some memoranda that have been distributed, there are no user guidelines for the use of PCs. OAS management indicated that PC user guidelines are being developed to coincide with the implementation of the new system. The guidelines will address issues related to password security, data backup and use of private software, e-mail, and Internet. The Board is pleased with the work that OAS management has done in this area and recommends that OAS continue its work in order to have PC User Guidelines that reflect the new working environment.

Centralized Policy for Software - During 1998, OAS implemented a policy that DMSI must approve all software purchases. However, this policy does not control unauthorized installation of software purchased by others. The Board recommends that a policy regarding installation of unauthorized software be formulated and that OAS centrally monitor all installation and maintenance of end-user software to ensure compliance with enterprise standards. The Board also recommends that users be required to sign an annual declaration of compliance.

Year 2000 Readiness

Y2K will focus the world's attention on computerized systems and applications not being able to recognize 2000 in a date field. This would cause a system to be unable to process critical applications. Y2K failure threatens virtually all areas of the Secretariat's operations to some degree. Operations could be significantly affected if OAS and its vendors do not deal effectively with the Y2K issue.

E&Y performed a limited review of Y2K, although its role was not to assess OAS' Y2K readiness. The OIG also reviewed Y2K. The OIG indicated that the Oracle system is Y2K compliant. However, the OIG expects that several member states may not be compliant by January 1, 2000. This may affect various aspects of the OAS, including the National Offices. Y2K may also impact other operational

activities, for instance OAS is unsure what affect other suppliers' noncompliant systems may have on operations. It is the OIG's opinion that with proper planning and timely action by management, problems associated with the Y2K issue may be mitigated or avoided.

OAS management has addressed the Y2K issue with a two-part plan: internally, management is carrying out a full compliance review, test, and upgrade plan for the physical facilities and enterprise information systems; and at an OAS-wide level, the Secretary General, as recommended by the OIG, assigned a coordinator with the responsibility for coordinating the overall Y2K compliance for issues affecting the institution.

The Board recommends that OAS identify all areas that they believe are not compliant with Y2K, and develop contingency plans for these areas. The Board also recommends that OAS assess exposures to external agents; since OAS cannot be assured that its vendors and contractors will be properly prepared for the changeover, the Organization should consider implementing additional verification procedures to ensure the accuracy of information received from the external agents that is date dependent. The Board also recommends that OAS focus on the compliance of the Member States, and determine how this will affect OAS operations.

Control Environment

In 1998, DFS again faced significant and unique challenges. In addition to reengineering its accounting and reporting functions to offset human resource constraints, DFS personnel were also heavily involved in the initial planning, developing, testing, training, and conversion phases of the new system implementation. E&Y's audit did not identify any material weaknesses, but did note a number of areas in which controls could be improved. Even though these issues were not widespread or material, we recommend that OAS considered tightening these controls because they would contribute to a stronger internal control environment.

The Board is pleased that DFS undertook a comprehensive internal review of controls and strived to reengineer its processes. However, the Board recommends that due to the significant demands on DFS' limited resources, DFS must continue to review its activities to ensure that an adequate control environment is maintained during the

remainder of the system's implementation period. With this in mind, the Board recommends that DFS determine whether greater efficiencies could be achieved in processing transactions and/or consider opportunities for additional outsourcing to qualified firms, at least during the implementation phase. Whatever strategy is adopted, it must be executed without sacrificing the integrity of the internal control environment.

As noted in prior reports, DFS has outsourced certain functions, the most significant of which were the recording of transactions of Offices Away from Headquarters, the bank reconciliation for OAS' main operating account at Headquarters, and calculation of tax reimbursements. The Board believes that this approach was prudent and supports DFS' efforts to retrain employees across functional areas. However, the Board recommends that OAS reassess the controls governing these functions on a regular basis and ensure that transactions are being appropriately recorded.

The Board identified a number of improvements, including an improvement in the timeliness of recording National Office transactions and in the approval of the bank reconciliations for the National Offices. However, the Board found that bank reconciliations for the main operating account at Headquarters were not consistently performed on a timely basis during 1998.

The review also identified other internal control weaknesses. For instance, E&Y found that a transaction code that obligated and expended funds at the same time was being used. In at least one instance, a bill was paid twice because this code was used. Because of the potential for abuse, the Board recommends that the use of this code be limited and its usage be reviewed to ensure the propriety of the transaction.

Certain transactions were not adequately supported by documentation, although no improprieties were identified:

- transfers processed through the Tax Reimbursement Fund;
- some reimbursements for travel were paid without a completed travel voucher;
- some expenditure transactions; and
- some obligations in DEMOC.

The Board also found that some monthly or quarterly reports were not provided to Member States.

E&Y found approximately \$352,000 in checks that were outstanding for longer than 12 months. Since these checks were no longer valid, the Board recommends that the checks be cancelled and the funds put to better use.

The Board's recommendation to require dual signatures on checks that exceed a certain dollar limit had not been implemented. The Board recommends that DFS analyze the new system to determine whether this recommendation is still necessary given the controls established within the system.

The Board recognizes that certain of the weaknesses noted above may have occurred as a result of the significant challenges faced by DFS during the year. In addition, the Board believes that some of these issues will be corrected once the new system is used to its fullest potential. However, the Board strongly recommends that DFS remain vigilant over controls and to strive to obtain the fullest benefit from the new systems.

Fixed Assets

Headquarters' Assets - The Board is pleased with the improvements made in this area. However, the Board did identify a few areas of concern. For instance, \$76,434 in fixed assets were not capitalized; approximately \$110,000 in fixed assets that had been acquired before 1998 were not added to the fixed assets records until 1998 due to an oversight; and the fixed asset record was not accurate.

E&Y also found that copies of invoices were not provided to the Department of Material Resources (DMR). Therefore, DMR was capitalizing the amount obtained from Purchase Orders. The Board recommends that OAS implement policies to ensure that all fixed asset purchases are reviewed and recorded on a consistent and timely basis, which should include obtaining a copy of the final invoice.

DMR performed a physical inventory in 1998. However, the inventory was performed over the entire year. E&Y noted that although the Budgetary and Financial Rules allow for the inventory to be taken on a cyclical basis, this should only be done when adequate controls are in place, which was not the case. E&Y also noted several instances

where the financial records were not updated to reflect the results of the physical inventory. DMR does not have specific procedures to be followed in conducting the inventory. The Board recommends that formal procedures be developed, which is critical to ensure that the starting point of the inventory is consistent with the financial records; all items are accounted for; and the results are identified in a timely manner so that the financial records can be properly updated. The Board also recommends that trained personnel be responsible for conducting the physical inventories and updating the fixed asset records appropriately. In addition, the Board recommends that due to concerns with the inventory, DMR should consider conducting an additional physical inventory as soon as these procedures are developed.

The Board again recommends that two related areas in OAS's policies and procedures need review and possible revision. One requires OAS to perform a full inventory of its fixed assets every two fiscal periods. The other requires OAS to perform regular independent appraisals of the Museum's artwork. Since OAS is no longer reporting on a biennium basis, under the current rules, DMR would have to conduct a full inventory every two years, which the Board does not believe is the intent of the policies. In addition, the Board believes that certain types of assets may be more vulnerable to theft than others (laptop computers vs. furniture) and therefore may require more frequent inventory reviews than other assets. The Board recommends that DMR pursue a change in the Budgetary and Financial Rules to reflect the modified reporting periods. The Board also recommends that DMR develop a methodology to review risks pertaining to certain types of assets, and to perform inventory reviews based on these risk assessments.

With regard to the appraisal of the artwork, since the value of artwork does not fluctuate greatly over time, changing the rules to allow for a greater length of time between appraisals might be appropriate. The Board therefore recommends that the Budgetary and Financial Rules be revised to allow for a greater length of time between appraisals to reflect more realistic requirements.

Artwork acquired in 1998 was properly included in the fixed asset records; however, as noted in prior years, OAS did not always record donated artwork immediately upon

receipt, but waited until the Art Committee, which meets twice a year, approved the appropriateness of the artwork. The Board recommended, and the Director of the Art Museum agreed, to create a new category of assets that are pending Committee approval for inclusion in the Museum, called "Pending Artwork". The Director would report these assets to DMR immediately, so the fixed asset records could be updated. The artwork could be removed from the fixed asset record if the Art Committee declines the artwork's inclusion in the Museum.

National Office Assets - DMR annually provides each of the National Offices with a list of fixed assets and requires the Offices to perform a physical inventory and update the list. In 1998, only a portion of the countries returned the requested information. Although the assets maintained by the National Offices represent only a small percentage of OAS' fixed assets, the Board recommends that DMR follow-up with those National Offices that did not respond, in order to maintain continued communications with the National Offices and to ensure that OAS' fixed assets are accurately stated. DMR should work with the National Offices to ensure an improved response rate in the future. The Board recommends that the OIG continue to perform a physical inventory of fixed assets during its regularly scheduled reviews of Offices Away from Headquarters, and to provide detailed information on their findings to DMR. The Board also recommends that DMR modify the fixed asset records based on the OIG findings in a timely manner.

Obligations Not Supported By Firm Commitments

E&Y again noted a number of obligations that were not supported by firm commitments on December 31, 1998. Many of the unsupported obligations were for travel expenditures. Unliquidated obligations at December 31, 1998, totaled \$11.7 million (Regular Fund: \$7.7 million; Specific Funds and FEMCIDI: \$4 million). This is a significant improvement over 1997 when E&Y found \$22.3 million in unliquidated obligations.

Based on random sampling, E&Y extrapolated an error of \$255,940 for the Regular Fund, \$167,810 for the Specific Funds (including FEMCIDI), and \$114,054 for DEMOC. This is a significant improvement from previous years; for example, in 1997 E&Y extrapolated an error of more than \$6 million. Even though the situation had improved significantly, E&Y still determined the error rate could be

material. Therefore, OAS management performed an institutional review of unliquidated obligations.

Based on the work that OAS had completed as of the end of fieldwork, E&Y determined that the amount of obligations that were not supported by firm commitments was \$327,046. This amount included \$10,578 previously identified by E&Y. The additional \$316,468 of unsupported obligations are represented below:

Regular Fund	\$ 244,984
FEMCIDI	\$ 0
Specific Funds	<u>\$ 71,484</u>
	<u>\$ 316,468</u>

This amount was not material, therefore OAS did not make an adjustment to the 1998 financial statements.

As mentioned earlier, significant improvements had been made in fund management, which can be attributed, at least in part, to efforts by OAS to periodically review its open obligations. In 1998, OAS decentralized its review and required the technical areas to monitor its obligations closely and deobligate those that are no longer needed, freeing up funds for other activities. The Board was pleased with the efforts of the Office of Program Budget to educate the other offices and to provide a Handbook with guidance on how to improve the management over obligations. However, there still seems to be some reluctance to deobligate funds. Therefore, the Board again recommends that management emphasize the need to adequately manage unliquidated obligations. It is essential that the obligation process be more closely monitored both at the initiation phase and completion phase.

ACTION ON PRIOR ISSUES

Disputed Pledge

For a number of years, the majority of the outstanding pledge balance for FEMCIDI related to a 1977 pledge made by the U.S. of approximately \$8.7 million. In early 1997, the U.S. Mission to the OAS informed the Board, in conjunction with the annual audit of the financial statements, that the U.S. did not acknowledge this outstanding \$8.7 million balance.

In 1997, the Board brought this matter to the attention of the Committee on Administrative and Budgetary Affairs for consideration and resolution. However, the Board found this issue had not been resolved during its annual meeting in 1998. Therefore, in 1998, the Board recommended that the Permanent Council resolve this situation. The Board is pleased to learn that this issue has been resolved and that the amount was written off.

Art Museum of the Americas

The Art Museum of the Americas displays works of art from numerous American artists. The Board members feel that the art collection is of extreme educational and cultural importance. The Board previously reported that the Museum did not seem to attract the number of patrons that the Board members believed such an important collection should attract. The Board members felt it was their duty to ensure that OAS' assets were put to the best use possible, including works of art. Therefore, the Board members recommended that OAS management consider alternatives for displaying these works of art.

During 1998, the Art Museum implemented an impressive array of activities that improved both the collection and the accessibility to these important pieces of art. These activities were generally implemented in innovative ways, considering the Art Museum does not have a budget for acquisitions or other activities. In addition to Museum attendance, an additional audience was reached through outreach activities such as loans of artwork and traveling exhibitions; distributions of educational material; and reproduction of objects in books and other publications. In addition, the Museum participated in a number of Community Outreach Programs. Also, OAS plans to develop a "virtual museum" on the Internet, which would significantly expand the audience. The Board would like to

congratulate the Director of the Art Museum on this impressive effort, and recommends that the Director continue to seek innovative ways to share the artwork.

NEW ISSUES

Financial Condition

Payment of Current Quotas and Arrearages - The financial condition of OAS' Regular Fund had significantly deteriorated during 1998. As of December 31, 1998, the Regular Fund had a deficit balance of \$921,000 -- a decrease of more than \$6 million dollars since December 31, 1997, when the Regular Fund balance totaled about \$5.5 million. This deficiency was primarily due to a shortfall in the 1998 quota collections. Quota collections during 1998 totaled \$67.5 million (with 82% of the current year assessment and 17% of prior years' arrearages collected). Uncollected quota balances on December 31, 1998, amounted to \$49 million compared to \$42.9 million on December 31, 1997. Income from interest and administrative and technical support charges also decreased in 1998 to \$3.5 million, as compared to \$4.9 million for 1997.

Although OAS management has informed the Board that significant funds were collected during the first quarter of 1999, this decrease in the operating budget concerns the Board. OAS management has informed the Board that the General Assembly was also concerned and implemented incentives to encourage countries to pay their quotas in a timely manner. For instance, quotas in arrears are reduced by 2% if a country pays by December 31, 2000. Also, OAS will fund an OAS event in a country only if that country either has no arrearage or has an approved payment schedule for both their arrearage and their current year's quota by April 1, 1999.

The Board commends the General Assembly for taking these steps, but feels that more must be done. We believe if quotas continue to be collected in such a late manner, OAS will be unable to fulfill its mandates. The Board believes that it is imperative for the health of the Regular Fund that the Permanent Council take swift and certain action in this area. Although the Board does not believe it is in a position to suggest options, it would like to point out that the amount of uncollected quotas and arrearages does not bode well for OAS.

Maintenance of Specific Funds - The Board found that a number of Specific Funds have a deficit balance. According to OAS rules, expenditures from Specific Funds are not supposed to be made until contributions are received, (unless a specific agreement is developed). Although the Board believes that a number of the most recent deficits will be funded, the Board found that a number of these items have been outstanding for several years. In fact, OAS management informed the Board that they do not believe that some of these pledges will ever be received.

The Board is very concerned about this situation. As discussed above, the financial condition of the Regular Fund has deteriorated, at a time when the OAS is expected to modernize and to complete more and more mandates. When countries do not fulfill Specific Fund pledges, and the activities are carried out anyway, the Regular Fund suffers. The Board recommends that OAS review its existing policies and procedures surrounding the expenditures incurred for Specific Fund projects to ensure the Regular Fund is not penalized. For instance, if a country wants to host an OAS event in their country, they are currently required to provide a certain amount in advance. However, the Board learned that even if funding is not provided in advance, the event is normally held. OAS management indicated that such situations caused a number of the deficits.

The Board recommends that if a country does not provide the money in advance as required, then the event should be moved to Headquarters or canceled. In addition, the Board recommends that the OAS review the list of outstanding pledges for Specific Funds, and pursue collection; the ones that are believed to be uncollectible should be written off. OAS plans to use reports produced by the new system to inform the Permanent Council of the Specific Funds that are in a deficit situation. The Board recommends that this project, which will result in a more transparent system, be implemented in a timely manner.

Reimbursement of Overhead Costs - Another concern is that many of the Specific and Voluntary Funds are not reimbursing the Regular Fund for administrative support. The Regular Fund requires reimbursement from these funds in the amount of 10%-15% of the amounts

contributed. However, in general, this is not being done. According to OAS management, in many cases contributors specifically state that they do not want these funds to be used for overhead. Although the Board understands the intent behind this type of request, the Board does not believe the implications are being adequately conveyed to the contributors. As the number of Specific and Voluntary Funds increases, so do the support costs; however, without a portion of the contribution going toward this cost, the Regular Fund, which is already in a difficult financial position, is strained even more.

The Board understands that the General Secretariat has taken on a number of significant projects in the past few years, and may not be able to take on a major new project in the near future, but the Board recommends that the OAS move toward developing a cost accounting system, which will document the costs of providing support services to the Specific and Voluntary Funds. Once a documented cost is established, a fee for these services can be charged. If Fund management believes that the fees are excessive, they can acquire the services from another source. Cost information would also provide useful information to contributors about the actual costs of programs. For instance, contributors may not feel that certain projects would be worthwhile if they knew the real costs.

Management Information Systems

Systems Modernization - The Board is concerned that certain areas of the OAS had not yet been modernized. The most significant area is Human Resources/Payroll. OAS management is aware of this issue, and is striving to issue a contract to have this module in place by January 1, 2000. OAS management has confidence that this issue will be successfully addressed. Given the late date, the Board is concerned that the implementation may not meet the January 1, 2000, deadline. The Board recommends that OAS develop a contingency plan in case the implementation of the Human Resources/Payroll module is not completed in a timely manner.

Although not as significant, no plans have been made to obtain a fixed assets module or a module for Rowe loans. OAS plans to use a spreadsheet program to track fixed assets and is considering options to track the Rowe loans. Although the Board agrees that they may not need to be updated before January 1, 2000, we recommend that OAS

ensure these areas are adequately modernized. Considering the control issues identified by the Board, we believe adequate software to track these areas is necessary.

The Board is also aware that OAS plans to implement the OAS/Oracle system at the National Offices, which will allow a significant improvement in the efficiency and timeliness of financial information being entered into the system. The Board recommends that OAS place a high priority on this effort and complete it in a timely manner. The Board also recommends that 2-3 of the Offices be used as a pilot project before the new process is implemented at all of the National Offices.

Training - The Board is concerned with the adequacy of the training provided to the users of the new systems. Although OAS has indicated that user training has been emphasized, the Board heard concerns from a number of OAS employees regarding training. The Board learned that the original intention was to train two employees in each group, and then have them train other employees within their offices. Unfortunately, this has not worked very effectively. We understand that OAS is developing additional training for employees and the Board believes that it will take employees some time to get used to the new system; however, the Board recommends that OAS focus on this area and ensure that all users are familiar and comfortable with the new system in a timely manner. The Board believes that training is vital in order to ensure the successful implementation of the system, and believes that this investment of time and resources is necessary in order to ensure that the new system is used effectively.

Controls in OAS/Oracle System - Because the 1998 financial statements were prepared with the legacy system, E&Y only performed limited work on the new OAS/Oracle system. However, based on their limited review, E&Y identified three areas of concern which the Board recommends that OAS correct quickly: (1) checks processed through the new system are not required to be in sequential order; (2) National Office expenditures for the first quarter of 1999 had not been entered into the system; and (3) the system allowed a user to input negative debits and credits, which is an improper accounting method.

Reduce Paper Usage - The Board believes that the OAS is a paper-laden environment and sees a number of

opportunities for efficiencies to be gained in the area of publications. New technology is available to distribute information in innovative ways, such as the Internet, Intranet, or CD-ROMs. Although the Board does not expect that OAS can be entirely "paperless", it does recommend that OAS pursue these efficiencies for distributing information in a less paper intensive manner.

CHAPTER 2

COMMENTS RELATING TO AUDITS BY THE OFFICE OF THE INSPECTOR GENERAL

In 1998, the Office of the Inspector General (OIG) issued 13 audit reports, 2 inspection reports, and 4 investigations. Nine of the 13 audits (70%) were conducted at Headquarters; 4 of the 13 audits (30%) were performed in offices and projects of the General Secretariat located in the Member States. The OAS IG audited the Trade Unit and the Foreign Trade Information System; the Inter-Sectoral Unit for Tourism, contracts with Walton Thomas International, the tax reimbursement program, the Americas magazine, the project for strengthening scientific and technological development in Central America, Year 2000 computer concerns, the Oracle systems development, and the Leo Rowe Panamerican Fund. The OIG also reviewed the National Office and Projects in Costa Rica, the demining program, CIDI projects in Dominica, Mexico, and Colombia, and the Technical Cooperation Program for the Consolidation of Peace and Reintegration in Nicaragua. In addition, two inspections and one investigation were performed away from Headquarters and three investigations were performed at Headquarters. Some of the issues identified during the investigations were systemic issues that affected the OAS as a whole, and those issues are included in the summary.

AUDITS OF PROJECTS IN THE MEMBER STATES

In 1998, the Office of the Inspector General conducted audits of the Technical Cooperation Program for the Consolidation of Peace and Reinsertion in Nicaragua, the Assistance Program for Demining in Central America, the National Offices and Projects in Costa Rica, and CIDI projects in Dominica, Mexico, and Colombia.

The Technical Cooperation Program for the Consolidation of Peace and Reinsertion in Nicaragua

- Commitments were not being handled appropriately.
- DFS had stopped providing a report of “Unexpired Disbursement Authorizations” to the National Office; however, this was the only source of information to update its records on commitments.
- Some official travel did not comply with the policies and procedures of the General Secretariat and travel was allowed without an official travel authorization.
- A process needed to be developed related to applicants for OAS’ scholarships and, once chosen, Government offices and sponsoring agencies should be informed of the recipient.

The Assistance Program for Demining in Central America Implemented by the Unit for the Promotion of Democracy of the OAS

- The demining program had achieved its programmatic objectives in an excellent manner. However, the OIG believed that OAS should refocus the “mine problem” from that of one project within a unit to an integrated and multi-disciplinary approach. The mine problem can no longer be viewed from a narrow perspective of mine destruction as an end to itself; it represents a major, long-term challenge involving humanitarian, social, educational, industrial, and agricultural features and should be addressed using an integrated and multidisciplinary approach similar to the UN.
- The demining program in Costa Rica is partly paralyzed because a helicopter is no longer available.
- Vehicles were old, costly to maintain, and served as good examples for establishing an organizational policy covering timely disposition of non-economical vehicles.
- There was a need to improve coordination between Headquarters and the Field Offices and to carefully examine requests from Field Offices for equipment.
- Administrative and financial best practices should be duplicated.
- Cash payments should be avoided.

The Republic of Costa Rica

- Someone should be available at all times to process duty exemptions.
- In some cases, expenditures were made before obligations were recorded.
- The listing of assets was inaccurate.
- Incomplete travel expense claims were approved.
- Proper procedures were not available regarding donation of project assets after a project is completed.

Heritage Dance (Dominica), Programa de Becas Cuahutemoc (Mexico), and Programa de Apoyo a la Industria del Papel (Colombia)

- The audit determined that SEDI had not effectively managed and evaluated these projects as required in its mandate. The OIG believed the lack of effective management, evaluations, and follow-up action on projects by SEDI was primarily responsible for the internal control weaknesses identified during the OIG’s examination of the three projects.

AUDITS OF HEADQUARTERS OPERATIONS

As previously mentioned, the Office of the Inspector General completed nine audits of Headquarters operations. The following summarizes the findings of these audits.

Trade Unit and the Foreign Trade Information System (SICE) of the OAS

- The review showed that both the Trade Unit and the SICE are fulfilling their objectives in a satisfactory manner and their achievements have been generally impressive.
- The offices have not done any long term planning, especially with regard to the job force and organizational structure.
- The offices were using performance contracts, which is an inadequate method for long-term hiring.
- A number of unauthorized e-mail addresses existed and there were indications that electronic data of an embarrassing nature had been stored.
- One employee who performed outside consulting work had not received formal permission to do this work, as is required in OAS regulations.
- Employees felt that they needed training on new software that was being installed.
- Two SICE positions (which were being funded by SICE) were not working for either of these offices. One of these positions was the Unit Coordinator.
- In general, these offices were expending their funds appropriately. However, the procurement practices needed to be strengthened. For example, an excessive number of software packages had been purchased, some computers were “cannibalized” for parts without documentation, and inventory lists did not match records maintained by the Department of Material Resources.

Evaluation of the Inter-Sectoral Unit for Tourism of the OAS

- In order to attract external funding and promote effective partnerships with the private sector and international lending agencies, the Unit must be more dynamic in its image, its operations, and its ability to offer and demonstrate OAS expertise.
- The Unit did not satisfactorily achieve its objectives related to research studies, policy papers, and effective exchange of information and promotion of public/private sector cooperation with a view to mobilizing additional resources.
- Insufficient technical skills and failure to prepare systematic plans and to execute more effective follow-up action hampered the Unit’s ability to attract external financing.
- The Unit’s mandate was complementary to CIDI’s objectives and there was no overlap or duplications.
- Communication between CIDI and the Tourism Unit was inadequate, in particular the lack of feedback when projects are executed by the National Executing Agencies.
- The Unit did not have adequate facilities for meetings.
- The OAS did not have guidance on official travel expenses paid by outside agencies.
- The Unit had not complied with OAS guidance on performance contracts.
- The Unit’s website needed to be improved in order to have up-to-date information that is easily accessible.
- The inventory list maintained by the Department of Material Resources was not accurate.

Contracts with Walton Thomas International and an Assessment of the Outsourcing Concept of the OAS as of February 15, 1998

- Nineteen contracts between Walton Thomas International and the General Secretariat met the criteria that was envisioned by the outsourcing concept.
- Although it was currently cost effective for DFS to outsource another 10 tasks, DFS needs to monitor the contracts to ensure they continue to be cost effective.
- DFS has sacrificed essential controls over the contractor by not reviewing or monitoring transactions from the Field Offices.
- Another 20 contracts, for long-term or essential functions, should not have been outsourced. The OIG believes that the contractor does not provide adequate incentives to keep employees, control over job assignments is lost, and the OAS may not be getting the most qualified employees.
- The OAS staffing ceilings are not realistically based and so a manpower utilization study is urgently needed.
- There was no centralization or uniformity of negotiating and contracting for outsourcing.
- There is no clause in the contracts to allow audits.

Tax Reimbursement Program Administered by the Department of Financial Services of the OAS

- The tax reimbursement program is complex and requires special expertise, which was not available in DFS. However, the OIG believes that this function should not be outsourced in order to maintain privacy and to effectively accomplish DFS' fiduciary responsibilities.
- DFS did not effectively follow-up on complaints in a timely manner.
- Tax returns for people receiving reimbursements should be internally audited.
- Adequate and timely information should be obtained from the individuals receiving reimbursements in order to facilitate and expedite the calculations.

Americas Magazine, Office of Public Information

- Although the Permanent Council required annual statements of revenues and expenditures for the magazine, they were not submitted in 1997.
- The inventory listing was inaccurate.
- The OIG followed-up on an earlier recommendation to collect an overpayment from a company that provided maintenance services and found that not all of the money had been collected and the company had gone out of business. The OIG recommended that the Secretary General determine if the person responsible for the overpayment should reimburse the OAS.
- Employees were not always submitting timely time and attendance records, but DFS did not comply with established policies to not pay employees that do not submit these records.

Evaluation of the Project for Strengthening Scientific and Technological Development in Central America, Phase II

- Not all of the CTCAP countries provided required documentation, including copies of bank statements, to the Implementing Agency in a timely manner. The documentation is needed to facilitate the verification of the fund usage.
- CTCAP transferred funds between activities that exceeded limitations in the Execution Agreement, and did not get approval for this.
- Funds from other donors had not always been kept separate from CIDI contributions, as required by the Execution Agreements.
- Per Diem rates were not always properly applied.
- Training is needed in order to facilitate the preparation of financial reports.
- Overall, SEDI had not provided effective follow-up and evaluation as required by the Execution Agreement, which has decreased the effectiveness and results of the projects.

An Assessment of the Year 2000 Issue at the General Secretariat

- The OIG expects that the OAS information systems will be Y2K compliant when the ORACLE database system is fully installed and tested.
- Although the OIG believes OAS will be compliant, they expect several member states not to be compliant by January 1, 2000. This may affect various aspects of the OAS, including the National Offices.
- OAS is unsure whether the Art Museum inventory system is Y2K compliant.
- No plans had been made for ensuring the tracking system for Rowe loans was Y2K compliant.
- Y2K may also impact other operational activities, for instance OAS is unsure what effect other suppliers' noncompliant systems may have on operations. It is the OIG's opinion that with proper planning and timely action by management, problems associated with the Y2K issue may be mitigated or avoided.
- There is need for a coordinator to provide leadership in awareness, contingency planning, and to provide overall technical support. The coordinator must focus on the importance of achieving Y2K compliance, selecting the overall approach to structure the Year 2000 program for assessing the adequacy of existing information, supporting the Y2K efforts, and mobilizing needed resources. The coordinator should also ensure all equipment and software is Y2K compliant; should arrange for effective monitoring of member states' efforts with Y2K and report on the potential impacts; should ensure all external systems that could impact operations are tested; and should provide quarterly reports to the Secretary General. The coordinator should also establish a website with Y2K information available, should monitor procurement contractors, and ensure contingency plans are prepared.

Oracle Government Financial Impact

- The current implementation plan was unlikely to be fully completed by the scheduled date and no contingency plan existed for such an eventuality.
- The situation was complicated by the possibility of a total or partial failure of the legacy MIS system due to Y2K problems.

- Because an organization wide security policy did not exist, the OIG believed that it would be difficult to develop consistent and meaningful security procedures.
- Users were enthusiastic about the new system and were ready to participate in the implementation.
- The OIG was pleased that OAS had chosen a proven system, and was pleased management had chosen not to modify the system.
- The risk of system unavailability was low because of sufficient user experience with manual procedures.
- The Oracle Government Financials test and production environments are on the same platform. Test and production data are therefore under the same Oracle Database Server.
- No network monitoring/tuning tools were available.
- Some responsibilities within the MIS were not properly segregated.
- Annual leave had been inappropriately authorized in the MIS section for December and January.
- No information systems security function was planned.
- Program change control procedures had not been prepared.
- MIS development staff were not adequately involved in the implementation or the training.

Leo S. Rowe Pan American Fund of the OAS

- OIG believed that the Fund Secretary had not actively pursued the collection of delinquent debts. The referral of a limited number of loans to a collection agency is not adequately utilizing resources.
- Fund Management had asked to write off some of the loans, however, the list of loans to write off was incomplete. All loans with no activity since 1993 should be written off.
- Requirements had been violated by granting changes in contract terms, particularly reduction in payments and extensions of first payment, without proper justification and/or Committee approval.
- Loan conditions did not always agree with the regulations.
- Employees who received loans were allowed to delay repayment past the 60 months that were approved by the regulations and employees were not put on a required repayment schedule.
- The Fund had not always carried out instruction/directives issued by the Secretariat and does not always report to the Committee on the status of directives.
- The Rowe Fund's system needed to be updated and was not Y2K compliant.
- There is a need for adequate written procedures to ensure loans are recorded and reconciled and to administer collections and perform directives from the Committee.

INSPECTIONS

As previously mentioned, the OIG conducted 2 Inspections, both away from Headquarters.

Technical Cooperation Program for the Consolidation of Peace and Reintegration in Nicaragua

- The OAS has a high degree of credibility in Nicaragua.
- The beginning of the network of human rights is in place.
- The strengthening of the State at the local level, especially the support of the mayors in the Program zone, is beneficial.
- Satisfactory attention is being paid to the victim of mines.

Evaluation of Internal Controls in the Nicaragua National office for the Execution of the Housing Construction Project

- Internal controls were in place to ensure that OAS regulations are complied with and OAS/Nicaragua was complying with the regulations

INVESTIGATIONS

As previously mentioned, the OIG conducted four investigations, two of which identified systemic issues for the OAS. The reports that identified wider concern are summarized below.

Improper Disposition of Publications

- The functions of production and distribution of publications are separate areas and the OIG believed a lack of coordination between these groups had led to a significant accumulation of publications around the OAS.
- OAS did not have a policy regarding the disposition of publications. Publications are not considered assets, and so the requirements for asset disposition do not apply. However, these publications are expensive to produce, and some are funded through voluntary contributions. Therefore, these publications should be treated as assets, with useful lives.
- A clear and coherent policy regarding the production, storage, and distribution of publications including the definition of their useful lives and their final disposition was necessary and publications should go through the normal process for disposition of assets.

Disbursements against Expired Accounts

- SEDI had not provided effective management to ensure compliance with CEPCIDI resolutions related to the use of expired accounts and DFS did not take appropriate and timely action to ensure the effective management of OAS resources and the timely recording of financial transactions to maintain adequate internal accounting controls.

- Better and more timely communication is needed between DFS and SEDI regarding irregularities in project expenditure, particularly in situations indicating noncompliance with disbursement deadlines and CEPCIDI resolutions.

CHAPTER 3

COMMENTS RELATING TO THE OPERATIONS OF THE OFFICE OF INSPECTOR GENERAL

In past years, the Board members expressed concern about the OIG's audit coverage, staffing, follow-up on audit recommendations, planning, and inclusion of management comments in reports. As discussed in chapter 2, the OIG performed 70% of their audits at Headquarters. The Board feels this mix of work between Headquarters and projects away from Headquarters is appropriate and is pleased to see that the OIG is stressing reviews at Headquarters. As the Board indicated in the past, it believes that although there are areas of high risk at the National Offices, the most significant operations are conducted at Headquarters. Therefore, the most significant audit coverage should also be performed at Headquarters.

The Board members would also like to note four other areas that have been discussed in earlier reports and one new issue.

Partnership with Other Auditing Groups

The Board understands the OIG has limited staffing resources to fulfill its vital role. One of areas that is a drain on resources is travel to Offices Away from Headquarters. Although the IG would like to limit these costs, oversight over these Offices. The Board recommends that the OIG pursue a partnership with other auditing organizations in the Western Hemisphere, with the intent of having these organizations assist in performing some of the reviews in the Offices Away from Headquarters. The Board believes that this would be particularly beneficial for reviews of CIDI projects and National Offices. For instance, the Board recommends that the OIG pursue a working relationship with the Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS). The Board believes that this would better leverage OIG resources, while still ensuring an adequate presence in the Offices Away from Headquarters.

Staffing

In its 1997 Report, the Board reiterated that staffing in the OIG was below the appropriate level and suggested that an auditor with computer experience would be especially beneficial. Reviews of the new MIS program will be vital in the upcoming years, and therefore, the OIG should have qualified personnel to examine this area. We understand that staffing has been reduced Organization-wide; however, we believe that adequate staffing within the OIG is vital to ensure that adequate internal controls are maintained within OAS, especially vital considering the staffing constraints in the OAS.

Since the last meeting, the number of positions in the OIG had not increased and so the OIG had not been able to hire an auditor with computer expertise. However, the IG has decided to fill the currently vacant Deputy IG position with a professional auditor with computer expertise who is

also familiar with the Oracle environment. The Board believes that this is a beneficial plan and is a reasonable use of limited resources. By hiring an auditor with computer expertise at this high level, the OIG should be able to hire an individual with significant experience who would be able to provide guidance to the rest of the staff. The Board recommends that the OIG and the Secretary General quickly act on this plan, in order to have the expertise available as the implementation of the Oracle system progresses and as Y2K approaches.

In its 1997 Report, the Board expressed some concern about the OIG creating a position in Panama with a junior auditor who would require a significant amount of training. Because of limited staff positions, the Board wanted to ensure that experienced people filled any available positions. The Board was also concerned with the supervision and guidance that would be given to this employee since she was away from Headquarters. The Board recommended that the OIG reconsider maintaining an employee away from Headquarters. The Board is pleased that the IG carefully reviewed this situation and concluded that in order to ensure maximum utilization of resources, the position should be relocated to Headquarters.

Audit Follow-up

The IG indicated that there continues to be a high degree of compliance with the OIG recommendations. The OIG has successfully established a system to track actions on recommendations. The OIG also began to prioritize some of the recommendations to assist the OAS to make decisions as to how to most effectively utilize their scarce resources and to understand those recommendations that require immediate implementation.

Planning

In the past, the Board noted that the OIG planned its audits using a cyclical methodology, although other work was done as needed. The Board is pleased that the OIG modified their planning methodology to ensure that high-risk areas are focused upon. The OIG's work plan places particular emphasis on high-risk areas identified by the Board and special requests from the Permanent Council or the Secretary General. Audit activities are focused toward areas with the highest degree of risk and that promote economy, efficiency, and effectiveness in General Secretariat operations and all OAS programs and projects. Considering the minimal staffing availability, it is important for the OIG to focus on the most significant issue

The Board has reviewed the OIG's 1999 work plan and feels that it is appropriate and that it focuses on a number of high-risk areas, such as internal controls in DFS, and the new computer system implementation. The Board strongly recommends that the OIG continue to focus attention on the development of the new MIS system and outsourcing. We recommend that the OIG continue reviewing the Board's annual report and E&Y's annual report to identify high-risk areas.

OAS Comments to OIG Reports

Last year the Board noted that there was no formal policy for the consideration and inclusion of auditee's comments in OIG reports. The Board felt that obtaining formal comments to OIG reports and carefully considering the inclusion of the auditee's comments in OIG reports would lead to more balanced and accurate audit reports. The IG reported that the OIG discusses all findings and recommendations with auditees, and all comments from the auditees are taken into consideration prior to finalizing each report. The Board is pleased with this effort and believes it will ensure that the audit reports are balanced. However, the Board would like to again recommend that written comments be obtained from the auditees and included as an appendix to each report.

CHAPTER 4

COMMENTS RELATING TO THE LEO S. ROWE PAN AMERICAN FUND

The Rowe Pan American Fund is a trust fund established to provide loans to students from member countries, other than residents and citizens of the U.S., and make loans to OAS employees for educational and emergency purposes. During 1998, the fund earned \$878,637 and the total net assets increased from \$10,100,515 for the year ended December 31, 1997 to \$10,782,802 for the year ended December 31, 1998.

In the past, the Board had found that a significant number of loans were in arrears. In 1998, 113 loans, worth approximately \$116,500, that had no activity since 1993 were written off. In addition, 74 loans had been submitted to a collection agent. The collection agency indicated that 22 of the loans were uncollectible because they were past the statute of limitations. Fifty-two loans are still with the collection agent; they have reported that 23 can probably not be collected and another 29 are still pending. Collection efforts are difficult for students that return to their home countries -- especially when the guarantor also resides outside of the U.S. In addition, the OIG and E&Y identified more loans that have had no activity since before 1993 that need to be written off.

The Board was also concerned with the internal controls surrounding the administration of the loans. For instance, loan agreements were not always complete, contract terms were changed without proper support, and extensions were granted without Committee approval. The Director of Fellowships and the Secretary of the Rowe Fund have assured the Board that they have taken a recent OIG report related to needed improvements very seriously, and are currently working with the Committee to reengineer the process and to strengthen internal controls. They estimated that most of the improvements could be done by the end of the year. In their opinion, one significant area to resolve is the need for an adequate system to track the Rowe loans, although DMSI is pursuing various alternatives.

The Board is pleased with the attention that is being paid to the OIG's recommendations and would like to stress a few areas for consideration. The Board recommends that the Rowe Fund make a greater effort in managing its loans. Although the Board is not encouraging a change of philosophy, it believes that the requirements could be tightened, while still maintaining the spirit of the program. A beneficial area to start would be to execute the agreements that are held with the guarantors for loans which students default on. Although the Board recommends that loans that are uncollectible be removed from the accounting records, the Board does not want this done prematurely; every reasonable effort should be made to collect these loans. The Board also recommends that the Rowe Fund management work with DMSI to effectively determine the most appropriate way to track loans, and to quickly pursue the planned action.

CHAPTER 5

COMMENTS RELATING TO THE PENSION AND RETIREMENT FUND

The Retirement and Pension Fund is comprised of the Retirement and Pension Plan (Plan) and the Provident Plan. The Plan is a contributory plan maintained for the benefit of all “regular” OAS employees and other affiliated agencies. The Provident Plan is maintained for certain “non-regular” employees of the OAS and other affiliated agencies. During the past few years, the Pension Fund had been having difficulties getting information from its Custodians and its actuaries in a timeframe that would allow E&Y to complete the audit of their financial statements in time to be included with the Board’s annual report, which is due to the Permanent Council no later than April 30. Over the past two years, the Board has worked with both the Pension Fund management and E&Y to develop better communications between the groups and to establish reasonable timeframes.

The Board was pleased to see the great improvements in timeliness and communications that was evidenced by the fact that the Pension Fund’s financial statements were completed and audited within the Board’s timeframes. We are aware of the significant group effort between Pension Fund management, the Pension Fund’s Custodian, the actuary, and E&Y. The Board would like to express its appreciation for the hard work and commend everyone involved. The Board recommends that the Pension Fund management continue to strive for timely completion of the financial statements and the audit.

Independent Auditor's Report on Compliance

Board of External Auditors
Organization of American States

We have audited the financial statements of the funds of the Organization of American States (the Organization) as of and for the year ended December 31, 1998, as listed in the accompanying table of contents, and have issued our report (the Audit Report) thereon dated March 23, 1999.

We conducted our audits in accordance with generally accepted auditing standards and the external auditing requirements prescribed in Chapter IX of the General Standards of the Organization of American States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with the rules and regulations of the Organization (rules and regulations) is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Organization's compliance with provisions included in Chapters III, IV, VII and IX of the General Standards. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We also tested certain specific expenditures of senior executives concerning executive compensation, travel, official entertainment, contracting and consulting services, speaking honoraria and gifts, and executive perquisites for compliance with the Organization's Staff Rules and Chapters III and IX of the General Standards.

The results of our tests indicate that with respect to the items tested, the Organization complied, in all material respects, with the provisions referred to above. We noted certain immaterial instances of noncompliance with the rules and regulations in the following areas: unliquidated obligations and fixed assets. Our comments on certain of these matters have been reported to the Board of External Auditors in separate correspondence dated March 23, 1999.

This report is intended solely for the information of the Board of External Auditors, the General Secretariat, Permanent Council, and the General Assembly of the Organization and is not intended to be and should not be used by anyone other than these specified parties.



March 23, 1999

SECTION II
FINANCIAL STATEMENTS
OF THE ORGANIZATION OF AMERICAN STATES
WITH
REPORT OF INDEPENDENT AUDITORS

ORGANIZATION OF AMERICAN STATES

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The General Secretariat has prepared and is responsible for the integrity of the financial data included in the accompanying financial statements. The statements have been prepared in conformity with accounting practices prescribed by the Budgetary and Financial Rules of the Organization which include the financially oriented General Standards to Govern the Operations of the General Secretariat and other provisions approved by the General Assembly.

The accounting practices utilized by the General Secretariat differ in certain respects from generally accepted accounting principles customarily applied in the presentation of financial statements. A description of the significant differences from generally accepted accounting principles is set forth in Note 3 to the financial statements. The General Secretariat maintains an accounting system and related controls to provide reasonable assurance that financial records are reliable for preparing financial statements. The system includes a program of internal audit to provide assurance that proper procedures and methods of operations are used to implement plans, policies and directives of the General Secretariat.

In addition, the Board of External Auditors, which consists of three members elected by the General Assembly, is authorized to audit all accounts, funds, and operations of the Organization. The Board of External Auditors has engaged the services of the independent accounting firm of Ernst & Young LLP to audit the financial statements. Their opinion on the financial statements is based on auditing procedures which include a review of internal control and selected tests of transactions and records. These auditing procedures are intended to provide a reasonable level of assurance that the financial statements are fairly stated in all material respects. The Board periodically meets with the independent auditors, officials of the General Secretariat, and internal auditors to review and evaluate accounting, auditing and financial reporting activities and responsibilities. The Board of External Auditors, the independent auditors as well as the internal auditors have unlimited access to all records maintained by the General Secretariat.

Report of Independent Auditors

Board of External Auditors
Organization of American States

We have audited the combined financial statements of the funds of the Organization of American States (the Organization) as of December 31, 1998 and for the year then ended, listed in the accompanying table of contents on page II-9 herein. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the external auditing requirements prescribed in Chapter IX of the General Standards of the Organization of American States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 3, the Organization of American States prepares its financial statements on the basis of accounting practices prescribed by the Budgetary and Financial Rules (which include the applicable financially-oriented General Standards adopted by the General Assembly of the Organization of American States) which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements listed in the accompanying table of contents present fairly, in all material respects, the combined funds' assets, liabilities and fund balances for the funds of the Organization of American States referred to above at December 31, 1998, and the changes in fund balances for the year then ended on the basis of accounting described in Note 3.

Our audits have been made primarily for the purpose of expressing an opinion on the basic financial statements listed in the accompanying table of contents for the funds of the Organization of American States referred to in the first paragraph of this report taken as a whole. The accompanying supplementary information in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements mentioned above taken as a whole.

We have previously audited and expressed an unqualified opinion on the financial statements of the above funds of the Organization of American States as of and for the year ended December 31, 1996, summarized comparative information from which is presented herein.

Ernst & Young LLP

March 23, 1999

ORGANIZATION OF AMERICAN STATES

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ORGANIZATION OF AMERICAN STATES
FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

EXHIBIT 1

**OPERATIONS AND RESERVE SUBFUNDS
COMBINED STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES**
(in thousands)

	December 31, 1998			December 31, 1996	
	Regular	FEMCIDI		Combined	Combined
ASSETS					
Cash and equity in OAS Treasury Fund (Note 6)	\$ 5,985	\$ 14,814	\$	20,799	\$ 42,127
Advances to employees	50	-		50	52
Other assets	3,533	10		3,543	7,137
Amounts to be charged to future years' appropriations (Note 14)	4,797	7		4,804	4,235
Equity in land, buildings, and equipment (Note 8)	33,916	-		33,916	35,094
	<u>\$ 48,281</u>	<u>\$ 14,831</u>		<u>\$ 63,112</u>	<u>\$ 88,645</u>
LIABILITIES AND FUND BALANCES					
Unliquidated obligations (Note 3)	\$ 7,748	-	\$	7,748	\$ 11,959
Quotas/Pledges collected in advance	2,299	39		2,338	335
Accounts payable and other liabilities	5,270	101		5,371	8,631
Long-term debt (Note 12)	7,485	-		7,485	9,183
	<u>22,802</u>	<u>140</u>		<u>22,942</u>	<u>30,108</u>
Fund balances:					
Operating subfund appropriated	(952)	10,904		9,952	20,274
Operating subfund unappropriated	-	3,482		3,482	9,363
Reserve subfund	(952)	305		305	2,989
	<u>26,431</u>	<u>14,691</u>		<u>13,739</u>	<u>32,626</u>
Investment in land, buildings, and equipment	48,281	-		26,431	25,911
	<u>\$ 48,281</u>	<u>\$ 14,831</u>		<u>\$ 63,112</u>	<u>\$ 88,645</u>

ORGANIZATION OF AMERICAN STATES

**OPERATIONS AND RESERVE SUBFUNDS
COMBINED STATEMENTS OF CHANGES IN FUND BALANCES**
(in thousands)

EXHIBIT 2

	Year ended December 31, 1998		Year ended December 31, 1996 Combined
	Regular	FEMCIDI	
Increases			
Quota/Pledge collections	\$ 67,575	\$ 10,156	\$ 77,731
Less prompt payment credits	196	-	196
	<u>67,379</u>	<u>10,156</u>	<u>77,535</u>
Contribution for administrative and technical support	2,475	-	251 (a)
OAS Treasury Fund income	1,035	1,307	2,342
Other income, refunds, and deobligations	2,993	221	3,214
	<u>73,882</u>	<u>11,684</u>	<u>83,342</u>
Decreases			
Expenditures and obligations pursuant to appropriations:			
General Assembly and Permanent Council	13,333	-	13,333
Executive Office of the General Secretariat	9,185	-	9,185
Activities of the Secretariat for Economic and Social Affairs	-	-	6,539
Activities of the Secretariat for Educational, Scientific and Cultural Affairs	-	-	4,277
Units and Specialized Offices	17,872	-	17,872
Inter-American Council for Integral Development (CIDI)	2,810	17,056	19,866
Offices Away from Headquarters	6,269	-	6,269
Activities of the SubSecretariat for Legal Affairs	1,641	-	1,641
Activities of the SubSecretariat for Management	9,190	-	9,190
Common Administrative and Personnel Costs	14,198	-	14,198
Contributions to other agencies	5,867	-	5,867
	<u>80,365</u>	<u>17,056</u>	<u>95,197 (a)</u>
Net (decrease)/increase during period	(6,483)	(5,372)	(11,855)
Fund balances at beginning of period	5,531	20,063	25,594
Fund balances at end of period	<u>\$ (952)</u>	<u>\$ 14,691</u>	<u>\$ 13,739</u>

(a) The combined amount excludes \$2,224 in 1998 and \$1,725 in 1996 of interfund contributions to the Regular Fund. Such contributions are eliminated as expenditures in the respective funds.

See accompanying notes

ORGANIZATION OF AMERICAN STATES

EXHIBIT 3

**SPECIFIC FUNDS
COMBINED STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES**
(in thousands)

	December 31, 1998			December 31, 1996	
	REGULAR	FEMCIDI		Combined	Combined
ASSETS					
Cash and equity in OAS Treasury Fund (Note 6)	\$ 21,364	\$ 14,652	\$ 36,016	\$ 31,870	660
Advances to employees and other receivables	456	19	475	32,530	
	<u>\$ 21,820</u>	<u>\$ 14,671</u>	<u>\$ 36,491</u>		
LIABILITIES AND FUND BALANCES					
Unliquidated obligations	\$ 2,203	\$ 1,785	\$ 3,988	\$ 5,773	
Accounts payable and other liabilities	4,060	133	4,193	8,208	
Fund balances	15,557	12,753	28,310	18,549	
	<u>\$ 21,820</u>	<u>\$ 14,671</u>	<u>\$ 36,491</u>	<u>\$ 32,530</u>	

COMBINED STATEMENTS OF CHANGES IN FUND BALANCES
(in thousands)

	Year ended December 31, 1998			Year ended December 31, 1996	
	REGULAR	FEMCIDI		Combined	Combined
Increases					
Contributions (Notes 3 and 10)	\$ 23,811	\$ 9,531	\$ 33,342	\$ 19,896	
Contributions for tax reimbursements (Note 11)	10,101	-	10,101	7,249	
Other income, transfers, and interest	1,032	2,325	3,357	(60)	
	<u>34,944</u>	<u>11,856</u>	<u>46,800</u>	<u>27,085</u>	
Decreases					
Obligations and expenditures	18,396	9,973	28,369	24,965	
Returns to donors and transfers	1,553	281	1,834	-	
Tax reimbursements to employees (Note 11)	7,176	-	7,176	12,385	
	<u>27,125</u>	<u>10,254</u>	<u>37,379</u>	<u>37,350</u>	
Net increase/(decrease) during period	7,819	1,602	9,421	(10,265)	
Fund balances at beginning of period	7,738	11,151	18,889	28,814	
Fund balances at end of period	<u>\$ 15,557</u>	<u>\$ 12,753</u>	<u>\$ 28,310</u>	<u>\$ 18,549</u>	

See accompanying notes

ORGANIZATION OF AMERICAN STATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1996

1. Organization and Financial Statements

The General Secretariat is the central and permanent organ of the Organization of American States (OAS). To ensure observance of limitations and restrictions placed on the use of resources available to the OAS, the accounts of the OAS are maintained in accordance with fund accounting principles. Separate accounts are maintained for each fund. In the accompanying financial statements, the funds administered by the General Secretariat are grouped in the following categories, according to their source of financing and purpose:

Regular Fund- financed mainly by the assessment of quotas to the member states and contributions from certain other OAS funds (see Note 3D). The purpose of this fund is to provide the General Secretariat with general support as well as technical supervision and administrative services to the programs. In addition to the activities of the General Secretariat, the following activities are financed through budgetary appropriations of the Regular Fund and are included in the financial statements of the Regular Fund:

- General Assembly
- Permanent Council of the OAS
- Inter-American Commission of Human Rights
- Inter-American Commission of Women
- Inter-American Council for Integral Development
- Inter-American Juridical Committee
- Inter-American Children's Institute
- Inter-American Court on Human Rights
- Inter-American Commission for Drug Abuse Control
- Inter-American Telecommunications Commission

The Special Multilateral Fund of the Inter-American Council for Integral Development (FEMCIDI)- financed mainly by voluntary contributions of the member states to support the programs adopted by the Council and approved by the General Assembly. FEMCIDI finances the multilateral and national cooperation programs, projects and activities of the Inter-American Council for Integral Development (CIDI).

Specific Funds and Funds from Special Contributions (Specific Funds)- financed by grants or bequests to finance activities specified by the donor or legator, and any other contributions by national or international, public or private entities, for carrying out or strengthening specific activities or programs of the General Secretariat. These funds also include designated funds which have been segregated for specific purposes and whose use is restricted through designation by the General Assembly or the General Secretariat.

1. Organization and Financial Statements (Continued)

The financial position and changes in fund balances of the Regular and Special Multilateral Funds are reflected in Exhibits 1 and 2 on a combined basis. In addition, the financial position and changes in fund balances of the Specific Funds are shown in Exhibit 3 on a combined basis.

A. Operations Subfund

Quota and voluntary pledge contributions and the corresponding costs incurred in carrying out the budgetary activities of the funds are included in the accompanying financial statements, where applicable, as operations subfund activity.

B. Reserve Subfund

Reserve subfunds have been established and are financed under the following criteria:

I. Regular Fund - Reserve Subfund

This subfund is a contingency reserve to provide for the continuous functioning of the regular activities of the General Secretariat. In accordance with the General Standards to Govern the Operations of the General Secretariat (General Standards), the excess of income over obligations and expenditures of the Operations Subfund is to be added to the Reserve Subfund. To the extent that there is a Reserve Subfund balance, excess obligations and expenditures over income in the Operations Subfund is covered by a transfer from the Reserve Subfund. In addition, the General Standards permit the temporary use of the Reserve Subfund to finance Regular Fund expenditures pending the receipt of anticipated income. As of December 31, 1998, the Reserve Subfund shows a deficit balance of \$952,000.

II. FEMCIDI - Reserve Subfund

This subfund is a contingency reserve to ensure the normal and continuous financial operation of FEMCIDI until the General Secretariat receives pledged contributions. The amount of this Reserve Subfund shall be equivalent to 3% of the FEMCIDI's pledge collections.

C. Other Entities and Specialized Organizations

The assets and liabilities at December 31, 1998 and 1996, and the related income and expenses for the year then ended, of the following organizations, which are subject to separate budgetary control and financial reporting, are not included within the accompanying financial statements of the OAS:

1. Organization and Financial Statements (Continued)

C. Other Entities and Specialized Organizations (Continued)

- Inter-American Defense Board *
- Inter-American Indian Institute
- Inter-American Institute for Cooperation on Agriculture*
- Inter-American Library Simon Bolivar *
- Inter-American Music Council *
- Leo S. Rowe Pan American Fund *
- OAS Medical Benefits Trust Fund *
- OAS Retirement and Pension Fund *
- Pan American Development Foundation *
- Pan American Health Organization
- Pan American Institute of Geography and History
- Rowe Memorial Benefit Fund *

2. Change in Financial Reporting Period

Effective January 1, 1998, the Organization changed its budgetary reporting period from a biennial to an annual cycle as authorized by an amendment to Article 77 of the General Standards. The General Standards further provide that appropriations shall be available to meet the obligations incurred during the year for which they were approved. Regular Fund appropriations may be extended, but only to the extent necessary to liquidate the obligations pending at the close of the year for which they were approved, but not beyond December 31 of the following year at which time they expire irrevocably.

3. Accounting Principles

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the financial statements. The Rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material respects from generally accepted accounting principles. The significant deviations from generally accepted accounting principles are as follows:

- A. The General Secretariat deems it impractical to evaluate the collectibility of assessed but uncollected quotas and voluntary pledges outstanding; therefore, quotas and pledges are included in the financial statements of the various funds only to the extent collected. Contributions from member states and from other interested parties for specific purposes are similarly recorded at the time of collection.

*Recipients of cash and/or in kind contributions or administrative services from the Regular Fund.

3. Accounting Principles (Continued)

- B.** Unliquidated obligations in certain funds include amounts related to commitments resulting from offers made by the funds to member states or other institutions to disburse monies for the procurement of goods or services in future periods. Such amounts do not represent liabilities or unrelated third party commitments at the end of the respective periods. They represent amounts anticipated to be expended in the subsequent year in the completion of a particular program or activity.
- C.** The OAS provides certain benefits to its employees which accrue to them during periods of employment and are payable at various times during employment or upon separation, whether voluntary or involuntary. Costs for such employee benefits have historically been recorded upon payment rather than as such benefits accrue.

These expenditures for the year ended December 31, 1998 and 1996 are as follows:

	<u>1998</u>	<u>1996</u>
Home Travel	\$ 193,000	\$ 193,000
Repatriation of Family and Household Goods upon Separation	150,000	144,000
Separation Indemnity and Termination Pay	1,235,000	1,238,000
Medical Benefits Subsequent to Separation	<u>1,293,000</u>	<u>965,000</u>
Total	<u>\$2,871,000</u>	<u>\$2,540,000</u>

Unrecorded earned annual and special leave approximated \$9,371,000 and \$14,602,000 at December 31, 1998 and 1996, respectively.

- D.** The General Assembly of the OAS adopts a consolidated program-budget which includes the budgets for the Regular Fund and FEMCIDI. In the consolidated budget, the amounts appropriated for substantially all approved (career) personnel costs are included in the Regular Fund's budget. In addition, certain other administrative costs benefiting all funds are included in the budget of the Regular Fund. In lieu of allocating these costs to various funds on a services-rendered basis, the General Assembly has provided that the other funds pay a contribution to the Regular Fund for administrative and technical support. The amount of the contribution may not bear a direct relationship to the actual cost of the services provided to those funds during the period.
- E.** The Combined Statement of Assets, Liabilities and Fund Balances of the Regular Fund and FEMCIDI include certain amounts to be charged against future appropriations. These expenditures are deferred as a means of budgetary financing and not because of or in relation to benefits which may accrue to future periods.

3. Accounting Principles (Continued)

- F.** The Statements of Assets, Liabilities and Fund Balances of the Regular and Special Multilateral Fund do not include unexpended advances issued in the performance of certain OAS programs (See Note 9).
- G.** Contributions from member states and other interested parties in the form of use of facilities and services are received by certain of the activities of the funds administered by the General Secretariat. No amounts are recorded in the accompanying financial statements relating to the use of such facilities or services inasmuch as the General Secretariat deems their value inestimable.
- H.** A Cash Flow Statement is not provided and certain other provisions pertaining to generally accepted accounting principles related to financial statement display are not applied. In addition, unrealized gains/(losses) on investments are not included in income and investments are not recorded at fair market value.

4. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

5. Reclassifications

In 1998, the tax reimbursement fund and certain internal service funds are presented as part of the Specific Funds. These funds were previously consolidated in the Regular Fund. In order to permit comparability between accounting periods, the 1996 statements (Exhibits 1 and 3) have been modified to reflect these changes.

6. Equity in OAS Treasury Fund

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. The Regular Fund, the Special Multilateral Fund and the Specific Funds maintain equity to the extent of their cash balances retained therein. The OAS Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equities of the various funds in proportion to their equity balances.

6. Equity in OAS Treasury Fund (Continued)

The composition of the OAS Treasury Fund on December 31 is as follows:

	1998	1996
Demand and Time Deposits, net of \$898,000 and \$7,433,000 representing drafts not presented for payment at December 31, 1998 and 1996, respectively	\$ 14,193,000	\$ 914,000
Overnight Repurchase Agreements	1,788,000	9,472,000
United States Treasury Notes at amortized cost (approximate market value of \$41,441,000 and \$63,169,000 at December 31, 1998 and 1996 respectively) ¹	40,092,000	62,922,000
Accrued Interest Receivable	796,000	1,129,000
Local Currency at OAS National Offices	291,000	430,000
	<u>\$57,160,000</u>	<u>\$74,867,000</u>
Less Equity of:		
Retirement and Pension Fund	(267,000)	(807,000)
Trust Funds (Rowe, Medical Benefits)	(97,000)	(89,000)
Add:		
Petty Cash and Cash in Transit	19,000	25,000
Equity in Exhibits 1 and 3	<u>\$56,815,000</u>	<u>\$73,996,000</u>

7. Foreign Currencies

Certain income and expense transactions during 1998 and 1996 were in currencies other than United States dollars. These transactions have been translated into United States dollar equivalents at rates of exchange in effect at the time of the transactions. Foreign currency assets included in the accompanying financial statements, consisting principally of cash and time deposits (\$291,000 and \$430,000 as of December 31, 1998 and 1996, respectively) have been translated into United States dollars at the applicable exchange rates at the time of the transactions. Certain of these currencies are restricted as to convertibility and, therefore, must be utilized in OAS activities.

¹ Maturities of US Treasury Notes at December 31, 1998.

	Amortized Cost	Approx. Market Values
Current (1 year or less)	\$ 10,018,000	\$ 10,106,000
1 - 5 years	\$ 29,119,000	\$ 30,280,000
6 - 8 years	\$ 955,000	\$ 1,055,000
	<u>\$ 40,092,000</u>	<u>\$ 41,441,000</u>

8. Land, Buildings and Equipment

The General Secretariat follows the practice of charging to current fiscal period's appropriations the amount disbursed in acquiring real property, equipment, and works of art and subsequently capitalizing such acquisitions in a separate Fixed Assets Fund. This practice allows the OAS to continue to reflect those expenditures for fixed assets against the amounts appropriated for such purposes while, at the same time, presenting them as capitalized assets on the Combined Statement of Assets, Liabilities and Fund Balances.

Such assets acquired by the Regular Fund with associated long-term debt are capitalized in the amount of the total cost including the long-term debt. That portion of the Regular Fund's purchases not financed by long-term debt is included in Investment in land, buildings and equipment.

The associated debt is then amortized against current and future years' appropriations (\$924,000 in 1998 and \$772,000 in 1996) to provide for current mortgage payments (See Note 12).

Land, buildings and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives. The composition of fixed assets at December 31, was as follows:

Asset	Depreciation Basis	1998	1996
Land	-not depreciated	\$ 5,491,305	\$ 5,491,305
Buildings	-50 years	31,305,024	30,497,618
Vehicles	- 5 years	2,055,825	1,797,442
Furniture and Equipment	-10 years	6,032,312	7,310,600
Technical Machinery and Equipment	-10 years	7,815,840	7,340,029
Works of Art	-not depreciated	2,095,817	1,898,217
		<u>54,796,123</u>	<u>54,335,211</u>
Less: Accumulated Depreciation		<u>(20,879,868)</u>	<u>(19,240,344)</u>
Book Value as of December 31		<u>\$ 33,916,255</u>	<u>\$ 35,094,867</u>

Only those assets under direct control of the General Secretariat at its headquarters, its offices in the member states and certain assets within the missions are included in the financial statements.

9. Accountable Advances

In the performance of various activities, the administrators of the various funds may deem it necessary to advance funds for the conduct of a program or a specific event prior to the actual occurrence of the expenses. In the opinion of the administrators of the funds, such action is necessary to assure the timely performance of such activities. Recipients of advances are required to submit an accounting or suitable supporting documentation for the resulting expenditures in a form deemed adequate by the administrators of the funds and by the Department of Financial Services. Advances of this nature are recorded as expenditures in the period in which funds are advanced. Advances for which a subsequent accounting was required at December 31, 1998 and 1996, were as follows:

	1998	1996
Regular Fund	\$42,000	\$134,000
Temporary Special Multilateral Fund	-	343,000
	<u>\$42,000</u>	<u>\$477,000</u>

10. Contributions to Specific Funds

Contributions to Specific Funds during the year ended December 31, 1998, as reflected in Exhibit 3 of the accompanying financial statements were as follows:

Contributor	Regular Fund	FEMCIDI	Total
<i>Members:</i>			
Argentina	\$ 654,943	\$ -	\$ 654,943
Bolivia	158,731	-	158,731
Brazil	-	1,927,806	1,927,806
Canada	510,306	-	510,306
Chile	32,000	292,027	324,027
Colombia	141,372	83,479	224,851
Costa Rica	34,101	-	34,101
Dominica	6,279	-	6,279
Dominican Rep.	32,980	-	32,980
Ecuador	2,500	25,066	27,566
El Salvador	15,221	-	15,221
Guatemala	474,225	47,923	522,148
Haiti	20,400	-	20,400
Honduras	37,566	80,008	117,574
Jamaica	13,044	-	13,044
Mexico	64,900	739,624	804,524
Panama	-	1,618,154	1,618,154
Peru	7,950	-	7,950
Trinidad & Tobago	16,100	-	16,100
United States	20,341,021	355,000	20,696,021
Uruguay	11,460	50,944	62,404
Venezuela	191,234	-	191,234
<i>Observers:</i>			
European E.C.	191,969	378,966	570,935
Finland	82,692	-	82,692
France	72,727	-	72,727
Germany	30,265	342,638	372,903
Japan	263,000	-	263,000
Netherlands	202,823	-	202,823
Spain	328,939	-	328,939
Sweden	2,469,595	-	2,469,595
United Kingdom	41,575	-	41,575
<i>Non Members and Others:</i>			
Denmark	1,769,760	-	1,769,760
Norway	1,497,708	-	1,497,708
IA Development Bank	611,277	97,000	708,277
United Nations	33,210	2,097,174	2,130,384
World Bank	-	856,199	856,199
Others	3,550,082	538,764	4,088,846
TOTAL	\$33,911,955	\$9,530,772	\$43,442,727

11. Tax Reimbursements

Tax reimbursements represent amounts assessed or to be assessed to certain member states for reimbursements made to certain employees of the General Secretariat for income taxes paid to the respective member state.

12. Long-term Debt

Long-term debt was incurred solely by the Regular Fund under the following terms and conditions:

First Mortgage with Legg Mason Real Estate Services (secured by the General Secretariat Building (GSB)- 1889 F St.)

Principal Amount at December 31, 1998:	\$ 7,484,970
Repayment Terms	25 years, due in monthly installments through October 2004
Annual Interest Rate	9.375%
Interest Expense during 1998	\$ 749,282
Amortization of Principal during 1998	\$ 923,508
Principal Balance, December 31, 1997	\$ 8,408,478

On January 28, 1999, the Organization refinanced through Nations Bank the remaining principal balance of the mortgage on the GSB Building. The refinancing agreement requires monthly payments through October 1, 2004 at an interest rate of 6%. Principal payments due for the next five years under the new agreement are as follows: **1999:** \$1,050,232; **2000:** \$1,176,488; **2001:** \$1,249,052; **2002:** \$1,326,090; **2003:** \$1,407,881.

13. Leases

The General Secretariat leases certain facilities and equipment. Rental expense for such leases was approximately \$633,000 and \$663,000 for the year ended December 31, 1998 and 1996, respectively. Aggregate rentals subsequent to December 31, 1998 are not significant.

14. Retirement Plans

All qualified employees of the General Secretariat are participants in either the Retirement and Pension Plan or the Provident Plan. The plans are funded by the General Secretariat, other participating agencies and employee contributions at fixed percentages of salaries. Pension expense aggregated approximately \$6,349,000 in 1998 and \$7,482,000 in 1996.

14. Retirement Plans (Continued)

As of December 31, 1998 accumulated plan benefits and plan net assets were as follows:

Actuarial present value of accumulated plan benefits:

Vested	\$218,422,000
Nonvested	<u>\$ 15,696,000</u>
Total at December 31, 1998:	<u>\$234,118,000</u>
Net Plan Assets Available for Benefits:	\$393,772,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.5%.

In addition to the retirement plan described above, the General Secretariat provides a lifetime annuity to former Secretaries General and Assistant Secretaries General with survival benefits for their spouses and has extended pension benefits to certain former staff members with expired fixed term pensions. The cost of these annuities, \$295,000 in 1998 and \$291,000 in 1996, is budgeted and recognized in the year paid. The approximate present value of estimated future payments of \$4.2 million, and \$4.1 million at December 31, 1998 and December 31, 1996, respectively, is reflected in the Statement of Assets, Liabilities and Fund Balance of the Regular Fund.

15. Post Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits as described in Note 14 above, the General Secretariat provides health care and life insurance benefits for retirees and their dependents. The cost of health care is partially borne by the retirees. The cost to the General Secretariat for its portion of the health care as well as the life insurance is recognized when paid. For the years ended 1998 and 1996, those costs were \$1,465,000 and \$1,135,000 respectively.

16. Staff Claims

There are a number of pending and threatened actions before the Administrative Tribunal (Tribunal) in which it is alleged that the Secretary General has taken administrative measures which have adversely affected the interest of the complaining staff members.

16. Staff Claims (Continued)

On May 13, 1994, the Tribunal rendered Judgment No. 124 in favor of some 500 complaining staff members and former staff members related to non-application of the cost-of-living provision of the salary policy adopted in 1983. The Judgment gave the General Secretariat the option to pay the value of the indemnity in leave to current staff members. Thus, in May 1995, the Secretariat, with the approval of the Permanent Council, implemented a plan under which the indemnities were converted into annual leave with an estimated value of \$6.5 million. The leave is to be utilized or forfeited, if not used, within an established schedule. The estimated value of the annual leave associated with Judgment No. 124 at December 31, 1998, is approximately \$1.9 million. A number of staff members have filed hearing requests objecting to the schedule and the mandatory use provisions of the plan.

In the opinion of management, staff claims pending or otherwise threatened will not result in a material adverse financial effect on the financial condition of the General Secretariat.

17. Contingencies

There are several cases pending in the labor courts of Brazil brought by individuals who allege to have been employees of the General Secretariat. So far, the Brazilian Courts have handed down judgments in two cases awarding damages of approximately \$410,000 against the General Secretariat. In 1998, one of these judgments (\$350,000) was overturned by the Brazilian Labor Court upon appeal. Additionally there are several claims asserted by others arising from the normal course of the Organization's activities. In the opinion of management, these cases and assertions will not result in a material adverse financial effect on the financial condition of the General Secretariat.

18. Impact of Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

The Organization has completed an assessment and is in the process of modifying or replacing portions of its software and equipment so that its computer systems will function properly with respect to dates in the year 2000 and after. The project is estimated to be completed no later than October 31, 1999.

The Organization believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made to the remaining Year-2000 non-ready systems, or are not completed timely, the Year 2000 Issue is not anticipated to have a material impact on the operations of the OAS.

SUPPLEMENTARY INFORMATION

ORGANIZATION OF AMERICAN STATES

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**STATEMENTS OF QUOTA ASSESSMENTS,
PLEDGES, COLLECTIONS, AND BALANCES**

ORGANIZATION OF AMERICAN STATES

SCHEDULE 1

REGULAR FUND
STATEMENT OF QUOTA ASSESSMENTS, COLLECTIONS, AND BALANCES
YEAR ENDED DECEMBER 31, 1998

Member States	Balances at December 31, 1997		Quota assessment for 1998		Collections for tax reimbursements	Prompt payment credit	Collections in 1998		Uncollected balances at December 31, 1998
	Uncollected	Received in advance	Percent	Amount			For 1998 and prior years	In advance for 1998	
ANTIGUA/BARBUDA	\$ 11,175	-	0.02	\$ 14,900	-	-	-	-	\$ 26,075
ARGENTINA	4,458,000	-	4.90	3,658,000	-	-	4,458,000	-	3,658,000
BAHAMAS, COMM. OF	-	-	0.07	52,300	-	-	52,300	-	-
BARBADOS	-	100	0.08	59,700	-	-	59,700	-	-
BELIZE	-	-	0.03	22,400	-	-	22,400	-	-
BOLIVIA	455,607	-	0.07	52,300	-	-	50,000	-	437,907
BRAZIL	9,574,200	-	8.55	6,382,800	-	-	1,691,400	-	14,265,600
CANADA	-	50,000	12.36	9,227,100	-	184,500	9,227,100	2,260,650	-
CHILE	-	8,100	0.54	403,100	-	8,100	403,100	16,200	-
COLOMBIA	-	14,000	0.94	701,700	-	-	701,700	14,040	-
COSTA RICA	-	-	0.13	97,000	-	-	97,000	-	-
CUBA	2,166,322	-	1.24	-	-	-	-	-	2,166,322
DOMINICA, COMM. OF	-	300	0.02	14,900	-	-	14,900	-	-
DOMINICAN REPUBLIC	1,738,637	-	0.18	134,400	-	-	30,000	-	1,843,037
ECUADOR	194,828	-	0.18	134,400	-	-	192,880	-	136,348
EL SALVADOR	-	1,000	0.07	52,300	-	1,000	52,300	2,000	-
GUATEMALA	-	11,014	0.13	97,000	-	-	97,000	-	141,493
GUYANA	-	-	0.02	14,900	-	-	14,900	-	-
HAITI	317,736	-	0.07	52,300	-	-	102,597	-	267,439
HONDURAS	40,880	-	0.07	52,300	-	-	-	-	93,180
JAMAICA	-	-	0.18	134,400	-	-	34,400	-	100,000
MEXICO	-	-	6.08	4,538,900	14,900	-	4,538,900	5	-
NICARAGUA	840,891	-	0.07	52,300	-	-	99,800	-	793,391
PANAMA	49,604	-	0.13	97,000	-	-	146,604	3,396	-
PARAGUAY	15,543	-	0.18	134,400	-	-	56,093	-	93,850
PERU	313,940	-	0.41	306,100	-	-	479,200	-	140,840
ST. KITTS/NEVIS	-	-	0.02	14,900	-	-	14,900	-	-
ST. LUCIA	-	-	0.03	22,400	-	-	22,400	-	-
ST. VINCENT/GRENADINES	-	1,400	0.02	14,900	-	-	9,800	-	5,100
SURINAME	52,300	-	0.07	52,300	-	-	-	-	104,600
TRINIDAD/TOBAGO	-	-	0.18	134,400	-	2,700	134,400	2,717	-
UNITED STATES	22,322,509	-	59.47	44,395,900	10,086,021	-	42,158,188	-	24,560,221
URUGUAY	194,100	-	0.26	194,100	-	-	194,100	-	194,100
VENEZUELA	-	366,273	3.20	2,388,900	-	-	2,388,900	87	-
	\$ 42,875,365	\$ 452,187	100.00	\$ 73,727,100	\$ 10,100,921	\$ 196,300	\$ 67,574,962	\$ 2,299,352	\$ 49,027,503

ORGANIZATION OF AMERICAN STATES

SCHEDULE 2

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMCIDI
STATEMENT OF QUOTA ASSESSMENTS, COLLECTIONS, AND BALANCES
YEAR ENDED DECEMBER 31, 1998

Member States	Balances at December 31, 1997		Lapsed Pledges	Pledges for 1998	Collections in 1998		Uncollected balances at December 31, 1998
	Uncollected	Received in advance			For 1998 and prior years	In advance for 1999	
ANTIGUA/BARBUDA	\$ -	\$ 400	-	\$ 5,900	\$ 5,900	\$ -	\$ -
ARGENTINA	-	-	-	686,779	686,779	-	-
BAHAMAS, COMM. OF	-	-	-	13,100	13,100	-	-
BARBADOS	-	-	-	16,400	16,400	-	-
BELIZE	-	-	-	7,800	7,800	-	-
BOLIVIA	22,164	-	(22,164)	29,100	29,100	-	-
BRASIL	7,228	-	(7,228)	619,314	619,314	-	-
CANADA	-	-	-	1,414,106	1,414,106	-	-
CHILE	-	-	-	60,000	60,000	-	-
COLOMBIA	-	-	-	216,251	216,251	-	-
COSTA RICA	17,560	-	-	33,240	50,800	-	-
CUBA	24,000	-	(24,000)	-	-	-	-
DOMINICA, COMM. OF	-	-	-	-	-	-	-
DOMINICAN REPUBLIC	10,000	-	(10,000)	4,000	4,000	-	-
ECUADOR	7,651	-	-	33,991	41,642	-	-
EL SALVADOR	-	-	-	29,100	29,100	-	-
GRENADA	-	-	-	13,500	13,500	-	-
GUATEMALA	-	-	-	24,000	24,000	-	-
GUYANA	-	-	-	5,100	5,100	-	-
HAITI	157,700	-	(157,700)	30,800	30,800	-	-
HONDURAS	-	40,158	-	23,000	23,000	19,645	-
JAMAICA	-	-	-	39,800	39,800	-	-
MEXICO	-	-	-	1,089,640	1,089,640	-	-
NICARAGUA	49,391	-	(49,391)	17,943	17,943	-	-
PANAMA	-	9,100	-	39,600	39,600	19,100	-
PARAGUAY	-	4,200	-	41,500	41,500	-	-
PERU	-	-	-	85,200	85,200	-	-
ST. KITTS/NEVIS	1,600	-	(1,600)	5,100	5,100	-	-
ST. LUCIA	-	-	-	7,200	7,200	-	-
ST. VINCENT/GRENADINES	-	-	-	5,100	5,100	-	-
SURINAME	-	-	-	22,300	22,300	-	-
TRINIDAD/TOBAGO	-	-	-	31,278	31,278	-	-
UNITED STATES	8,656,020	-	(8,656,020) *	5,150,000	5,150,000	-	-
URUGUAY	-	-	-	80,000	80,000	-	-
VENEZUELA	-	-	-	250,574	250,574	-	-
	\$ 8,953,314	\$ 53,858	\$ (8,928,103)	\$ 10,130,716	\$ 10,155,927	\$ 38,745	\$ -

*Uncollected balance of the United States results from a 1977 pledge for which the Government, in 1985, informed the General Secretariat that funding is unavailable. In 1998, this receivable was removed from the records of the Organization.

STATEMENTS OF APPROPRIATIONS

ORGANIZATION OF AMERICAN STATES

SCHEDULE 3

REGULAR FUND

SUMMARY OF APPROPRIATIONS
YEAR ENDED DECEMBER 31, 1998

Transfers Between Chapters

	1998 Budget Approved by the General Assembly (a)	Supplementary Appropriations	Cost of Living Adjustment (b)	Discretionary Transfers		1998 Adjusted Budget
				March 31, 1998 (b)	December 31, 1998 (c)	
General Assembly and Permanent Council	\$ 14,380,100	\$ -	\$ 237,150	\$ (292,106)	\$ (57,450)	\$ 14,267,694
Executive Office of the General Secretariat	8,410,400	615,676	142,445	205,729	(1,819)	9,372,431
Units and Specialized Offices	19,261,700	594	134,799	(254,401)	(285,007)	18,857,685
Inter-American Council for Integral Development (CIDI)	2,621,400	-	27,216	117,420	65,462	2,831,498
Offices Away from Headquarters	6,658,600	-	-	475,329	(478,219)	6,655,710
Activities of the Secretariat for Legal Affairs	1,848,300	-	16,896	(26,400)	(54,824)	1,783,972
Activities of the Secretariat for Management	9,456,600	62,140	317,892	(225,607)	(259,072)	9,351,953
Common Administrative and Personnel Costs	11,428,300	2,961,994	-	(840,276)	1,951,202	14,601,220
Contributions to:						
Inter-American Defense Board	2,192,500	-	-	(18,041)	41	2,174,500
Inter-American Children's Institute	1,685,300	-	-	34,715	26,912	1,746,927
Inter-American Commission of Women	1,094,700	-	13,790	(51,799)	(7,200)	1,049,491
Pan American Development Foundation	192,800	-	-	(5,870)	(30)	186,900
Inter-American Commission of Telecommunications	759,400	-	-	(8,881)	4	750,523
	\$ 79,990,100	\$ 3,640,404	\$ 890,188	\$ (890,188)	\$ -	\$ 83,630,504

(a) AG/RES. 1531 (XXXVII-0/97).
 (b) CP/doc.3035/98
 (c) CP/doc 3143/99

ORGANIZATION OF AMERICAN STATES

**REGULAR FUND
DISPOSITION OF APPROPRIATIONS
YEAR ENDED DECEMBER 31, 1998**

SCHEDULE 4

	1998 Adjusted Budget	Charges for Expenditures	Unliquidated Obligations	Total Expenditures and Obligations	Unobligated Appropriations
General Assembly and Permanent Council	\$ 14,267,694	\$ 13,014,562	\$ 318,420	\$ 13,332,982	\$ 934,712
Executive Office of the General Secretariat	9,372,431	9,085,990	98,915	9,184,905	187,526
Units and Specialized Offices	18,857,685	13,889,814	3,982,567	17,872,381	985,304
Inter-American Council for Integral Development (CIDI)	2,831,498	2,739,038	71,456	2,810,494	21,004
Offices Away from Headquarters	6,655,710	6,238,296	30,326	6,268,622	387,088
Activities of the Secretariat for Legal Affairs	1,783,972	1,619,510	21,419	1,640,929	143,043
Activities of the Secretariat for Management	9,351,953	9,138,314	51,592	9,189,906	162,047
Common Administrative and Personnel Costs	14,601,220	11,127,227	3,071,162	14,198,389	402,831
Contributions to:					
Inter-American Defense Board	2,174,500	2,174,500		2,174,500	
Inter-American Children's Institute	1,746,927	1,745,890	81	1,745,971	956
Inter-American Commission of Women	1,049,491	929,220	85,009	1,014,229	35,262
Pan American Development Foundation	186,900	186,900	-	186,900	-
Inter-American Commission of Telecommunications	750,523	727,602	17,190	744,792	5,731
TOTAL	\$ 83,630,504	\$ 72,616,863	\$ 7,748,137	\$ 80,365,000	\$ 3,265,503
Budgeted Funding:					
Quotas	\$ 73,727,100				
Supplementary Appropriations	3,244,638				
Americas subscriptions revenue	395,766				
Other funding	6,263,000				
	\$ 83,630,504				

SCHEDULE 5

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMCIDI
DISPOSITION OF UNUSED APPROPRIATIONS FOR 1996 FUNDING YEAR
YEAR ENDED DECEMBER 31, 1998

	Unused 1996 Appropriations Carried Forward at December 31, 1997	1998 Obligations and Expenditures	Expired Appropriations at December 31, 1998
Integral Development Account	\$ -	\$ -	\$ -
Social Development and Creation of Productive Employment	869,794	802,685	67,109
Education	1,840,876	1,742,389	98,487
Economic Diversification and Integration, Trade Liberalization and Market Access	99,267	44,670	54,597
Scientific Development, Exchange and Transfer of Technology	1,178,047	941,420	236,627
Strengthening of Democratic Institutions	381,390	343,231	38,159
Sustainable Development of Tourism	764,000	728,319	35,681
Sustainable Development and Environment	361,806	323,791	38,015
Culture	120,714	93,300	27,414
Ex - Voluntary Funds *	-	-	-
Contribution for Administrative and Technical Support	842,384	756,494	85,890
	<u>\$ 6,458,278</u>	<u>\$ 5,776,299</u>	<u>\$ 681,979</u>

* Special Development Assistance Fund (SDAF), Special Multilateral Fund of the Inter-American Council for Education, Science, and Culture (FEMCIECC), Special Account for Culture (CEC),
Mar del Plata Account (CMP).

ORGANIZATION OF AMERICAN STATES

**SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMCIDI SCHEDULE 6
DISPOSITION OF UNUSED APPROPRIATIONS FOR 1997 FUNDING YEAR
YEAR ENDED DECEMBER 31, 1998**

	Unused 1997 Appropriations Carried Forward at December 31, 1997	Adjustments made in 1998 by CIDI & CEP/CIDI	1998 Obligations & Expenditures	Expired Appropriations at December 31, 1998
Integral Development Account	\$	\$ 192,954	\$ 307,691	\$ (114,737)
Social Development and Creation of Productive Employment	1,382,750	181,800	1,477,044	87,506
Education	2,096,350	319,920	2,184,864	231,406
Economic Diversification and Integration, Trade Liberization and Market Access	1,452,480	-	1,358,257	94,223
Scientific Development, Exchange and Transfer of Technology	809,000	177,800	351,919	634,881
Strengthening of Democratic Institutions	670,000	419,600	973,368	116,232
Sustainable Development of Tourism	1,200,000	123,000	1,297,839	25,161
Sustainable Development and Environment	1,190,428	451,090	1,596,074	45,444
Culture	205,000	60,000	264,708	292
Ex - Voluntary Funds *	-	-	-	-
Contribution for Administrative and Technical Support	1,350,901	288,925	1,467,491	172,335
	<u>\$ 10,356,909</u>	<u>\$ 2,215,089</u>	<u>\$ 11,279,255</u>	<u>\$ 1,292,743</u>

* Special Development Assistance Fund (SDAF), Special Multilateral Fund of the Inter-American Council for Education, Science, and Culture (FEMCIECC), Special Account for Culture (CEC),
Mar del Plata Account (CMP).

**SPECIFIC FUNDS - STATEMENTS OF CHANGES
IN FUND BALANCES**

ORGANIZATION OF AMERICAN STATES
REGULAR FUND
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	Cash Balance		From January 1, 1998 to December 31, 1998				Cash Balance		Fund Balance (deficit) Dec. 31, 1998	
	Jan. 1, 1998	Jan. 1, 1998	Contributions	Transfers	Interest Income and Refunds	Expenditures	Net Change	Dec. 31, 1998		Unliquidated Obligations
Designated by Donor:										
Argentina III Ordinary Meeting CIDI	\$ -	\$ -	22,360	-	-	-	26,450	(4,090)	(4,090)	-
Argentina Security Meeting	2,238	-	-	-	-	154	(154)	2,104	2,104	-
Argentina White Helmets	-	-	500,000	(316,500)	2,750	2,816	183,434	183,434	183,434	-
Argentina XII CIECC Meeting 1981	(66,356)	-	17,742	48,614	-	-	66,356	-	-	-
Argentina XV Ordinary Session CICAD	4,415	-	-	(4,415)	-	-	(4,415)	-	-	-
Argentina XX Ordinary Meeting CICAD	(3,900)	-	-	-	-	-	-	(3,900)	(3,900)	-
Argentina XXVI CIECC Meeting	48,099	-	-	(48,099)	-	-	(48,099)	-	-	-
Bahamas XXII General Assembly	(43,618)	-	-	-	-	-	-	(43,618)	(43,618)	-
Bolivia I-A Conference International Law	(41,847)	-	-	-	-	-	-	(41,847)	(41,847)	-
Bolivia-Americas Meeting Sustainable Development	4,995	-	-	-	-	-	-	4,995	4,995	-
Brazil XVII General Assembly Belem Do Para	5,312	-	-	-	-	-	-	5,312	5,312	-
CEPAL Conf. Andean Community	-	700	-	-	-	548	152	152	152	-
Chile Food Policy Seminar	5,000	-	-	-	-	-	-	5,000	5,000	-
Chile I-A Tribune	2,560	-	-	-	-	-	-	2,560	2,560	-
Chile XXIV Ordinary Sessions - CICAD	-	30,000	-	-	-	27,287	2,713	2,713	2,713	414
Colombia Security Service - SG	(102,382)	-	126,372	-	-	110,651	15,721	(86,661)	(86,661)	-
Costa Rica XIII Ordinary Sessions - CICAD	1,107	-	-	(1,107)	-	-	(1,107)	-	-	-
Dominican Republic IACW - XX Assembly	(11,055)	-	-	-	-	-	-	(11,055)	(11,055)	-
Ecuador OAS Building	59,534	-	-	-	4,196	-	4,196	63,730	63,730	-
El Salvador XVIII General Assembly	9,287	-	-	-	-	-	-	9,287	9,287	-
Grenada VII General Assembly	(14,341)	-	-	-	-	-	-	(14,341)	(14,341)	-
Guatemala I-A Commission of Nuclear Energy	41,546	-	-	-	-	-	-	41,546	41,546	-
Honduras/El Salvador Military Observation Mission	(363,508)	-	-	-	-	-	-	(363,508)	(363,508)	-
IBM/PADF/OAS Education Program	7,936	-	-	-	-	-	-	7,936	7,936	-
IICA to OAS Guyana	2,340	-	-	-	-	-	-	2,340	2,340	-
Inter-American Children Institute	722,394	182,096	-	-	-	170,515	11,581	733,975	733,975	12,376
Inter-American Commission of Human Rights	191,244	154,466	350,000	-	9,962	529,970	(15,542)	1,75,702	1,75,702	1,834
Inter-American Commission of Women	69,867	-	-	-	-	21,655	(21,655)	48,212	48,212	-
Inter-American Emergency Aid Fund	9,757	100	-	-	-	-	100	9,857	9,857	-
Inter-American Priority Assistance Fund	68,833	-	-	-	-	32,101	(32,101)	36,732	36,732	-

ORGANIZATION OF AMERICAN STATES
REGULAR FUND
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	From January 1, 1998 to December 31, 1998										Fund Balance (deficit) Dec. 31, 1998
	Cash Balance Jan. 1, 1998	Contributions	Transfers	Interest Income	Returns and Refunds	Expenditures	Net Change	Cash Balance Dec. 31, 1998	Unliquidated Obligations	Fund Balance (deficit) Dec. 31, 1998	
Inter-American Program of Rio de Janeiro - CICAD	\$ 2,652,334	\$ 2,934,396	\$ 541,227	\$ 9,563	\$ (227,125)	\$ 2,975,753	\$ 282,308	\$ 2,934,642	\$ 166,203	\$ 2,768,439	
Inter-American Statistical Institute	1,163	-	-	-	(1,163)	-	(1,163)	-	-	-	
International Civilian Mission Haiti	1,737,874	3,927,317	-	-	29,752	3,525,093	431,976	2,169,650	60,168	2,109,482	
International Commission Supp. CIAY II	26,221	-	(1,008)	-	-	25,213	(26,221)	-	-	-	
Italy Cooperative Tourism	2,300	-	-	-	-	-	-	2,300	-	2,300	
Jamaica Chalkmaking Industry - St. Thomas	1,619	-	-	-	-	-	-	1,619	-	1,619	
Jamaica Food & Nutrition Policy-Prog.Course	6,398	-	-	-	-	-	-	6,398	-	6,398	
Luis O. Carneiro Exposition -Paraguay	766	-	-	-	-	-	-	766	-	766	
Mine Clearing Assistance-Central America	3,562	-	-	-	-	3,562	(3,562)	-	-	-	
Nicaragua XXIII General Assembly	2,207	-	-	-	-	-	-	2,207	-	2,207	
Nicaragua/Costa Rica Civilian Observers	(24,703)	-	-	-	-	-	-	(24,703)	-	(24,703)	
OAS / DEMOC	5,911,206	10,694,628	150,024	58,335	(9,622)	8,745,941	2,147,424	8,058,630	1,452,714	6,605,916	
Open Society Institute	5,422	-	-	-	(2,871)	5,326	(8,197)	(2,775)	-	(2,775)	
PALCO to Museum	2,363	-	-	-	-	-	-	2,363	-	2,363	
Panama Canal Treaty	(24,487)	-	-	-	-	-	-	(24,487)	-	(24,487)	
Paraguay IX Ports Conference	16,952	-	-	-	-	-	-	16,952	-	16,952	
Paraguay XX Ordinary Meeting CIECC	52,255	-	-	-	-	-	-	52,255	-	52,255	
SDAF/FEMCIECC to OAS Fellowship Program	8,145	-	-	-	-	-	-	8,145	-	8,145	
SECAB Restoration Course	8,000	-	-	-	-	-	-	8,000	-	8,000	
St. Vincent Fellowship Program	1,374	-	-	-	-	-	-	1,374	-	1,374	
Support Offices away from Headquarters	361,069	183,804	-	-	-	181,423	2,381	363,450	1,001	362,449	
U.S. Development Study	-	-	8,200	-	-	8,200	-	-	-	-	
U.S. Development Assistance Unprogrammed	805,372	1,350,000	(1,708,200)	-	-	-	(358,200)	447,172	-	447,172	
U.S. to Electoral Observation Process - Peru	157	-	(764)	-	607	-	(157)	-	-	-	
UN High Commissioner Refugee	1,653	-	-	-	(1,378)	275	(1,653)	-	-	-	
UN-ACNUR Refugees in Latin America	4,866	-	-	-	-	-	-	4,866	-	4,866	
Univ. Of Notre Dame-IACHER Fellowship	7,500	11,800	-	-	-	7,500	4,300	11,800	-	11,800	
Uruguay IV I-A Special Conference Int'l Law	126	-	-	-	-	-	-	126	-	126	
Uruguay Judiciary Development on Integration	149	-	-	-	-	-	-	149	-	149	
Uruguay XXIV Meeting CIECC	1,401	-	-	-	-	-	-	1,401	-	1,401	

ORGANIZATION OF AMERICAN STATES
REGULAR FUND
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	From January 1, 1998 to December 31, 1998										Fund Balance (deficit) Dec. 31, 1998	
	Cash Balance Jan. 1, 1998	Contributions	Transfers	Interest Income	Returns and Refunds	Expenditures	Net Change	Cash Balance Dec. 31, 1998	Unliquidated Obligations			
Venezuela - XXVIII General Assembly	\$ -	\$ 191,102	\$ -	\$ -	\$ (56,215)	\$ 134,887	\$ -	\$ -	\$ -	\$ -	\$ 706	\$ 706
Xerox Grant Latin American Art Museum	4,600	-	-	-	-	-	-	-	-	-	4,600	4,600
XXI Consultative Meeting of Ministers	-	-	-	-	-	-	-	-	-	-	-	-
XXIX Assembly Delegates CIM	-	29,980	-	-	(29,980)	-	-	-	-	-	-	-
Subtotal	\$ 12,187,827	\$ 20,356,863	\$ (982,028)	\$ 74,844	\$ (289,033)	\$ 16,535,320	\$ 2,626,376	\$ 14,814,153	\$ 1,694,710	\$ 13,119,443		
Designated by OAS:												
Art Permanent Collection	\$ 6,587	\$ 2,989	\$ -	\$ -	\$ -	\$ 7,628	\$ (4,639)	\$ 1,948	\$ -	\$ 1,948	\$ 1,948	\$ 1,948
Columbus Memorial Library	30,337	47,245	-	-	17,730	76,758	(11,763)	18,574	730	17,824	17,824	17,824
Common Services Fund	409,313	1,360,922	1,639,792	-	(3,684)	1,128,565	1,868,465	2,277,778	128,626	2,149,152	2,149,152	2,149,152
Communications Services	984,636	-	(984,636)	-	-	-	(984,636)	-	-	-	-	-
Contribution 50th Anniv. Celebration	-	46,918	20,000	-	-	54,922	11,996	11,996	-	-	11,996	11,996
Documents Management Services	664,360	-	(664,360)	-	-	-	(664,360)	-	-	-	-	-
GSB Cafeteria Operation	211,583	-	(20,000)	-	-	9,357	(29,337)	182,228	189	182,039	182,039	182,039
II Conf. I-A Terrorism	-	59,841	-	-	-	30,815	29,026	29,026	586	28,440	28,440	28,440
IICA Administrative Tribunal	12,096	24,051	-	-	-	23,045	1,006	13,102	-	13,102	13,102	13,102
IICA Legal Services	20,212	20,000	-	-	-	-	20,000	40,212	-	40,212	40,212	40,212
Manual of Org. Elect. Obs. Mission	-	-	7,000	-	-	3,738	3,262	3,262	-	3,262	3,262	3,262
Microfiche Sales	2,406	-	-	-	-	-	-	2,406	-	2,406	2,406	2,406
Model OAS - Public Information	7,646	29,000	-	-	-	14,802	14,198	21,844	-	21,844	21,844	21,844
Model OAS Interamerican Studies Found	5,000	-	-	200	-	-	200	5,200	-	5,200	5,200	5,200
Museum of Art of the Americas	13,342	768	-	-	-	-	768	14,110	-	14,110	14,110	14,110
OAS Vehicle Replacement Fund	28,984	83,657	-	-	671	88,132	(3,804)	25,180	742	24,438	24,438	24,438
Other Income Sales 50th Anniv. Poster	-	2,014	-	-	-	1,797	217	217	-	217	217	217
Parking Services Fund	450,115	255,443	-	-	-	288,295	(32,832)	417,263	9,884	407,379	407,379	407,379
Printing Services Fund	112,647	277,162	9,204	-	-	124,105	162,261	274,908	55,527	219,381	219,381	219,381
Publication "House of the Americas"	-	-	59,000	-	-	240	58,760	58,760	-	58,760	58,760	58,760
Publication Sales	93,908	16,638	-	-	-	22,477	(5,839)	88,069	2,939	85,070	85,070	85,070
Rental GSB 6th Floor	11,600	-	-	-	-	-	-	11,600	-	11,600	11,600	11,600
Rental Hall of the Americas	513,540	135,857	(59,000)	-	-	136,257	(59,400)	454,149	9,281	444,868	444,868	444,868
Sales Audio Visual Materials	1,716	1,730	-	-	-	1,708	22	1,738	-	1,738	1,738	1,738
Sales Video Tapes The Poisoned Land	40	320	-	-	-	-	320	360	-	360	360	360

ORGANIZATION OF AMERICAN STATES

REGULAR FUND
SPECIFIC FUNDS

STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	From January 1, 1998 to December 31, 1998										Fund Balance (deficit) Dec. 31, 1998
	Cash Balance Jan. 1, 1998	Contributions	Transfers	Interest Income	Returns and Refunds	Expenditures	Net Change	Cash Balance Dec. 31, 1998	Unliquidated Obligations	Fund Balance (deficit) Dec. 31, 1998	
Scientific Monographs Sales	\$ 8,446	\$ 760	\$ (9,206)	\$ -	\$ -	\$ -	\$ (8,446)	\$ -	\$ -	\$ -	
Staff Development Activities	11,380	3,872	-	-	-	-	3,872	15,252	-	15,252	
Support to Specific Funds	700,778	-	(114,777)	957,167	2,184	390,244	454,230	1,155,008	173,094	981,914	
Tax Reimbursement Fund	(6,285,714)	10,100,921	-	-	(182,830)	7,175,538	2,742,553	(3,543,161)	-	(3,543,161)	
Staff termination benefits	-	724,984	-	-	-	724,984	-	724,984	-	724,984	
Work Related Insurance Policy	479,752	-	-	-	-	72,476	(72,476)	407,276	2,841	404,435	
World Bank GSB Rental	-	360,000	-	-	-	127,913	232,087	232,087	123,795	108,292	
XXII Ordinary Meeting CICAD	212	-	-	-	-	212	(212)	-	-	-	
Subtotal	\$ (1,505,067)	\$ 13,555,092	\$ (116,983)	\$ 957,367	\$ (165,909)	\$ 9,779,124	\$ 4,450,443	\$ 2,945,376	\$ 508,314	\$ 2,437,062	
	\$ 10,682,760	\$ 33,911,955	\$ (1,099,011)	\$ 1,032,211	\$ (453,942)	\$ 26,314,444	\$ 7,876,769	\$ 17,759,529	\$ 2,203,024	\$ 15,556,505	

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT
SPECIFIC FUNDS

STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	From January 1, 1998 to December 31, 1998							Fund Balance (deficit) Dec. 31, 1998
	Cash Balance Jan. 1, 1998	Contributions	Transfers	Interest Income	Returns and Refunds	Expenditures	Net Change	
Amatia Fortabat Music Friends Fellowships	\$ 876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 876
Argentina - CIDES	10,587	-	-	-	6,181	(6,181)	4,406	4,406
Argentina - CITAF	525,057	-	-	(94)	381,032	(381,126)	143,931	103,163
Argentina Center Textile Research	437	-	-	-	-	-	437	437
Argentina CNEA Degradation Materials	16,123	-	-	-	(582)	(10,416)	5,707	5,707
Argentina Education Projects	133,458	-	-	-	-	(116,420)	17,038	17,038
Argentina Horizontal Cooperation	397,196	-	5,334	-	2,432	(217,048)	188,214	188,214
Argentina Science Projects	8,734	-	-	-	4,790	(4,790)	3,944	3,944
Argentina Unprogrammed funds	24,374	-	-	-	-	-	24,374	24,374
Argentina X Conf. Labor Ministers	6,458	-	-	-	-	-	6,458	6,458
BOIE Frontier Development Honduras/Guatemala	2,838	-	-	-	-	(14,885)	(12,047)	(12,047)
Brazil - Cultural Projects (FEMECIDI)	55,000	-	(55,000)	-	-	(55,000)	-	-
Brazil CICOM	420	-	-	-	1,330	(1,330)	(910)	(910)
Brazil Horizontal Cooperation	69,863	-	-	-	43,513	(43,513)	26,350	26,350
Brazil MMA Operation	455,599	438,678	-	-	265,139	(173,539)	629,538	629,538
Brazil PRONI - CODEVASF	134,266	96,076	-	6,049	(46,337)	(95,579)	58,687	58,687
Brazil Scientific Projects	-	150,000	(150,000)	-	-	-	-	-
Brazil Strengthening Water Res. SRH/OAS	751,591	1,203,798	-	-	1,619,074	(415,276)	336,315	336,315
Brazil SUDAM	734,007	37,254	-	31,383	(8,974)	(526,511)	207,496	207,496
Brazil Tourism-South Region	2,266	-	-	-	-	-	2,266	2,266
Brazil Unprogrammed Funds (ex CEC)	44,420	-	-	-	-	-	44,420	44,420
Brazil Unprogrammed Funds (ex CMP)	3,895	-	-	-	-	-	3,895	3,895
Brazil Unprogrammed Funds-Education	17,769	-	-	-	-	-	17,769	17,769
Canada CIDA Technical Cooperation	24,158	-	-	1,704	-	1,704	25,862	25,862
Canada Education Projects	824	-	-	-	-	-	824	824
Chile - Diplomatic Young from Central A. & Panama	-	-	60,000	-	-	-	60,000	-
Chile CITEI	(12,730)	-	-	-	-	-	(12,730)	(12,730)
Chile Science Projects	2,001	-	-	-	-	-	2,001	2,001
Chile Unprogrammed Funds	13,392	182,000	(69,000)	-	(18,000)	-	117,392	117,392

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	Cash Balance		From January 1, 1998 to December 31, 1998				Cash Balance		Unliquidated Obligations	Fund Balance (deficit) Dec. 31, 1998
	Jan. 1, 1998	Dec. 31, 1998	Contributions	Transfers	Interest Income and Refunds	Expenditures	Net Change	Dec. 31, 1998		
CIENES	292,356	110,027	-	-	-	107,354	2,673	295,029	6,246	288,083
CITEL	354,755	121,464	(1,000)	-	-	76,547	43,917	398,672	736	397,936
Colombia Cultural Projects	1,047	-	-	-	-	(641)	641	1,688	398	1,290
Colombia Education Projects	18,177	-	-	-	-	17,755	(17,755)	422	-	422
Colombia Fitoquimica	2,464	-	-	-	-	-	-	2,464	-	2,464
Colombia Secretarial Projects	52,271	-	-	-	-	-	-	52,271	-	52,271
Colombia Unprogrammed funds	39,566	83,479	-	-	-	-	83,479	123,045	-	123,045
Costa Rica Science Projects	1,547	-	-	-	-	-	-	1,547	-	1,547
Dominica-Coastal Hazard Assessment Storm R.	(3,090)	-	-	-	-	-	-	(3,090)	-	(3,090)
Dominican Republic Education Projects	25,919	-	-	-	-	-	-	25,919	-	25,919
Dutch contribution to CINDER/CIDIAT	405	-	-	-	-	-	-	405	-	405
Ecuador - CITEL 2nd Meeting I-A Comm. Tel.	-	25,066	-	-	-	26,379	(1,313)	(1,313)	-	(1,313)
EBC Develop Flood Hazard	(2,199)	-	-	-	-	-	-	(2,199)	-	(2,199)
EBC Develop Flood Hazard Mapping	17,027	-	-	-	22,415	-	22,415	39,442	-	39,442
EBC Improving Earthquakes Readiness	(2,068)	-	-	-	-	-	-	(2,068)	-	(2,068)
EBC Pilot Disast. Vulnerab.Profiles/ECHO	21,762	-	-	-	-	1,000	(1,000)	20,762	-	20,762
EBC Reduc. of Hurricane Impact on school build.	19,555	34,597	-	-	73	76,607	(41,997)	(22,382)	755	(23,137)
EBC Road Natural Disaster	9,448	-	-	-	-	-	-	9,448	-	9,448
EBC Trifinio	179	-	-	-	-	179	(179)	-	-	-
EBC/ECHO Flood Hazard Mapping Phase III	-	142,169	-	-	-	147,983	(5,814)	(5,814)	13,682	(19,496)
EBC/ECHO Flood Hazard Phase IV	-	179,068	-	-	-	63,674	115,394	115,394	6,421	108,973
EBC/ECHO Flood Mapping Honduras II	(10,990)	23,132	-	-	7,817	14,856	16,093	5,103	-	5,103
El Salvador Environmental Program	191	-	-	-	-	191	(191)	-	-	-
Emergency Ports Projects - Various	173,269	132,166	-	-	-	33,549	98,617	271,886	1,024	270,862
Finland Trifinio II	50,989	-	-	-	1,904	47,949	(46,045)	4,344	3,999	345
Germany Science Projects	234,360	342,638	-	-	20,147	255,471	107,164	341,524	14,983	326,541
Guatemala Gulf Honduras	95,011	47,923	5,688	-	23	40,082	12,952	107,963	24,283	83,680
Guatemala-Honduras-Salvador-IICA Trifinio II	169,710	147,702	-	-	(211,890)	53,558	(117,746)	51,964	31,478	20,486
Honduras - UN Programmed Funds	-	29,332	-	-	-	-	29,332	29,332	-	29,332
Honduras Gulf of Honduras	26,543	50,676	(5,068)	-	-	49,153	(3,545)	22,928	13,062	9,866

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	Cash Balance		From January 1, 1998 to December 31, 1998				Net Change	Cash Balance		Unliquidated Obligations	Fund Balance (deficit) Dec. 31, 1998
	Jan. 1, 1998	31, 1998	Transfers	Interest Income	Returns and Refunds	Expenditures		Dec. 31, 1998	Dec. 31, 1998		
Honduras Strengthening Technological Capacity	3,315	-	-	-	-	-	-	3,315	-	-	3,315
Honduras Telebasica Project	21,778	-	-	-	-	-	-	21,778	-	-	21,778
IDB Labor Ministers Conference	-	50,000	-	-	-	60,264	(10,264)	(10,264)	83	-	(10,347)
IDB Meeting PISD/C	779	-	-	-	-	-	-	779	-	-	779
IDB National Customs Costa Rica	13,068	-	-	-	-	2,641	(2,641)	10,427	-	-	10,427
IDB Program Support to Social Network	-	27,000	-	-	-	-	27,000	27,000	-	-	27,000
IDB Technical Support to External Projects	(1,274)	-	-	-	-	-	-	(1,274)	-	-	(1,274)
IDB-II Meeting (CNC) Paramaribo	-	20,000	-	-	-	5,823	14,177	14,177	-	-	14,177
Italy Ecuador Fiber Optics Teleport	21,986	-	-	-	-	11,000	(11,000)	10,986	-	-	10,986
Italy Telecommunications Study CONSULTTEL	15,075	-	8,676	1,003	-	12,323	(2,644)	12,431	-	-	12,431
Mexico Cultural Projects	65	-	-	-	-	-	-	65	-	-	65
Mexico Demand for Technical Cooperation	474,403	-	(151,589)	-	2,243	1,108	(150,454)	323,949	-	-	323,949
Mexico Education Projects	470,320	-	-	-	-	11,836	(11,836)	438,484	-	-	438,484
Mexico Indigenous Organizations	25,211	-	-	-	-	4,292	(4,292)	20,919	-	-	20,919
Mexico New Sanitation Options	-	-	4,000	-	-	4,000	-	-	-	-	-
Mexico Regional Enterprises	88,907	-	-	-	-	12,638	(12,638)	76,249	-	-	76,249
Mexico Science Projects (ex FEMCIECC)	284,663	50,000	(34,000)	-	-	17,872	(1,872)	282,791	127	-	282,664
Mexico Strengthening Coop. tech. A.L. & Caribbean	683,546	519,620	151,589	-	-	347,403	323,806	1,007,352	138,736	-	848,616
Mexico Unprogrammed funds Education	67,930	-	-	-	2,500	-	2,500	70,430	-	-	70,430
Mexico Unprogrammed Funds (ex Eco/Soc)	20,310	170,004	-	-	-	-	170,004	190,314	-	-	190,314
Mexico-MERCOCYT-SCIEN.PROJECTS	-	-	20,000	-	-	-	20,000	20,000	-	-	20,000
Mexico-XII Meeting FELASOF/SCFIC Project	-	-	10,000	-	-	10,000	-	4,975	-	-	4,975
Miscellaneous Record Sales	4,272	703	-	-	-	-	703	6,982	-	-	6,982
Netherlands Food Technology - Brazil	6,982	-	-	-	-	-	-	-	-	-	-
Nicaragua Telecommunications Regulation	8,676	-	-	-	-	-	-	(8,676)	-	-	-
PAHO Parliamentary Health Meeting	3,507	-	-	-	-	-	-	3,507	-	-	3,507
Panama Drug Investigations	13,100	16,095	-	-	548	14,242	2,401	15,501	5,082	-	10,419
Panama Plan for Science & Technology	51,716	100,000	-	-	-	110,936	(10,936)	40,780	17,361	-	23,419
Panama Strengthening of Privatization	754,528	1,367,059	-	-	-	1,273,933	93,126	847,654	504,484	-	343,170
Panama Tourism Development	10,060	135,000	-	3,396	-	28,094	110,492	120,552	1,393	-	119,159

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	Cash Balance		From January 1, 1998 to December 31, 1998				Cash Balance		Fund Balance	
	Jan. 1, 1998	Jan. 1, 1998	Contributions	Transfers	Interest Income and Refunds	Expenditures	Net Change	Dec. 31, 1998	Dec. 31, 1998	Dec. 31, 1998
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Panama University Environment	7,191	7,191	-	-	-	6,773	(6,773)	418	343	75
Paraguay Education Projects	4,547	4,547	-	-	-	-	-	4,547	-	4,547
Peckins School for the Blind	2,500	2,500	-	-	-	-	-	2,500	-	2,500
Peru Horizontal Cooperation Contribution	10,000	10,000	-	-	-	-	-	10,000	-	10,000
Regional Development Support	78,149	78,149	-	117,407	-	195,556	(78,149)	-	-	-
Senai-Brazil - PAT-SENAI-OEA	10,574	10,574	57,375	-	-	44,065	13,310	23,884	5,200	18,684
SICE Subscribers fees	233,355	233,355	440	-	-	18,409	(17,969)	215,386	-	215,386
Spain Belize Museum	-	-	-	-	-	-	-	-	-	-
Support to Specific Funds	386,163	386,163	3,051	92,777	866,588	33,504	928,912	1,515,375	7,261	1,508,114
Support to Specific Funds - Accounting	9,201	9,201	-	-	-	6,453	(6,453)	2,748	2,748	-
Tinker Found - Tech. Coop. Seminar HQ.	8,520	8,520	-	-	-	-	-	8,520	-	8,520
Trade Unit Activities	11,128	11,128	74,610	-	-	106,550	(31,940)	(20,812)	-	(20,812)
U.S. Aik. Resources/Priv. Enterprise	250,000	250,000	-	-	-	129,868	(129,868)	120,132	11,839	108,293
U.S. Research/Tech. Cooperation	500,000	500,000	-	-	-	42,693	(42,693)	457,307	749	456,558
U.S. AID Amazon Environmental Program	3,405	3,405	-	-	-	3,405	(3,405)	-	-	-
U.S. AID Caribbean Basin Scholarship Fund	558,065	558,065	1,253	-	33,058	-	34,311	592,376	-	592,376
U.S. AID Caribbean Disaster Mitigation	53,695	53,695	342,195	-	770	838,111	(485,146)	(441,451)	200,134	(641,385)
U.S. AID I-A Strategy Particip.-Bo.	(6,401)	(6,401)	7,805	-	-	20,302	(12,497)	(18,693)	5,799	(24,897)
U.S. AID Public Particip. Seminar-Uruguay	(4,810)	(4,810)	5,000	-	-	190	4,810	-	-	-
U.S. DOE Disaster Mitigation	15,341	15,341	-	-	754	15,310	(14,556)	785	-	785
U.S. Education Projects	7,440	7,440	-	101	-	7,541	(7,440)	-	-	-
U.S. Exchange Water Resource Information Americas	19,676	19,676	-	-	-	9,298	(9,298)	10,378	-	10,378
U.S. Information/Tech. Cooperation	250,000	250,000	-	-	-	42,251	(42,251)	207,749	26,098	181,651
U.S. Science Projects	194,074	194,074	-	-	298	2,166	(1,868)	192,206	-	192,206
U.S. State Department to SICE	434,829	434,829	-	-	1,955	39,984	(37,979)	396,850	-	396,850
U.S. Tech. Cooperation Progr. Support	-	-	-	1,350,000	-	-	1,350,000	1,350,000	-	1,350,000
U.S. Telecom. Develop. Fellow. Program	5,892	5,892	-	-	-	-	-	5,892	-	5,892
U.S. Temporary Committee CIHEL	5,701	5,701	-	-	-	-	-	5,701	-	5,701
U.S. Training/Resource Development	900,000	900,000	-	-	-	41,183	(41,183)	858,817	-	858,817
U.S. Unprogrammed funds to FEMCIBCC	223,007	223,007	-	(103)	-	-	(103)	222,904	-	222,904

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES

Donor and Project	Cash Balance		From January 1, 1998 to December 31, 1998		Net Change	Cash Balance		Unliquidated Obligations	Fund Balance (deficit) Dec. 31, 1998
	Jan. 1, 1998	Dec. 31, 1998	Transfers	Interest Income and Refunds		Expenditures	Dec. 31, 1998		
UN Diagnostic Study San Juan River	\$ 1,347	\$ -	\$ -	\$ -	\$ (1,347)	\$ -	\$ -	\$ -	\$ -
UN Plan Titicaca Basin	1,317	-	(1)	(1,316)	(1,317)	-	-	-	-
UNEP Natural Hazards Mitigation	54	-	-	-	(54)	-	-	-	-
UNEP "La Amistad" Costa Rica	18,692	-	-	-	(10,497)	8,195	489	7,706	7,706
UNEP Approach to Managing the Environment	395,000	246,000	-	-	(119,443)	275,557	68,595	206,962	206,962
UNEP Basin of the Bermejo River	904,515	1,494,674	-	-	(88,924)	820,591	359,063	461,528	461,528
UNEP Rio Bermejo Basin	9,321	-	-	-	(3,050)	6,271	-	6,271	6,271
UNEP San Juan River Basin Development	-	174,000	-	-	174,000	174,000	-	174,000	174,000
UNEP Source Book	334	-	-	-	(334)	-	-	-	-
UNEP Water Resources	8,188	-	-	(8,188)	(8,188)	-	-	-	-
UNEP Watershed Colombia-Venezuela	2,070	-	-	-	(2,069)	1	-	1	1
UNEP/GEF I-A Strategy for Participation	(902)	-	-	-	-	(902)	-	(902)	(902)
UNEP/GEF Sao Francisco River Basin - Brazil	204,288	61,250	-	-	226,376	39,162	20,173	18,989	18,989
UNEP/GEF Upper Paraguay River Basin	177,567	56,250	-	-	(170,865)	6,702	-	6,702	6,702
UNESCO Education for Sustain Future	-	15,000	-	-	14,507	493	-	493	493
UNESCO Civil Society Sustainability	-	50,000	-	-	43,240	6,760	1,100	5,660	5,660
UNICEF Proposal/CEPAL	33,613	-	-	-	(31,923)	1,690	-	1,690	1,690
Uruguay HGAP Forestry Investment	7,787	-	-	-	(4,787)	3,000	-	3,000	3,000
Uruguay Public Transportation Montevideo	474	-	-	-	(474)	-	-	-	-
Uruguay Transportation MERCOSUR	9,213	50,944	-	-	44,753	15,404	-	15,404	15,404
Venezuela Improvement Quality Basic Education	-	-	100,000	-	41,949	58,051	38,047	20,004	20,004
Venezuela Unprogrammed Funds	8,053	-	-	-	-	8,053	-	8,053	8,053
Venezuela Unprogrammed Funds (ex CMEP)	50,331	-	(50,331)	-	(50,331)	-	-	-	-
Venezuela Unprogrammed funds (ex FEMOIECC)	33,719	-	(19,220)	-	(19,220)	14,499	-	14,499	14,499
Venezuela Unprogrammed Funds-Culture	30,450	-	(30,450)	-	(30,450)	-	-	-	-
World Bank GEF	187,028	819,199	-	(26,231)	947,523	32,473	59,438	(26,965)	(26,965)
World Bank - Hazard Retrofitting OAS	-	35,000	-	-	35,000	35,000	-	35,000	35,000
World Bank-Symposium Early Child Development	239	2,000	-	-	2,000	2,239	-	2,239	2,239
	\$ 14,828,852	\$ 9,530,772	\$ 1,159,514	\$ 965,422	\$ (281,281)	\$ 11,565,232	\$ 9,195	\$ 14,537,747	\$ 12,752,758
							\$ 1,784,989	\$ 1,784,989	\$ 12,752,758

SECTION III
FINANCIAL STATEMENTS
OF THE ROWE MEMORIAL BENEFIT FUND AND
THE LEO S. ROWE PAN AMERICAN FUND
WITH
REPORTS OF INDEPENDENT AUDITORS

ORGANIZATION OF AMERICAN STATES

ROWE MEMORIAL BENEFIT FUND AND LEO S. ROWE PAN AMERICAN FUND

The Rowe Funds are trust funds established from monies made available by Dr. Leo S. Rowe, former Director General of the Pan American Union, the predecessor of the General Secretariat, and are administered within the General Secretariat by special committees.

Ernst & Young LLP has audited the accompanying financial statements of these trust funds and their opinion on the statements of each fund is included in this report.

Rowe Memorial Benefit Fund

The Fund is administered by the Rowe Memorial Benefit Fund Committee. The Committee is composed of five ex-officio members who are officers of the General Secretariat.

Beginning in 1931, the assets of the Fund have been accumulated principally by contributions received from Dr. Rowe during his lifetime and are held in trust to provide certain benefits to staff members of the General Secretariat.

Leo S. Rowe Pan American Fund

The Fund is administered by the Committee of the Leo S. Rowe Pan American Fund. The Committee is composed of representatives from four OAS member states, elected by representatives to the Permanent Council for a four year term and with the Secretary General of the OAS as a permanent member.

The Fund was established in 1948 as a trust in accordance with the will of Dr. Rowe. Its purpose is to provide loans to students from member states other than residents and citizens of the United States and to make loans to OAS staff members for educational purposes or in emergency situations.

ROWE MEMORIAL BENEFIT FUND
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997
WITH
REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of External Auditors
Organization of American States

We have audited the accompanying statements of financial position of the Rowe Memorial Benefit Fund (the Fund) as of December 31, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rowe Memorial Benefit Fund at December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

March 12, 1999

ORGANIZATION OF AMERICAN STATES

ROWE MEMORIAL BENEFIT FUND STATEMENTS OF FINANCIAL POSITION

	December 31	
	1998	1997
Assets		
Equity in OAS Treasury Fund (Note 3)	\$ 16,512	\$ 15,791
Investments at market value (Note 4)	279,348	272,289
Total unrestricted net assets	\$ 295,860	\$ 288,080

STATEMENTS OF ACTIVITIES

	Year ended December 31	
	1998	1997
Income		
Dividends and interest	\$ 7,243	\$ 7,414
Capital gains distributions from mutual funds	11,847	26,158
Realized gains on investments	-	-
Income from OAS Treasury Fund (Note 3)	1,021	1,071
Change in unrealized gains/(losses) on investments (Note 4)	(12,031)	11,724
	8,080	46,367
Awards and other benefits (Note 1)	(300)	(5,960)
Change in unrestricted net assets	7,780	40,407
Unrestricted net assets at beginning of year	288,080	247,673
Unrestricted net assets at end of year	\$ 295,860	\$ 288,080

See accompanying notes

ORGANIZATION OF AMERICAN STATES

ROWE MEMORIAL BENEFIT FUND STATEMENTS OF CASH FLOWS

	Year ended December 31	
	1998	1997
Operating activities		
Change in net assets	\$ 7,780	\$ 40,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss/(gain) on investments	12,031	(11,724)
Net cash provided by operating activities	19,811	28,683
Investing activities		
Purchase of securities	(19,090)	(33,573)
Net cash used in investing activities	(19,090)	(33,573)
Net increase /(decrease) in cash and cash equivalents	721	(4,890)
Equity in OAS Treasury fund at beginning of year	15,791	20,681
Equity in OAS Treasury fund at end of year	\$ 16,512	\$ 15,791

See accompanying notes

ORGANIZATION OF AMERICAN STATES

ROWE MEMORIAL BENEFIT FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1997

1. Organization and Financing

The assets of the Rowe Memorial Benefit Fund (Fund) have been accumulated principally from contributions received from Dr. Leo S. Rowe, a former Director General of Pan American Union. These assets are held in trust to provide certain welfare benefits for employees of the OAS. Administrative functions of the Fund are provided without charge by the General Secretariat of the OAS. No amounts are recorded in the accompanying financial statements relating to the use of services and facilities provided to the Fund as no objective basis is available to measure the value of such contributions.

2. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Equity in OAS Treasury Fund

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The OAS Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

4. Investments

In 1996, the Fund adopted Financial Accounting Standard No. 124 (FAS 124), "Accounting for Certain Investments Held by Not-For-Profit Organizations". FAS 124 requires the Fund to report investments in equity securities with readily determinable market values and all investments in debt securities at market value with gains and losses included in the statement of activity.

4. Investments (Continued)

Investments are presented in the financial statements at market value as determined by the latest available published or brokers' prices.

Mutual Funds Invested in Equity and Fixed Income Securities (in thousands)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains	Approximate Market Value
December 31, 1998	\$257	\$23	\$(1)	\$22	\$279
December 31, 1997	\$238	\$35	\$(1)	\$34	\$272

5. Impact of Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the OAS' computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, and invoices, or engage in normal business activities.

The Organization has completed an assessment and is in the process of modifying or replacing a portion of its software and equipment so that its computer systems will function properly with respect to dates in the year 2000 and after. The project is estimated to be completed no later than October 31, 1999.

The Organization believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue is not anticipated to have a material impact on the operations of the OAS.

LEO S. ROWE PAN AMERICAN FUND

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1998 AND 1997

WITH

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of External Auditors
Organization of American States

We have audited the accompanying statements of financial position of the Leo S. Rowe Pan American Fund (the Fund) as of December 31, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leo S. Rowe Pan American Fund at December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



March 12, 1999

ORGANIZATION OF AMERICAN STATES

LEO S. ROWE PAN AMERICAN FUND STATEMENTS OF FINANCIAL POSITION

Assets	December 31	
	1998	1997
Equity in OAS Treasury Fund (Note 3)	\$ 75,210	\$ 216,863
Investments at market value (Note 4)		
Mutual funds invested in equity investments	2,944,474	2,445,038
Mutual funds invested in fixed income securities	5,002,537	4,700,208
	7,947,011	7,145,246
Loans receivable (Note 5)		
Students		
Installments not yet due	2,237,252	2,141,657
Installments past due	430,335	527,978
Allowance for uncollectible loans	(423,613)	(423,938)
	2,243,974	2,245,697
Employees of the Organization of American States	587,002	581,219
	2,830,976	2,826,916
Total Assets	\$10,853,197	\$10,189,025
Liabilities and Net Assets		
Miscellaneous payables	\$ 70,394	\$ 88,510
Unrestricted net assets		
Committee designated (Note 1)	1,000,000	1,000,000
Available for loans	9,782,803	9,100,515
Total net assets	10,782,803	10,100,515
Total liabilities and net assets	\$10,853,197	\$10,189,025

See accompanying notes

ORGANIZATION OF AMERICAN STATES

LEO S. ROWE PAN AMERICAN FUND STATEMENTS OF ACTIVITIES

Income	Year ended December 31	
	1998	1997
Dividend and interest income	\$ 330,736	\$ 336,938
Capital gain distributions from mutual funds	150,527	638,164
Realized gains on investments	-	34,277
Miscellaneous income	26,477	3,967
Change in unrealized gains/(losses) on investments (Note 4)	370,898	(39,495)
	878,638	973,851
Expenses		
Increase in allowance for uncollectible loans (Note 5)	116,111	131,481
Investment management and custodian fees	18,500	15,000
Reimbursement to Regular Fund (Note 6)	-	20,000
McLean Fellowship	22,000	-
Administrative expenses	39,739	35,971
	196,350	202,452
Change in net assets	682,288	771,399
Net assets at beginning of year	10,100,515	9,329,116
Net assets at end of year	\$10,782,803	\$10,100,515

See accompanying notes

ORGANIZATION OF AMERICAN STATES

LEO S. ROWE PAN AMERICAN FUND

STATEMENTS OF CASH FLOWS

Operating Activities	Year ended December 31	
	1998	1997
Change in net assets	\$682,288	\$771,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain)/loss on investments	(370,898)	39,495
Gain on sale of investments	-	(34,277)
(Decrease)/increase in provision for uncollectible loans	(325)	131,480
Changes in operating assets and liabilities:		
Decrease/(increase) in loans to students	2,048	(231,472)
(Increase)/decrease in loans to employees	(5,783)	56,578
Decrease in miscellaneous payables	(18,116)	(114,016)
Net cash provided by operating activities	289,214	619,187
Investing activities		
Proceeds from the sale of investments	-	500,000
Purchase of investments	(430,867)	(915,535)
Net cash used in investing activities	(430,867)	(415,535)
Net (decrease)/increase in cash and cash equivalents	(141,653)	203,652
Equity in OAS Treasury Fund at beginning of year	216,863	13,211
Equity in OAS Treasury Fund at end of year	\$ 75,210	\$216,863

See accompanying notes

ORGANIZATION OF AMERICAN STATES

LEO S. ROWE PAN AMERICAN FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1997

1. Organization and Financing

The Leo S. Rowe Pan American Fund (Fund), a charitable trust, was established in 1948 by the Governing Board of the General Secretariat of the Pan American Union (PAU) in accordance with the will of Dr. Leo S. Rowe, a former Director General of the Pan American Union. The purpose of the Fund is to provide loans to students from member states, who desire to study at colleges in the United States and to provide education and emergency loans to employees of the OAS. The Committee designated net assets of \$1,000,000 as being comprised of investments not considered to be available for the purpose of granting loans.

2. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Equity in OAS Treasury Fund

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The OAS Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

4. Investments

In 1996, the Fund adopted Financial Accounting Standard No. 124 (FAS 124), "Accounting for Certain Investments Held by Not-For-Profit Organizations". FAS 124 requires the Fund to report investments in equity securities with readily determinable market values and all investments in debt securities at market value with gains and losses included in the statement of activity.

4. Investments (Continued)

Investments are presented in the financial statements at market value as determined by the latest available published or brokers' prices.

Mutual Fund Investments (in thousands)

December 31, 1998

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains	Approximate Market Value
Fixed income securities	\$4,945	\$ 87	\$(29)	\$ 58	\$5,003
Equity investments	2,546	398	-	398	2,944
	<u>\$7,491</u>	<u>\$485</u>	<u>\$(29)</u>	<u>\$456</u>	<u>\$7,947</u>

December 31, 1997

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains	Approximate Market Value
Fixed income securities	\$4,670	\$ 70	\$(40)	\$30	\$4,700
Equity investments	2,390	55	-	55	2,445
	<u>\$7,060</u>	<u>\$125</u>	<u>\$(40)</u>	<u>\$85</u>	<u>\$7,145</u>

5. Loan Status

Non-interest bearing loans are granted to students, payable on various terms not to exceed five years from the termination of the studies for which the loans are granted. The Committee of the Leo S. Rowe Pan American Fund (Committee) has extended the repayment dates for certain loans.

The activity in the allowance for uncollectible loans was as follows:

	1998	1997
Balance at beginning of year	\$423,938	\$292,458
Activity in provision for uncollectible loans	(325)	131,480
Balance at end of year	<u>\$423,613</u>	<u>\$423,938</u>

5. Loan Status (Continued)

In the opinion of the Committee, the allowance of \$423,613 at December 31, 1998 is sufficient to provide for losses that may be incurred upon the ultimate realization of these loans.

During 1998 and 1997 the Fund disbursed new student loans aggregating approximately \$662,000 and \$687,000, respectively. The Fund received loan repayments of approximately \$665,000 and \$456,000 in 1998 and 1997, respectively.

New loans to employees for educational purposes or in emergency situations aggregated \$123,000 and \$165,000 in 1998 and 1997 respectively. The Fund received loan repayments of approximately \$158,000 and \$263,000 in 1998 and 1997 respectively. The interest rate on new employee loans granted in 1998 changed to 7.0%. Interest rates on outstanding loans granted in 1997 varied from 7.5% to 7.0%.

6. Administrative Expenses

The accompanying financial statements include approximately \$40,000 and \$36,000 in administrative expenses related to the services of a contract employee in 1998 and 1997, respectively. The Committee authorized payments of \$20,000 in 1997 to the Regular Fund of the OAS as a reimbursement for a portion of costs incurred in the operation of the Fund. No such authorization was made in 1998. No additional amounts are recorded in the accompanying financial statements relating to the use of services and facilities provided to the Fund by the General Secretariat as no objective basis is currently available to measure the value of such contribution.

7. Impact of Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the OAS' computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, and invoices, or engage in normal business activities.

The Organization has completed an assessment and is in the process of modifying or replacing a portion of its software and equipment so that its computer systems will function properly with respect to dates in the year 2000 and after. The project is estimated to be completed no later than October 31, 1999.

The Organization believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue is not anticipated to have a material impact on the operations of the Fund.

SECTION IV
FINANCIAL STATEMENTS
FUNDS OF THE UNIT FOR THE PROMOTION OF DEMOCRACY
WITH
REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of External Auditors
Organization of American States

We have audited the accompanying combined statement of assets, liabilities and fund balance of the activities of the Unit for the Promotion of Democracy of the Organization of American States (the Unit) as of December 31, 1998, and the related combined statement of activity and changes in fund balance for the year then ended. These financial statements are the responsibility of the Unit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statements of the activities of the Unit have been prepared on the basis of accounting practices prescribed by the Budgetary and Financial Rules of the Organization of American States (which include the applicable financially-oriented General Standards adopted by the General Assembly of the OAS) which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Unit's assets, liabilities and fund balance at December 31, 1998, and the activity and changes in fund balance for the year then ended on the basis of accounting described in Note 2.

As explained in Note 1, the financial statements being presented are only for the funds referred to above, which was established by the Organization of American States to account for the assets, liabilities and fund balance and the support, revenues and expenses of activities of the Unit for the Promotion of Democracy.



March 12, 1999

ORGANIZATION OF AMERICAN STATES
UNIT FOR THE PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
YEAR ENDED DECEMBER 31, 1998

	PROMOTION DEMOCRACY AND PEACE SURINAME	INTERNATIONAL CIVILIAN PRESENCE HAITI	ELECTORAL OBSERVATION NICARAGUA	ELECTORAL OBSERVATION/ TECH. ASSISTANCE GUATEMALA	PROGRAM FOR PEACE GUATEMALA	OTHER DEMOCRATIC INITIATIVES	MINE CLEARING CENTRAL AMERICA	COMBINED
ASSETS								
Equity in OAS Treasury Fund	\$ 209,307	\$ 1,991,745	\$ 218,729	\$ 286,109	\$ 613,561	\$ 3,143,256	\$ 3,520,785	\$ 9,983,492
Other Assets	-	258,213	-	-	-	102,518	-	360,731
	<u>\$ 209,307</u>	<u>\$ 2,249,958</u>	<u>\$ 218,729</u>	<u>\$ 286,109</u>	<u>\$ 613,561</u>	<u>\$ 3,245,774</u>	<u>\$ 3,520,785</u>	<u>\$ 10,344,223</u>
LIABILITIES AND FUND BALANCE								
Unliquidated Obligations	\$ 8,082	\$ 60,168	-	-	\$ 23,989	\$ 650,551	\$ 770,092	\$ 1,512,882
Accounts Payable	-	80,308	-	-	-	35,636	-	115,944
Fund balance	201,225	2,109,482	218,729	286,109	589,572	2,559,587	2,750,693	8,715,397
	<u>\$ 209,307</u>	<u>\$ 2,249,958</u>	<u>\$ 218,729</u>	<u>\$ 286,109</u>	<u>\$ 613,561</u>	<u>\$ 3,245,774</u>	<u>\$ 3,520,785</u>	<u>\$ 10,344,223</u>

ORGANIZATION OF AMERICAN STATES
UNIT FOR PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE

	Year ended December 31, 1998											From inception to December 31,		
	PROMOTION DEMOCRACY AND PEACE SURNAME	INTERNATIONAL		ELECTORAL		ELECTORAL / TECH. ASSISTANCE		OTHER		MINE		COMBINED	1997	1998
		CIVILIAN PRESENCE HAITI	ELECTORAL OBSERVATION NICARAGUA	OBSERVATION / TECH. ASSISTANCE GUATEMALA	FOR PEACE FOR PEACE GUATEMALA	DEMOCRATIC INITIATIVES	CLEARING CENTRAL AMERICA							
Increases														
Contributions and Transfers														
Argentina	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 316,500	\$ -	\$ 20,000	\$ 356,500	\$ -	\$ 356,500
Australia	-	-	-	-	-	-	-	-	-	-	3,579	3,579	-	3,579
Bolivia	-	-	-	-	-	-	-	159,253	-	-	130,911	290,164	-	290,164
Brazil	-	-	-	-	-	-	-	-	-	-	50,000	50,000	-	50,000
Canada	-	205,052	-	-	-	-	-	58,561	-	-	2,075,074	2,338,687	-	2,338,687
Chile	-	-	-	-	-	-	-	-	-	-	25,000	25,000	-	25,000
Colombia	-	-	-	-	-	-	-	-	-	-	25,000	25,000	-	25,000
Denmark	-	-	-	-	-	-	-	-	1,369,760	-	700,000	2,469,760	-	2,469,760
Dominica	-	-	-	-	-	-	-	-	-	-	1,000	1,000	-	1,000
Finland	-	-	-	-	-	-	-	82,692	-	-	-	82,692	-	82,692
France	-	-	-	-	-	-	-	-	-	-	552,344	552,344	-	552,344
Germany	-	30,265	-	-	-	-	-	-	-	-	364,332	394,597	-	394,597
Guatemala	-	-	246,125	-	-	-	-	-	-	-	896,519	1,370,744	-	1,370,744
Honduras	-	-	-	-	-	-	-	-	-	-	250,000	250,000	-	250,000
IADB	-	-	-	-	-	-	-	551,277	-	-	185,186	736,463	-	736,463
Italy	-	-	-	-	-	-	-	-	-	-	169,921	169,921	-	169,921
Japan	-	-	-	-	-	-	-	97,476	45,000	-	1,590,000	1,732,476	-	1,732,476
Netherlands	31,000	-	-	-	-	-	-	-	183,515	-	1,150,826	1,365,341	-	1,365,341
Norway	-	-	-	-	-	-	-	-	945,793	-	546,570	2,044,278	-	2,044,278
Panama	-	-	-	-	-	-	-	-	-	-	45,400	45,400	-	45,400
Paraguay	-	-	-	-	-	-	-	191,969	-	-	-	191,969	-	191,969
Russia	-	-	-	-	-	-	-	-	-	-	1,500	1,500	-	1,500
Spain	-	-	-	-	-	-	-	-	328,939	-	757,641	1,086,580	-	1,086,580
Saint Kitts and Nevis	-	-	-	-	-	-	-	-	-	-	3,000	3,000	-	3,000
Suriname	-	-	-	-	-	-	-	-	-	-	926,426	926,426	-	926,426
Sweden	-	-	-	-	-	-	514,831	869,376	1,090,581	-	3,374,071	5,848,859	-	5,848,859
Switzerland	-	-	-	-	-	-	-	29,805	-	-	199,983	229,788	-	229,788
UNESCO	-	-	-	-	-	-	-	20,000	-	-	-	20,000	-	20,000
United Kingdom	-	-	-	-	-	-	-	-	41,575	-	220,000	261,575	-	261,575
United States	-	3,690,000	449,972	-	-	-	-	1,859,132	144,000	-	41,308,308	47,511,412	-	47,511,412
Uruguay	-	-	-	-	-	-	-	-	-	-	5,000	5,000	-	5,000
Venezuela	-	-	-	-	-	-	-	-	-	-	88,469	88,469	-	88,469
European Econ. Community	-	-	-	-	-	-	-	-	-	-	166,040	166,040	-	166,040
Other	-	2,000	-	-	-	-	-	67,448	-	-	-	69,448	-	69,448
OAS Treasury Fund Income	15,156	-	-	-	-	-	-	43,179	-	-	179,567	237,902	-	237,902
Other Refunds/Returns	33	29,752	-	-	-	-	-	6,875	4,810	-	59,622	115,048	-	115,048
	\$ 46,189	\$ 3,957,069	\$ 696,097	\$ 1,476,931	\$ 4,285,143	\$ 14,995,673	\$ 56,071,289	\$ 71,066,962	\$ 56,071,289	\$ 71,066,962	\$ 56,071,289	\$ 71,066,962	\$ 56,071,289	\$ 71,066,962

ORGANIZATION OF AMERICAN STATES

**UNIT FOR PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE**

	Year ended December 31, 1998										From inception to December 31,	
	PROMOTION DEMOCRACY AND PEACE SUBGRANT	INTERNATIONAL CIVILIAN PRESENCE HAITI	ELECTORAL OBSERVATION NICARAGUA	ELECTORAL OBSERVATION/ TECH. ASSISTANCE GUATEMALA	PROGRAM FOR PEACE GUATEMALA	OTHER DEMOCRATIC INITIATIVES	MINE CLEARING CENTRAL AMERICA	COMBINED	1997	1998		
Decreases	\$ 40,164	\$ -	\$ 64,281	\$ -	\$ -	\$ -	\$ -	\$ 104,445	\$ -	\$ 104,445		
Transfers	-	-	-	-	31,833	-	-	31,833	1,047	32,880		
Refunds	-	-	-	-	-	-	-	-	-	-		
Obligations and Expenditures												
Travel	5,060	101,803	17,171	136,997	41,254	567,000	163,667	1,032,952	9,191,664	10,224,616		
Equipment	14,794	1,885	19,444	78,025	79,282	520,193	717,674	1,431,297	5,902,157	7,333,454		
Maintenance and Supplies	4,586	-	988	32,704	79,180	87,997	53,647	259,102	521,683	780,785		
Contracts	56,417	2,114,130	68,588	275,565	812,047	2,090,738	1,229,291	6,646,776	27,116,529	33,763,305		
Other	6,335	680,610	-	55,687	147,464	780,913	687,277	2,358,286	7,753,794	10,112,080		
	\$ 127,356	\$ 2,898,428	\$ 170,472	\$ 578,978	\$ 1,191,060	\$ 4,046,841	\$ 2,851,556	\$ 11,864,691	\$ 50,486,874	\$ 62,351,565		
Fund balance at beginning of period	\$ 282,392	\$ 1,050,841	\$ 325,430	\$ 168,990	\$ 303,701	\$ 2,321,285	\$ 1,131,776	\$ 5,584,415	\$ -	\$ -		
Net change during period	(81,167)	1,058,641	(106,701)	117,119	285,871	238,302	1,618,917	3,130,982	5,584,415	8,715,397		
Fund balance at end of period	\$ 201,225	\$ 2,109,482	\$ 218,729	\$ 286,109	\$ 589,572	\$ 2,559,587	\$ 2,750,693	\$ 8,715,397	\$ 5,584,415	\$ 8,715,397		

ORGANIZATION OF AMERICAN STATES

UNIT FOR THE PROMOTION OF DEMOCRACY NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1998

1. Organization

In Resolution AG/RES.1063/90, the General Assembly requested the Secretary General to establish within the General Secretariat a Unit for the Promotion of Democracy. On October 15, 1990, the Secretary General by Executive Order 90-3 (Rev.1) created the Unit for the Promotion of Democracy, and on July 25, 1995 Executive Order 95-6 established the new organizational structure of the Unit while maintaining its original responsibilities and functions as follows:

- To provide assistance to member states to improve their institutions and democratic processes.
- To provide support to member states for the generation, dissemination, and exchange of information on political systems and democratic values.
- To encourage the exchange of experiences among institutions and experts of the hemisphere in areas related to the promotion of democracy.
- To provide assistance in the observation of electoral processes.
- To support the processes of national reconciliation and peace-building.

The Secretary General established various OAS funds (the Funds) to account for the proceeds and disbursements pursuant to the activities coordinated by the Unit for the Promotion of Democracy.

2. Basis of Accounting

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the financial statements. The Rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material respects from generally accepted accounting principles. The significant deviation from generally accepted accounting principles is as follows:

Unliquidated obligations include amounts related to commitments resulting from offers made by the Funds to vendors to disburse monies for the procurement of goods or services in future periods. This amount does not represent liabilities to unrelated third party commitments at December 31, 1998. It represents amounts anticipated to be expended in the subsequent year in the completion of these projects.

3. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. Equity in OAS Treasury Fund

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The OAS Treasury Fund is administered by the General Secretariat, and amounts not immediately required for operations are invested. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

5. Status of Missions

Haiti

At the Ad Hoc meeting of Ministers of Foreign Affairs held on October 2, 1991, it was resolved to establish an OAS civilian mission entrusted to facilitate reestablishment and strengthening of the democratic institutions in Haiti. To this end, financing from Member States and Permanent Observers totaling \$35,081,195 was received from inception until December 31, 1998. In addition there were in-kind contributions by other countries such as an aircraft by Argentina, Canada, Colombia, Chile and Venezuela.

Suriname

On July 21, 1992 an agreement signed between the Secretary General of the Organization of American States and the Government of the Republic of Suriname established the "Special Mission to Suriname". The purpose of the Mission is to assist the Government of the Republic of Suriname in formalizing and safeguarding durable peace, and in strengthening of the national institutions and the democratic order. Initially the Mission was established for a period of two years (1992-1994) but its mandate has been renewed for two additional two-year periods. The current mandate of the Mission will expire on July 21, 2000.

5. Status of Missions (Continued)

Democratic Initiatives

The Unit of Democracy undertook a number of additional activities with the contributions of member states and observer states, including electoral observation missions in the Dominican Republic, Ecuador, Honduras, Panama, Peru, and Venezuela. The Technical Collaboration Program for Peace and Reintegration in Nicaragua, is also included under this heading. Among the largest contributors was the United States Government which contributed a total of \$5,720,498 and Sweden with \$1,848,344 since the inception of the Unit to December 31, 1998. Certain of these contributions are restricted as to their use.

Mine Clearing Assistance Program in Central America

At its XXII Regular Session through resolution AG/RES. 1191(XXII-O/92), the General Assembly asked the Secretary General "to establish a Special Fund to accept contributions and pledges from those countries that wish to cooperate in mine-clearing operations in Central America".

At the meeting of the Commission on Central American Security held in San Salvador, June 15-16, 1992, the Secretary General was asked to expand the mine removal program from Nicaragua to include the other Central American nations, Costa Rica, El Salvador, Guatemala and Honduras. The Secretary General, in turn, sought the assistance of the Inter-American Defense Board (IADB) in extending the mine removal program. Such a program would be implemented by each nation's army and, in the case of Costa Rica, specialized personnel.

The Secretary General made appeals for funding to member countries, observer countries, and members of the Partnership for Democracy and received affirmative responses from the Governments of Argentina, Canada, Denmark, Honduras, Japan, Netherlands, Norway, and United Kingdom. Grant funds were additionally received from the governments of Germany, France, the Russian Federation, Spain, Sweden, and the United States.

Electoral Observation and Technical Assistance in Guatemala

In a letter to the Secretary General of the OAS dated July 25, 1995, the Guatemalan Government invited the Organization of American States to observe the general election process in Guatemala. The objectives of the Mission were to observe the conduct of participants in the electoral process with the aim of verifying its conformity to prevailing election norms, observing the organization and management of the electoral process, the degree of freedom of expression, and the electioneering process. The general elections filled the offices of president and vice-president, congressional deputies, deputies to the Central American Parliament, mayors, council members, and alternates from the country's municipalities. There were two rounds of elections, on November 12, 1995 and the second on January 7, 1996. From inception to December 31, 1998, financing in the amount of \$2,585,101 was received from Member States and Observer Countries.

5. Status of Missions (Continued)

Program for Peace in Guatemala

In late 1994, the Guatemalan Government, through its National Fund for Peace (FONAPAZ), requested an OAS mission to develop a program designed to strengthen the capacity of Guatemalans to prevent and peacefully resolve conflicts affecting the population. After a series of meetings with Guatemalan authorities, the OAS proposal for a "Program for the Prevention and Resolution of Community Conflicts in Guatemala" was accepted. The program was subsequently renamed "Culture of Dialogue in Guatemala": Program for the Development of Resources for Peace-building" (PROPAZ). FONAPAZ and the Presidential Secretariat for Peace, Development and National Reconciliation (SEPAZ) were designated as the government counterparts for the Program.

The first pilot phase of the program is financed by a special contribution from the Guatemalan government, which agreed to contribute forty percent of the budget, and the remainder with DEMOC funds and special contributions by the Canadian and U.S. governments. In September 1996, a letter of understanding was signed by the OAS and the governments of Guatemala, Sweden, Norway and Denmark, which enhanced the Program to provide technical support and training to State institutions and civil society institutions at a national level. From inception to December 31, 1998, financing in the amount of \$3,471,806 was received from Member States and Observer Countries.

Electoral Observation Process in Nicaragua

In an effort to address the concerns of its people, the Nicaraguan Government formally requested that the OAS field an observation mission that could monitor the entire process leading up to the national elections, scheduled for October 1996, including registration, the campaign and the preparations for the national elections. The Government extended this information at the OAS General Assembly Meeting in June 1995 in Montrouis, Haiti. From inception to December 31, 1998, financing in the amount of \$2,132,791 was received from member states and Observer Countries. Some of the balances under this heading were used to finance an Electoral Observation Mission in the Autonomous Regions of the Atlantic Coast of Nicaragua that took place in 1998.

6. Staffing and Administrative Support

Appropriations for the approved personnel posts budgeted on a recurring basis for the Unit for Promotion of Democracy, are financed by the Regular Fund of the Organization. Financing for experts or observers in specific missions of the Unit are, for the most part, financed by special contributions either for that mission or for missions of the Unit in general.

7. Impact of Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

The Organization has completed an assessment and is in the process of modifying or replacing portions of its software and equipment so that its computer systems will function properly with respect to dates in the year 2000 and after. The project is estimated to be completed no later than October 31, 1999.

The Organization believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made to the remaining Year-2000 non-ready systems, or are not completed timely, the Year 2000 Issue is not anticipated to have a material impact on the operations of the OAS.

SECTION V
FINANCIAL STATEMENTS
OF THE SPECIAL ACCOUNT FOR THE CARIBBEAN:
PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE
WITH
REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of External Auditors
Organization of American States

We have audited the accompanying statement of assets, liabilities and fund balance of the Organization of American States Special Account for the Caribbean: Planning for Adaptation to Global Climate Change, pursuant to the agreements between the Organization of American States (OAS) and the International Bank for the Reconstruction and Development (the Agreements), as of December 31, 1998 and 1997, and the related statements of activity and changes in fund balance and cash flows for the year ended December 31, 1998 and the period from August 30, 1995 (inception) to December 31, 1997. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

As described in Note 2, these financial statements have been prepared on the basis of accounting practices prescribed by the Budgetary and Financial Rules of the Organization of American States (which include the applicable financially-oriented General Standards adopted by the General Assembly of the OAS) which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance at December 31, 1998 and 1997, and the results of its activity and changes in fund balance and its cash flows for the year ended December 31, 1998 and for the period from August 30, 1995 (inception) to December 31, 1997 on the basis of accounting described in Note 2.

Ernst & Young LLP

March 12, 1999

ORGANIZATION OF AMERICAN STATES

SPECIAL ACCOUNT FOR THE CARIBBEAN: PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE

	December 31	
	1998	1997
Assets		
Equity in OAS Treasury Fund (Note 4)	\$ 32,473	\$ 184,827
Other assets	-	2,201
Total assets	<u>\$ 32,473</u>	<u>\$ 187,028</u>
Liabilities and Fund Balance		
Unliquidated obligations (Note 2)	\$ 59,438	\$ 76,696
Fund (deficit) balance	(26,965)	110,332
Total liabilities and fund balance	<u>\$ 32,473</u>	<u>\$ 187,028</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

SPECIAL ACCOUNT FOR THE CARIBBEAN: PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE STATEMENTS OF ACTIVITIES AND CHANGES IN FUND BALANCE

	Year ended December 31	August 30, 1995 (inception) to December 31	
	1998	1997	1998
Increases			
Contributions (Note 6)	\$ 819,199	\$ 928,816	\$ 1,748,015
Other income and deobligations	90	16,667	16,757
	<u>819,289</u>	<u>945,483</u>	<u>1,764,772</u>
Decreases			
Obligations and expenditures (Note 7)	930,265	835,151	1,765,416
Return to donors	26,321	-	26,321
	<u>956,586</u>	<u>835,151</u>	<u>1,791,737</u>
Net change during period	(137,297)	110,332	(26,965)
Fund balance at beginning of period	110,332	-	-
Fund balance at end of period	<u>\$ (26,965)</u>	<u>\$ 110,332</u>	<u>\$ (26,965)</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

**SPECIAL ACCOUNT FOR THE CARIBBEAN:
PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE
STATEMENTS OF CASH FLOWS**

	Year ended December 31	August 30, 1995 (inception) to December 31
	1998	1997
Operating activities		
Change in fund balance	\$ (137,297)	\$ 110,332
Adjustments to reconcile change in fund balance to net cash provided by operating activities:		
Decrease/(increase) in other assets	2,201	(2,201)
(Decrease)/increase in unliquidated obligations	(17,258)	76,696
Net cash (used in)/provided by operating activities:	(152,354)	184,827
Net (decrease)/increase in cash	(152,354)	184,827
Cash at beginning of period	184,827	-
Cash at end of period	\$ 32,473	\$ 184,827

See accompanying notes

ORGANIZATION OF AMERICAN STATES

SPECIAL ACCOUNT FOR THE CARIBBEAN: PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE NOTES TO FINANCIAL STATEMENTS

1. Organization

The Organization of American States (OAS), at the request of the Caribbean Community (CARICOM) countries, requested a grant from the Global Environment Facility (GEF) Project Development and Preparation Facility (PDF) as administered by the International Bank for Reconstruction and Development to finance the preparation of a regional project to assist these countries with the potential impacts of the adverse effects of impending global climate changes in coastal and marine areas. The grant was approved by the Global Environment Facility Operations Committee (GEFOP) of the International Bank for Reconstruction and Development in June 1995 in the amount of \$305,000.

In April 1997, the project proposal was approved by the GEFOP. At this time, an agreement was signed between the General Secretariat of the Organization of American States (GS/OAS) and the International Bank for Reconstruction and Development, who served as the Implementing Agency of the Global Environment Facility Trust Fund (GEF Trust Fund). In the agreement, GS/OAS was named the executing agency and received a grant of \$6.3 million. In July 1998, the initial grant was increased by \$349,500 to incorporate a twelfth participating country, St. Vincent and the Grenadines. Thus, the total approved project funds were \$6,649,500 as of December 31, 1998, which must be spent between April 1997 and December 2001.

The project's overall objective is to support twelve CARICOM member countries in preparing to cope with the adverse effects of global climate change. Specifically, the project assists national governments and several regional institutions to strengthen their technical and human capacity; identifies areas particularly vulnerable to climate change; and develops regional and national integrated management approaches and policies. Activity of the project is accounted for in an OAS Specific Fund entitled the World Bank GEF Fund. This project is not a separate legal entity, but rather a fund administered by the GS/OAS.

The Unit for Sustainable Development and Environment (USDE) of the GS/OAS is responsible for the technical supervision and overall project quality assurance as well as for disbursements to the Regional Project Implementing Unit (RPIU). The RPIU was established as part of the University of West Indies Center for Environment and Development and is presently located at the University of West Indies campus in Barbados. The RPIU coordinates and manages project activities at the regional level.

1. Organization (Continued)

The Caribbean Institute for Meteorology and Hydrology and the Institute of Marine Affairs are also partners in the project implementation. Each participating country has established a National Implementation Coordinating Unit (NICU) to facilitate project implementation at the national level.

2. Basis of Accounting

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the financial statements. The Rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material respects from generally accepted accounting principles. The significant deviation from generally accepted accounting principles is as follows:

Unliquidated obligations include amounts related to commitments resulting from offers made by the Fund to vendors to disburse funds for the procurement of goods or services in future periods. These amounts do not represent liabilities to unrelated third parties at December 31, 1998.

3. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. Equity in OAS Treasury Fund

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains equity to the extent of its cash balance retained therein. The General Secretariat administers the OAS Treasury Fund, and amounts not immediately required for operations are invested. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

5. Fund (deficit) balance

At December 31, 1998, the account reflected a deficit of \$26,965. This deficit was due to timing differences between the expenditures incurred by the account and reimbursements to the account by the World Bank.

6. Funding

The World Bank, through the GEF Trust Fund has contributed the following amounts to the various phases of the project to date:

First Phase:	\$ 305,000
Second Phase:	<u>\$1,443,015</u>
	<u>\$1,748,015</u>

7. Expenditures and Obligations

In accordance with the agreement between GEFOP and GS/OAS, all expenditures financed out of proceeds of the GEF Trust Fund Grant must be allocated to specific categories. During the year, the project incurred expenditures totaling \$947,525, of which \$76,696 related to obligations from the prior year. These expenditures represent transactions processed by the Executing Agency as well as the RPIU. When funds are transferred from the Executing Agency to the RPIU, they are considered expenditures of the project. The RPIU must allocate all expenditures to the appropriate category. At December 31, 1998, the RPIU had approximately \$127,000 which may have represented outstanding commitments, however the expense claims had not been processed as of the end of the year.

<u>Category</u>	<u>Expenditures</u>	<u>Obligations</u>	<u>Total</u>
Goods	\$ 27,971	\$ -	\$ 27,971
Consultants' Services and Training	630,007	56,753	686,759
RPIU Operating Costs	13,979	-	13,979
Executing Agency Operating Costs	148,493	2,685	151,178
Unprocessed expenses	127,072	-	127,075
	<u>\$ 947,523</u>	<u>\$ 59,438</u>	<u>1,006,961</u>
Less prior year unliquidated obligations			<u>(76,696)</u>
Total current year expenditures and obligations			<u>\$ 930,265</u>

8. Impact of Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the OAS' computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, and invoices, or engage in normal business activities.

8. Impact of Year 2000 (unaudited) (Continued)

The Organization has completed an assessment and is in the process of modifying or replacing a portion of its software and equipment so that its computer systems will function properly with respect to dates in the year 2000 and after. The project is estimated to be completed no later than October 31, 1999.

The Organization believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed in a timely fashion, the Year 2000 Issue is not anticipated to have a material impact on the operations of the OAS.

SECTION VI
FINANCIAL STATEMENTS
OF THE RETIREMENT AND PENSION FUND
WITH
REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of External Auditors
Organization of American States

We have audited the accompanying statements of net assets available for benefits of the Retirement and Pension Fund of the General Secretariat of the Organization of American States as of December 31, 1998 and 1997, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan at December 31, 1998 and 1997, and the changes in its financial status for the years then ended, in conformity with generally accepted accounting principles.



February 12, 1999

ORGANIZATION OF AMERICAN STATES

RETIREMENT AND PENSION FUND STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31	
	1998	1997
Assets		
Investment, at market:		
Short-term investments	\$ 15,337,590	\$ 20,586,670
U.S. government and agency issues	62,913,567	62,544,585
Corporate bonds	51,911,489	43,048,385
Municipal bonds	654,204	728,880
Miscellaneous bonds	18,315,078	9,098,841
Common stock	244,574,581	207,175,483
	393,706,509	343,182,844
Equity in OAS Treasury Fund	267,273	289,426
Money market account	12,806,358	12,692,988
Receivables, principally accrued dividends and interest	2,083,801	1,875,416
Total assets	408,863,941	358,040,674
Liabilities		
Due to broker for securities purchased	13,321,270	-
Provident Plan participants accounts	1,571,642	1,360,845
Miscellaneous payables	198,763	670,827
Total liabilities	15,091,675	2,031,672
Net assets available for benefits	\$393,772,266	\$356,009,002

See accompanying notes

ORGANIZATION OF AMERICAN STATES

RETIREMENT AND PENSION FUND STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Years ended December 31	
	1998	1997
Additions		
Investment income:		
Net unrealized appreciation in fair value of investments	\$ 35,310,404	\$ 37,199,210
Net realized gains on sale of investments	11,162,789	11,100,045
Interest	9,515,794	9,727,504
Dividends	-	1,029
	55,988,987	58,027,788
Less investment expenses	600,458	537,425
	55,388,529	57,490,363
Contributions:		
Institutions	7,923,022	7,954,179
Participants	4,007,143	3,976,629
Total additions	67,318,694	69,421,171
Deductions		
Payments to pensioners	3,465,224	3,243,971
Liquidations paid to participants (or their beneficiaries)	25,400,661	43,817,815
Interest credited to Provident Plan accounts	162,160	152,830
	29,028,045	47,214,616
Administrative expenses	527,385	522,288
Total deductions	29,555,430	47,736,904
Net increase	37,763,264	21,684,267
Net assets available for benefits		
Beginning of year	356,009,002	334,324,735
End of year	\$393,772,266	\$356,009,002

See accompanying notes

ORGANIZATION OF AMERICAN STATES

RETIREMENT AND PENSION FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1997

1. Description of Plans

The activity of the Organization of American States Retirement and Pension Fund includes both the Retirement and Pension Plan (Plan) and the Provident Plan. The following brief description of the Plan and the Provident Plan is provided for general information purposes only. The Plan documents should be consulted for detailed information.

General

The Plan is a contributory retirement plan maintained for the benefit of all staff members of the Organization of American States (OAS) and other affiliated agencies. Compulsory contributions are shared two-thirds (2/3) by the institution and one-third (1/3) by the staff member.

The Provident Plan is a contributory savings plan established for the benefit of employees under short-term contracts. Compulsory contributions by the employer and the participant are made in equal amounts, and the balances in the accounts are fully vested in the name of the participants. The total of the accumulated funds in the Provident Plan participants' accounts may only be withdrawn at the time of death, transfer to the Plan, or separation.

Benefits of the Plan

Amounts included in participants' Plan accounts may only be withdrawn at the time of death or separation. Participants leaving the Plan before mandatory retirement age are entitled to receive the amount of their personal credits (contributions plus interest) and a percentage of the institutional credit (employer's contributions plus interest) based upon the vesting provisions of the Plan.

The vesting provisions provide that participants with less than four years of participation receive, in addition to 100% of their personal credits, 35% of the institutional credit. Participants with four years of participation receive 40% of the institutional credit. Participants receive an additional 20% of the institutional credit for each additional year in excess of four. They are fully vested in their institutional credits after seven years of participation.

Minimum conditions for retirement are fifty-five (55) years of age and fifteen (15) years of participation in the Plan. Upon retiring, participants in the Plan are entitled to pensions payable for life. Participants who joined the Plan before January 1, 1982, may elect, instead of the

1. Description of Plans (Continued)

Benefits of the Plan (Continued)

preceding benefit, a life annuity based on the total sum standing to their credit in their accounts. Alternatively, at their request, the Committee has the discretion to substitute some other form of benefit of equivalent value.

The Plan provides for minimum pension benefits. The minimum life pension for a participant at age sixty-five (65), with not less than fifteen (15) years of participation in the Plan, is an annual amount equal to 2% of the average annual pensionable remuneration for the thirty-six (36) consecutive months of highest pensionable remuneration within the last five (5) years of remunerated participation, multiplied by the number of years of participation up to a maximum of thirty (30), and one and two-thirds percent (1 2/3%) additional for every year of participation in excess of thirty (30) but no more than forty (40). The same method is used to determine the amount of the voluntary retirement pension due to participants who elect that form of retirement which is applicable to participants fifty-five (55) years of age or older but less than sixty-five (65) whose years of participation and age, when added, total not less than eighty-five (85). Certain reductions are made for retirement at an age less than sixty (60) or participation of less than thirty (30) years if the participant doesn't satisfy the rule of eighty-five (85). Cost-of-living adjustments to pensions are contemplated in the Plan.

Death Benefits

Upon death of a pensioner [or a participant with not less than five years of participation who dies while in active service], the pensioner's surviving spouse, and minor or disabled children, are entitled to a pension, as defined in the Plan. When an active participant dies with less than five (5) years of participation, the surviving spouse and the minor or disabled children, if any, receive the total of the accumulated funds in the participant's account. Also, for a participant who dies while in active service with no surviving spouse or children, the Plan authorizes payment of the respective personal credit to the designated beneficiaries.

Disability Benefits

Participants with five or more years of participation in the Plan, whose services are terminated because of physical or mental disability receive annual disability benefits, in the form of a life pension, as defined in the Plan. Participants who have less than five years of participation receive the total of the accumulated funds in their accounts. A participant who joined the Plan before January 1, 1982 may elect to be covered instead by alternative provisions on disability retirement defined in the Plan.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Income Tax Status of the Fund

As an international organization, the OAS is exempt from U.S. federal income taxes and such exemption applies to the Retirement and Pension Fund of the General Secretariat of the OAS.

4. Funding Policy

The plans are funded by the General Secretariat, other affiliated agencies and compulsory participants' contributions at fixed percentages of annual pensionable remuneration. A portion of the income earned on the Retirement and Pension Fund's investments is allocated semiannually to Provident and Plan participants' accounts at rates determined by the Retirement and Pension Committee. The remaining portion, if any, is retained in the Plan's General Reserve for operational costs and to ensure continued Plan stability. Interest credited to participants' accounts was 17.5% and 14% in 1998 and 1997, respectively. Participants' accumulated contributions were \$92,970,000 and \$84,670,000 at December 31, 1998 and 1997, respectively, including interest credited at rates determined by the Committee, compounded semiannually.

5. Investments

The Fund's investment portfolio is managed by the State Street Bank of Boston, The Northern Trust Company of Chicago, and Barclays Global Investors of San Francisco, within the investment policy guidelines established by the Retirement and Pension Committee. The Committee also retains the firm Buck Consultants as financial advisors.

The State Street Bank manages the domestic equity and bond portfolios. The Northern Trust Company manages the short-term investment portfolio. Barclays Global Investors manages and acts as custodian of the majority of the international equity portfolio. The Scudder Trust Company acts as custodian for a small portion of the international equity portfolio. The Northern Trust Company is the custodian of all remaining investments of the Fund, except for the funds in the Treasury Account of the General Secretariat of the OAS.

The above mentioned firm, Buck Consultants, also performs the monitoring of the investment managers and investment returns to assure compliance with the Committee's established policies. Quarterly reports are presented by Buck Consultants to the Committee.

5. Investments (Continued)

The fair value of individual investments that represent 5% or more of the Plan's net assets are as follows:

	December 31	
	1998	1997
State Street Russell 1000 Fund	\$132,197,325	\$114,962,057
State Street Matrix Stock Fund	30,688,569	29,080,495
State Street Matrix Small Cap Fund	19,412,621	21,257,676
EAFE (excluding Japan) Equity Index Fund	44,238,975	35,739,025
	<u>\$207,124,867</u>	<u>\$201,039,253</u>

The classification of investments in terms of portfolios and financial instruments allows the matrix presentation that follows:

Portfolios 1998					
Financial Categories	Short-term	Fixed-term	Domestic Equities	Intl. Equity	Total
Short-term investments	\$ 1,622,226	\$ 13,671,999	\$ 43,365		\$ 15,337,590
U.S. Government and agency issues	16,332,403	46,581,164			62,913,567
Corporate bonds	11,017,363	40,894,126			51,911,489
Municipal bonds		654,204			654,204
Miscellaneous bonds	9,169,904	9,145,174			18,315,078
Common stock			182,300,829	62,273,752	244,574,581
Total	\$38,141,896	\$110,946,667	\$182,344,194	\$62,273,752	\$393,706,509

Portfolios 1997					
Financial Categories	Short-term	Fixed-term	Domestic Equities	Intl. Equity	Total
Short-term investments	\$ 5,007,248	\$15,569,624	\$ 9,798		\$ 20,586,670
U.S. Government and agency issues	15,573,940	46,970,645			62,544,585
Corporate bonds	18,555,701	24,492,684			43,048,385
Municipal bonds		728,880			728,880
Miscellaneous bonds		9,098,841			9,098,841
Common stock			165,303,461	41,872,022	207,175,483
Total	\$39,136,889	\$96,860,674	\$165,313,259	\$41,872,022	\$343,182,844

5. Investments (Continued)

These tables facilitate the understanding of the composition and nature of the investment structure of the Fund. Also, the listing of investment assets in the Statement of Net Assets available for Benefits follows the classification by financial instruments in full compliance with generally accepted accounting principles.

6. Investment Valuation

Common stocks and bonds are valued at fair market value measured by the quoted price of the active market on which the security is traded as of the latest trade date prior to year end.

Any asset not traded on an active market such as thinly traded issues are valued by either obtaining a price from their issuer, a reputable private dealer, or from pricing specialists. Quoted prices in active markets or prices otherwise determined are provided by The Northern Trust Company. Net appreciation (depreciation) for the years ended December 31, are as follows:

	<u>1998</u>	<u>1997</u>
United States government and agency obligations	\$ 1,420,311	\$ 1,950,148
Corporate bonds	334,595	459,525
Municipal bonds	(12,181)	7,550
Miscellaneous bonds	192,844	111,614
Common stocks	44,537,624	45,770,417
	<u>\$ 46,473,193</u>	<u>\$ 48,299,254</u>

7. Plan Termination

If the Plan is terminated, every participant, regardless of length of participation, is entitled to all the contributions credited to his or her account and the increment thereon.

Except to correct any actuarial errors, no part of the contributions to the Fund made by the General Secretariat of the OAS or any other affiliated institution, or of the increment thereon, shall revert to the general funds of the institutions or be used for any other purpose than the exclusive benefit of the participants or their beneficiaries.

8. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments, including lump sum distributions, that are attributable under the Plan's provisions to the participants or their beneficiaries. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, and (b) present employees or their beneficiaries. The actuarial present value of accumulated plan benefits is determined by the consulting actuaries, Buck Consultants.

The significant assumptions used in the valuation as of December 31, 1998, 1997, and 1996, were (a) life expectancy of participants (United Nations Mortality Tables - males 1990 table and female 1982 table); (b) retirement assumptions (assumed 1.3% - 6.3% for ages fifty-five to sixty-four with fifteen or more years of participation, 75% - 90% for ages sixty-five to sixty-nine with fifteen or more years of participation or immediately if older than sixty-nine); (c) investment return (an assumed annual rate of return of 8.5%, of which 5.5 points assumed credited annually to participants' accounts); (d) retirement benefit election (20% of participants who entered the Plan prior to January 1, 1982, and 100% of subsequent participants elect pensions upon retirement, with all such individuals commuting one-third of their benefits, the remaining assumed to elect full commutation); (e) future cost-of-living adjustments to pensions and all cost-of-living granted to prospective pensioners will be funded by the Plan, and (f) operational costs of 0.4%.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present value of accumulated Plan benefits, and benefit information for December 31, 1998, 1997 and 1996 are shown in the following table:

	December 31		
	1998	1997	1996
	(in thousands)		
Actuarial present value of accumulated plan benefits			
Vested benefits:			
Participants	\$181,601	\$174,712	\$159,059
Present value of termination benefits not included in assets	-	-	29,692
Pensioners	36,821	38,139	35,444
Total vested benefits	218,422	212,851	224,195
Non-vested benefits	15,696	15,234	13,873
Total actuarial present value of accumulated plan benefits	\$234,118	\$228,085	\$238,068

8. Actuarial Present Value of Accumulated Plan Benefits (Continued)

The reconciliation shown below sets forth the reasons for the increase in the total actuarial present value of accumulated Plan benefits between 1997 and 1998.

	December 31	
	1998	1997
	(in thousands)	
Total actuarial present value of accumulated Plan benefits at beginning of the year	\$228,085	\$238,068
Increase (decrease) attributable to:		
Interest earned on accumulated Plan benefits	18,159	17,727
Benefits paid	(28,866)	(59,039)
Benefits accumulated	16,740	31,329
Total actuarial present value of accumulated Plan benefits at end of the year	\$234,118	\$228,085

9. Equity in the OAS Treasury Fund

All United States dollars available for use in carrying out the activities of the various funds of the General Secretariat of the OAS are consolidated in the Treasury Fund, in which the Retirement and Pension Fund maintains an equity to the extent of its cash balance. The Treasury Fund is administered by the General Secretariat and the interest earned is added to the equity of the Retirement and Pension Fund in proportion to its equity balance.

10. Money Market Account

The Retirement and Pension Fund has an operational money market account with Merrill Lynch from which liquidation and annuitant payments are made. This account is considered to be part of the investment portfolio maintained by the Fund and is included as part of cash and cash equivalents when calculating the investment allocation in accordance with the investment policy guidelines established by the Retirement and Pension Committee.

11. Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

11. Year 2000 (unaudited) (Continued)

The Organization has completed an assessment and is in the process of modifying or replacing portions of its software and equipment so that its computer systems will function properly with respect to dates in the year 2000 and after. The project is estimated to be completed no later than October 31, 1999.

The Organization believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made to the remaining Year-2000 non-ready systems, or are not completed timely, the Year 2000 Issue is not anticipated to have a material impact on Plan operations.

SECTION VII
FINANCIAL STATEMENTS
OF THE INTER-AMERICAN DEFENSE BOARD
WITH
REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of External Auditors
Inter-American Defense Board

We have audited the accompanying statements of financial position of the Inter-American Defense Board (the Board) as of December 31, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Inter-American Defense Board at December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

February 23, 1999

ORGANIZATION OF AMERICAN STATES

INTER-AMERICAN DEFENSE BOARD STATEMENTS OF FINANCIAL POSITION

	December 31	
	1998	1997
Assets		
Current assets:		
Cash and cash equivalents	\$ 301,471	\$ 237,812
Prepaid expenses and other assets	30,147	54,092
	<u>331,618</u>	<u>291,904</u>
Property and equipment, at cost: (Note 7)		
Furniture and equipment	593,313	984,167
Less accumulated depreciation	238,442	610,513
	<u>354,871</u>	<u>373,654</u>
Total assets	<u>\$ 686,489</u>	<u>\$ 665,558</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 116,727	\$ 206,552
Accrued leave (Note 2)	185,799	162,475
	<u>302,526</u>	<u>369,027</u>
Unrestricted net assets	383,963	296,531
Total liabilities and net assets	<u>\$ 686,489</u>	<u>\$ 665,558</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

INTER-AMERICAN DEFENSE BOARD STATEMENTS OF ACTIVITIES

	Year ended December 31	
	1998	1997
Revenue:		
Funding received from the Organization of American States (Note 5)	\$ 2,174,500	\$ 2,500,000
Interest and other income	41,806	32,760
Total revenue	2,216,306	2,532,760
Expenses:		
Personnel	1,251,367	1,756,769
Building and maintenance	61,859	109,509
Equipment and supplies	150,182	161,797
Other general and administrative	153,596	146,148
Travel	55,605	68,722
Depreciation	95,115	67,343
Documents	85,033	54,297
Contracts	276,117	83,677
Total expenses	2,128,874	2,448,262
Change in net assets	87,432	84,498
Unrestricted net assets at beginning of year	296,531	212,033
Unrestricted net assets at end of year	\$ 383,963	\$ 296,531

See accompanying notes

ORGANIZATION OF AMERICAN STATES

INTER-AMERICAN DEFENSE BOARD STATEMENTS OF CASH FLOWS

	Year ended December 31	
	1998	1997
Operating activities		
Change in net assets	\$ 87,432	\$ 84,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	95,115	67,343
Changes in operating assets and liabilities:		
Decrease in prepaid expenses and other assets	23,945	20,527
(Decrease)/increase in accounts payable	(89,825)	192,685
Increase/(Decrease) in accrued leave	23,324	(29,904)
Net cash provided by operating activities	139,991	335,149
Investing activities		
Purchase of property and equipment	(76,332)	(277,408)
Net cash used in investing activities	(76,332)	(277,408)
Net increase in cash and cash equivalents	63,659	57,741
Cash and cash equivalents at beginning of year	237,812	180,071
Cash and cash equivalents at end of year	\$ 301,471	\$ 237,812

See accompanying notes

ORGANIZATION OF AMERICAN STATES

INTER-AMERICAN DEFENSE BOARD NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1997

1. Organization

The Inter-American Defense Board (the Board) was established on March 30, 1942 and was designated, by executive order, as a public international organization on March 26, 1951. The Board is comprised of military officers representing the highest echelons of their nations' defense establishments. Its mission is to maintain the collective self-defense of the Western Hemisphere with peace and security as primary objectives.

The Inter-American Defense College was established in 1962 as a sub-organization of the Board. Its primary goal is the preparation of future military and civilian leaders for their role in hemispheric security.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents - The Board considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Depreciation - Depreciation expense is recognized using the straight-line method over the estimated useful life of the assets. The useful life of furniture and printing equipment is estimated at ten years; and the estimated life of other equipment is five years.

In-Kind Contributions - Significant contributions are received by the Board from the Organization of American States (OAS) and member countries in the form of use of facilities, services of military personnel and air transportation. No amounts are recorded in the accompanying financial statements relating to the use of such facilities or services since the Board deems it impractical to measure the value of such contributions.

Employee Benefits - The Board provides certain benefits to its employees, which accrue to them during periods of employment and are payable upon separation. All employees are entitled to accrued vacation; certain other employees receive terminal pay, merit awards and special leave. The payments made during 1998 and 1997 for these benefits amounted to approximately \$22,294 and \$177,000, respectively.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes - The Board is a public international organization and, as such, is exempt from paying income tax.

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. Pension Plan

Substantially all of the employees of the Board participate in a contributory multi-employer pension plan administered by the Retirement and Pension Committee of the OAS. Contributions to the plan by the Board and employees are based on fixed percentages of annual pensionable salaries. Pension expense approximated \$155,889 and \$202,000 in 1998 and 1997, respectively.

5. Funding

The Board is an affiliated agency of the OAS and as such receives a substantial portion of its funding through OAS appropriations; however, the two organizations maintain separate management structures.

Funding received from the OAS in the form of direct cash contributions decreased from \$2,500,000 in 1997 to \$2,174,500 in 1998. The OAS has currently appropriated \$2,159,900 for 1999. The Board relies upon the OAS for funding substantially all of its operating activities and is dependent upon the continued financial support of the OAS.

The headquarters of the Board is housed in a building owned by the General Secretariat of the OAS; therefore, expenditures incurred for building renovation and improvements are not capitalized by the Board.

Using its 1998 funding from the OAS, the IADB entered into a service contract and purchased equipment at year end. IADB received these services and equipment subsequent to December 31, 1998.

6. Program Expenses

The Board incurred approximately \$1,192,147 and \$1,210,430 in 1998 and 1997, respectively, related to the Inter-American Defense College. All other expenses incurred were classified as General and Administrative Expenses.

7. Property and Equipment

IADB performed a physical inventory during 1998. Obsolete and non-serviceable items with acquisition cost of \$467,186, which were fully depreciated, were written off from the financial records.

8. Impact of Year 2000 (unaudited)

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Board's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, and invoices, or engage in normal business activities.

The Board has substantially completed an assessment and a process of modifying or replacing portions of its software and equipment so that its computer systems will function properly with respect to dates in the year 2000 and after.

SECTION VIII
FINANCIAL STATEMENTS
OF THE TRUST FOR THE AMERICAS
WITH
REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Board of External Auditors
Organization of American States

We have audited the accompanying statements of financial position of the Trust for the Americas Fund (the Fund) as of December 31, 1998 and the related statement of activities and cash flows for the period from November 13, 1997 (inception) to December 31, 1998. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust for the Americas Fund at December 31, 1998, and the results of its operations and its cash flows for the period from November 13, 1997 (inception) to December 31, 1998 in conformity with generally accepted accounting principles.

Ernst & Young LLP

April 8, 1999

ORGANIZATION OF AMERICAN STATES

**THE TRUST FOR THE AMERICAS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1998**

Assets	
Cash	\$ 3,230
Total assets	<u>\$ 3,230</u>
 Liabilities and net assets	
Accounts payable	230
Unrestricted net assets (Note 2)	3,000
Total liabilities and net assets	<u>\$ 3,230</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

THE TRUST FOR THE AMERICAS STATEMENT OF ACTIVITIES NOVEMBER 13, 1997 (INCEPTION) TO DECEMBER 31, 1998

Revenue:

In-kind contributions (Note 2)	\$	270,704
Contributions from corporate donors (Note 2)		4,770
Dividend income		10
Total revenue		<u>275,484</u>

Expenses:

In-kind expense (Note 2)		270,704
Administrative and other expenses		1,780
Total expenses		<u>272,484</u>

Increase in net assets		3,000
Unrestricted net assets at beginning of period		-
Unrestricted net assets at end of period	\$	<u>3,000</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

**THE TRUST FOR THE AMERICAS
STATEMENT OF CASH FLOWS**

NOVEMBER 13, 1997 (INCEPTION) TO DECEMBER 31, 1998

Operating activities	
Change in net assets	\$ 3,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts payable	<u>230</u>
Net cash provided by operating activities	<u>3,230</u>
Net increase in cash	3,230
Cash at the beginning of the period	<u>-</u>
Cash at the end of the period	<u><u>\$ 3,230</u></u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

THE TRUST FOR THE AMERICAS NOTES TO THE FINANCIAL STATEMENTS NOVEMBER 13, 1997 (INCEPTION) TO DECEMBER 31, 1998

1. Organization

The Trust for the Americas (the Trust) was created in 1997 as a non-profit entity, incorporated in the District of Columbia. The Trust serves the Organization of American States (OAS) as an entry point to expand hemispheric cooperation and enhance economic development by providing a channel for information, services, goods and funds.

In addressing central goals of the OAS, and in response to the Summits of the Americas, the Trust mobilizes resources to confront the problems posed by extreme poverty and to promote democracy through actions that are environmentally, economically, and socially sustainable, and that foster public participation, particularly of groups heretofore excluded from the international dialogue.

The operations of the Trust began in fiscal year 1998 with the principal focus on establishing the framework within which to begin program activities. Funding to establish the Trust was provided by the Inter-American Council for Integral Development (CIDI) through a specific fund created to finance CIDI programs which strengthen partnerships with private enterprises and foundations. An initial grant of \$250,000 was made by the U.S. to foster this specific initiative.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to the Trust, the Trust's accounts are classified for accounting and reporting into funds established according to their nature and purposes. In the financial statements, funds that have similar characteristics have been combined into three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.