



General Secretariat

Organization of American States



Report to the Permanent Council
of the
Organization of American States

**AUDIT OF ACCOUNTS AND
FINANCIAL STATEMENTS
DECEMBER 31, 2001
AND 2000**

By the
Board of External Auditors

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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.



General Secretariat
Organization of American States



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2002



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 5, 2002

To the Permanent Council of the
ORGANIZATION OF AMERICAN STATES

The Board of External Auditors (the "Board") is pleased to present its Annual Report on the external audit of the accounts and financial statements of the ORGANIZATION OF AMERICAN STATES ("OAS") and its related entities in accordance with Article 117 of the *OAS General Standards* which govern the operations of the General Secretariat and, generally, OAS' related organizations. Our Report covers the year ended December 31, 2001. Except where noted otherwise, the latest OAS' and related entities' financial statements are prepared or restated in a comparative format with the year ended December 31, 2000. This Report also includes the following.

- Comments and recommendations by the Board for improving the OAS' and its related entities' operating procedures and internal accounting controls.
- Audit of the accounts and financial statements of the Regular Fund and Specific Funds of the OAS.
- Audit of the accounts and financial statements of the Rowe Memorial Benefit Fund and Leo S. Rowe Pan American Fund ("Rowe Funds"). The audit and financial statements of Rowe Memorial covers both 2000 and 2001.
- Audit of the accounts and financial statements of the Planning for Adaptation to Global Climate Change Project. This audit was performed in Barbados - 2001 will be final year for this 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 (“IADB”).
- Audit of the accounts and financial statements of the Unit for the Promotion of Democracy (“OAS/UPD”).
- Audit of the 2000 and 2001 financial statements of the Trust of the Americas (the “Trust”) for the two years ended in 2001.
- Audit of the Medical Benefits Fund.

The Board's Report is based primarily on the audits conducted by Arthur Andersen LLP, independent public accountants, which were performed in accordance with generally accepted auditing standards. The Board reviewed and discussed the audit work and related workpapers with representatives from Arthur Andersen. In preparing this Report, the Board has also considered the 12 reports of the OAS Inspector General issued during 2001, and discussions with the Inspector General and OAS management officials.

The OAS Regular Fund and Specific Funds included in this Report represent the financial activity for the year ended December 31, 2001, on a comparative basis with the year ended December 31, 2000. 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.

The Arthur Andersen opinions, as they pertain to the financial statements of the above entities for the year ended December 31, 2001, are expected to be unqualified (a so-called “clean opinion”), which is the best possible outcome of the independent audit process.

Based on the opinions rendered by Arthur Andersen on the forgoing financial statements, the Board certifies in accordance with Article 119 of the *OAS General Standards* which govern the operations of the General Secretariat that:

- The 2001 financial statements of the OAS Regular Fund and Specific Funds, the Rowe Funds, the Planning for Adaptation to Global Climate Change Project, the

Retirement and Pension Fund, IADB, OAS/UPD, Trust, and Medical Benefits Fund agree with the books, records, documents, and vouchers of the General respective entities.

- The securities and cash on deposit of the foregoing entities for 2001 have been verified by Arthur Andersen by means of confirmation from respective depositories and safe-keeping institutions, 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 Arthur Andersen's opinion on compliance with the General Standards which govern the operations of the General Secretariat. In addition, our Report contains a number of recommendations designed to improve OAS' and its related entities' operating procedures and internal accounting controls both at Headquarters and at the National 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".

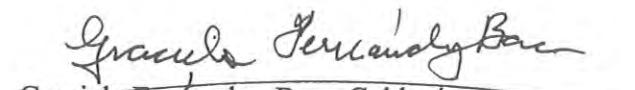
This Report is submitted in accordance with Article 124.

As of December 31, 2001, the OAS Regular Fund had a positive fund balance of \$22.8 million which was an increase of \$14.1 million from the December 31, 2001, positive fund balance of \$8.7 million. Excluding \$2.2 million long-overdue Cuba Quotas, Quota collections in the OAS Regular Fund during 2001 totaled \$85.6 million (\$45.1 million of the current year assessment and \$40.5 million of prior years' cumulative arrearages collected). Uncollected quota balances at December 31, 2001, total \$31.5 million, as compared to \$43.3 million at December 31, 2000.

The Members of the Board wish to express their appreciation for the cooperation of the General Secretariat in facilitating its work, and to the General Assembly and Permanent Council for the opportunity to assist in evaluating the financial operations and management of the OAS. The Board has a number of recommendations on these entities which merit serious attention of the General Assembly and the Permanent Council.


Bert T. Edwards
Chair


Emma Hippolyte
Member


Graciela Fernandez-Baca Calderón
Member

ORGANIZATION OF AMERICAN STATES

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SECTION I

**COMMENTS AND RECOMMENDATIONS
TO IMPROVE OPERATING PROCEDURES
AND
INTERNAL ACCOUNTING CONTROLS**

**SECTION I
CHAPTER 1**

**COMMENTS RELATING TO THE
GENERAL SECRETARIAT**

CHAPTER 1

COMMENTS RELATING TO THE GENERAL SECRETARIAT

This Chapter addresses Board issues, concerns and recommendations that it wishes to bring to the attention of the Secretary General, General Assembly and Permanent Council regarding the General Secretariat. Following the summary of the financial condition of the Regular Fund, Specific Funds, and special contributions of the OAS, the Chapter addresses the OAS management initiatives undertaken to implement Board recommendations contained in last year's Report as well as new issues of concern to the Board.

OAS Regular Fund Financial Condition

The major objective of the Regular Fund, financed principally (95%) by quotas of Member States and the 5% balance from miscellaneous sources, is to provide general services required by the General Secretariat, as well as technical supervision and administrative support to the General Assembly, Permanent Council, Inter-American Commission of Human Rights, Inter-American Commission of Women, Inter-American Judicial Committee, Inter-American Children Institute, Inter-American Court of Human Rights, Inter-American Drug Abuse Control Commission, and Inter-American Communications Commission.

The OAS Regular Fund ending fund balance as of December 31, 2001, improved over prior years. As of December 31, 2001, the Regular Fund had a fund balance of \$22.8 million compared to a fund balance of \$8.7 million at December 31, 2000. The increase in the fund balance is principally attributable to quota arrearage reductions by several Member States.

Since the Regular Fund is the only source of funding available to address financial issues across the OAS, it is important for the Regular Fund to have a fund balance to meet unanticipated needs. Changes in the Regular Fund are summarized below (\$ millions).

<u>Operating Results</u>		<u>Fund Balance</u>	
	–	12/31/96 – Surplus	\$ 5.5
1997 + 1998	– Deficit \$ (6.4)	12/31/98 – Deficit	\$ (0.9)
1999	– Deficit \$ (3.7)	12/31/99 – Deficit	\$ (4.6)
2000	– Surplus \$ 13.3	12/31/00 – Surplus	\$ 8.7
2001	– Surplus \$ 14.1	12/31/01 – Surplus	\$22.8

Quota collections for 2001 compared to the two prior years are summarized below (\$ millions).

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Uncollected, beginning of year	\$45.5	\$55.2	\$49.0
Quota Assessments	73.7	73.7	73.7
Collections	<u>(85.6)</u>	<u>(83.4)</u>	<u>(67.5)</u>
Uncollected, end of year	<u>\$33.6</u>	<u>\$45.5</u>	<u>\$55.2</u>

Of the total \$85.6 million quota collections during 2001, 53% are the current year assessment and 47% of prior years' cumulative arrearages. The change in the OAS Regular Fund fund balance is primarily due to improved collection of quotas during the year. There was no significant increase in arrears of any Member State during 2001.

Comments Regarding the 2000 Annual Report

The Board is pleased to note that the Executive Summary of financial issues added by OAS management to the 2000 financial statements, together with graphs explaining a number of other significant financial activities of the Regular Fund and other OAS entities, was well received by readers and users of the OAS financial statements. The Board has received a number of positive comments on the 2000 Annual Report and encourages OAS management to continue clarifying OAS financial information with charts, graphs, photographs and use of color as appropriate. The transparency of financial information and management performance increases the understanding and confidence of Member States as well as current and future donors.

Comments Regarding Legal Matters

A number of ongoing legal issues presently confront the OAS. However, the 2001 OAS Legal and the Retirement and Pension Fund Legal Representation Letters, provided to Arthur Andersen LLP by the OAS Department of Legal Services as an integral part of the audit, indicate that there are no significant legal matters that impact the financial statements contained in this report.

Arthur Andersen LLP - Independent Auditors' Opinions

As discussed throughout this Report, the independent auditors expressed unqualified ("clean") opinions, the best possible audit results, on the following 2001 financial statements.

- OAS Regular Fund and Specific Funds
- Inter-American Agency for Cooperation and Development ("IACD")
- Trust for the Americas ("the Trust")
- Leo S. Rowe Pan American Fund ("Rowe Pan American")
- Rowe Memorial Benefit Fund ("Rowe Memorial")
- Unit for Promotion of Democracy ("UPD")
- Retirement and Pension Fund
- Inter-American Defense Board Fund ("IADB")
- Medical Benefits Trust Fund ("Medical Benefits")
- Planning for Adaptation to Global Climate Change Project ("the Project")

The auditors expressed a "clean" opinion on the 2001 financial statements of the Trust for the Americas. There was no audit for 2000, but the 2001 audit was performed covering both years 2000 and 2001.

The Rowe Memorial also was not audited in 2000. The 2001 audit covers both years 2000 and 2001.

For 2000, the Planning for Adaptation to Global Climate Change Project, engaged Pricewaterhouse Coopers LLP for its annual audit. For 2001, the audit was performed by an Arthur Andersen LLP affiliate in Barbados. Unless current circumstances change, the Project is in its final year of operations with approximately \$25,000 in net assets.

The auditors' opinions on the forgoing ten entities' financial statements are included in Sections II through IV of this Report.

Internal Control Environment – Independent Auditors’ Management Letters

While “clean” opinions were rendered by the independent auditors on the above financial statements for the period ending December 31, 2001, the Management Letters, submitted by Arthur Andersen LLP in accordance with generally accepted auditing standards, noted several important changes in the internal control environment.

- **Rowe Pan American Fund** – For 2000, Ernst & Young LLP cited two “reportable conditions” for the Rowe Pan American Fund. The reportable conditions were (1) documentation of specific responsibilities of the Fund’s Management Committee, IACD and OAS (each of which have roles in overall management), and (2) determination of the remitting borrowers for payments not readily identified by borrower during 2000. These reportable conditions were satisfactorily addressed during 2001. Respective management responsibility for this Fund has been clarified for each of the three entities, and administration of the loans was transferred to the OAS Staff Federal Credit Union in early 2002 with OAS employees overseeing the reconciliation and financial reporting responsibilities for the loans. While the Rowe Fund/IACD fellowships (and loan) operations study, which the Board requested in its 2000 Report was not undertaken in 2001, the Rowe Committee advised the Board that it will contract for a study in due course.
- **IACD** – Although IACD agreed to utilize Oracle Financials as recommended by the Board last year, IACD did not convert to the Oracle Financials system until early in 2002 following installation of Oracle Version 11i. The remediation plan that was intended to address issues raised by Ernst & Young LLP in 2000 did not meet all goals established by IACD. While progress was made, the financial and administrative management infrastructure was inadequate for most of 2001. Consequently, Arthur Andersen LLP determined that the “material weakness,” initially cited by Ernst & Young LLP in 2000, continued for 2001. In addition, Arthur Andersen is citing IACD with a “reportable condition” for the Central American Projects, which were not maintained in accordance with the OAS General Standards.
- **Trust For the Americas** – While the Trust for the Americas complied with the Board recommendation to produce financial statements for both 2000 and 2001, Arthur Andersen LLP cited the Trust with a “reportable condition”. The reportable condition was based on (1) the difficulty recreating the financial statements for the 2000-2001 two-year period being audited, due to inadequate maintenance of the general ledger, and (2) records and documentation needed to produce the required financial statements in accordance with generally accepted accounting principles (“GAAP”) for the years ended December 31, 2000 and 2001, were either difficult to locate or could not be located.

Material weaknesses and reportable conditions are *serious matters* which warrant the attention of the Secretary General, General Assembly and Permanent Council. These terms have universal meaning in the world-wide financial, regulatory and banking communities, and are defined below.

- **Material Weakness** – “A condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.”
- **Reportable Condition** – “Matters relating to significant deficiencies in the design or operation of the internal control that, in the auditor’s judgement, could adversely affect an organization’s

ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.”

Prior-Year Issues

In its 2000 Report, the Board discussed several issues and provided specific recommendations to address them. For the most part, the Board is satisfied with General Secretariat and officials administering the Rowe Pan American Fund, Retirement and Pension Fund, and the Office of Inspector General. These organizations made a substantial effort to address Board recommendations to the extent resources or other circumstances would allow. A status of Board Recommendations for 2000 is summarized below.

STATUS OF BOARD RECOMMENDATIONS

<u>Organization</u>	<u>Number of Board Recommendations</u>	<u>Resolved</u>	<u>Unresolved</u>
OAS/General Secretariat	9	6	3
Inter American Agency For Cooperation and Development	4	1	3
Trust For the Americas	2	2	0
Leo S. Rowe Pan American Fund	1	1	0
Retirement and Pension Fund	5	4	1
Office of Inspector General	4	2	2
Inter-American Defense Board	1	0	1
Inter-American Court for Human Rights	1	1	0
Planning For Adaptation to Global Climate Change Project	<u>1</u>	<u>1</u>	<u>0</u>
Total	<u>28</u>	<u>18</u>	<u>10</u>

Unresolved Recommendations and New Issues

The following describes the unresolved recommendations from 2000 and new issues that have occurred in 2001. In some instances, the Board has revised unresolved 2000 recommendations to accommodate changing circumstances. In other areas, the Board will reaffirm the need to address the original recommendation.

Quota Allocations and Available Budgetary Resources

With annual quotas fixed at \$73.7 million for the past several years, the OAS has undergone a continuing decline in resources available for administration and management of OAS operations. Administrative budgets have remained flat or declined despite the requirement, during 2001, to match United Nations staff salary increases and impact of the inflation rate, for recent years, for the Headquarters operations in the United States and throughout the Hemisphere. While a reduction in the arrears of Member States has contributed to increased fund balances in the OAS Regular Fund, this trend cannot indefinitely continue and there is a creditable need to continue investing in new technologies and maintaining and improving skills of employees (human capital).

Three of the Board’s 2000 unresolved recommendations were related to available budget resources. Training resources are seriously deficient for the maintenance of a modern workforce and resources are needed

for maintaining a professionally trained Inspector General Staff in its role to support internal controls. Similarly, the Board's operating budget, which also supports the OAS internal control process, was not addressed. However, with the reduction in audit costs through a competitive bid, the Board considers the 2003 proposed budget to be appropriate.

I.1 – Given the need to address prior-year Board recommendations that were constrained by available budgetary resources, the Board recommends that the Secretary General consider proposing a review of the \$73.7 million quota “cap” and the OAS governing bodies consider reexamining the quota allocation process.

2001 Material Weakness and Reportable Conditions

The Inter-American Agency for Cooperation and Development (“IACD”) has been cited with a material weakness for a second year in a row as well as two reportable conditions – one for IACD and the second for the Trust.

As noted earlier, one reportable condition is related to the financial management of the Central American Projects by IACD and the other is related to documentation and data for The Trust for the Americas. While IACD was established as a quasi-autonomous organization, it is currently under the OAS umbrella structure and, accordingly, reflects on the Secretary General, Permanent Council, and General Assembly. Efficient and effective management and administrative operations in both IACD and the Trust must be achieved. Future association with a material weakness and/or reportable condition is not appropriate, and IACD must immediately address this circumstance to recognize that it has a commitment to reflect a positive image as a constituent entity of the OAS.

I.2 – IACD actions to address the material weakness cited in 2000, although progress was achieved, were not sufficient to resolve the material weakness in the opinions of the 2001 auditors and the Board. Given the status and importance of the IACD under the OAS umbrella, the Board continues to recommend that IACD management prepare and commit to a remedial action plan that will resolve the material weakness and address the reportable conditions for the Central American Projects and Trust for the Americas.

OAS Management Control Over Decentralized Activities and Transition to Oracle Financials 11i

Over the past 30 years, the manner by which OAS conducts its activities has changed dramatically. Since OAS, may be viewed as the “parent” of these related entities by outside parties, OAS should establish controls to protect its interests and reputation. As OAS becomes an increasingly complex decentralized entity, there is the risk that OAS can lose control over its diverse activities. The OAS financial and administrative management is already complex, and continued use of different financial management systems and business processes complicates the process further. More importantly, each divestiture that occurs dilutes the efficiency of OAS financial management and system operations, particularly the investment in modernization and robust systems such as Oracle Financials. Finally, use of different financial systems increases the cost of the annual external audit and severely taxes resources of the Office of the Inspector General.

While there are numerous small organizations and groups under the OAS umbrella, the major OAS entities include the following.

- OAS General Secretariat
- Inter-American Agency for Cooperation and Development

- Trust For the Americas
- Leo S. Rowe Pan American Fund
- Rowe Memorial Benefit Fund
- Unit for Promotion of Democracy
- Retirement and Pension Fund
- Inter-American Defense Board Fund
- Planning for Adaptation to Global Climate Change Project
- Inter-American Court for Human Rights

The majority of individuals administering the above entities are in the United States within close proximity to the OAS F Street Office Building and the OAS Headquarters complex. However, the General Secretariat has employees in National Offices throughout North and South America as well as the Caribbean. Similarly, there are project managers for some OAS organizations at various locations and the Planning for Adaptation to Global Climate Change Project is located in Barbados, West Indies.

Centralized management of financial operations and transactions does not mean centralized management of policies and procedures related to project administration. While some standardization is required to maximize the economy and efficiency, centralized processing under a system such as Oracle Financials does not restrict individual OAS entities from performing managerial responsibilities under their OAS mandates or charters. If OAS is to reduce administrative costs and do more with less, the OAS must recognize that consolidation of administrative and financial functions is essential. However, this must be done without creating financial policies and procedures that are so complex that an individual employee cannot support multiple organizations.

Oracle Financials Version 11i (referred internally as OAS Enterprise System - OASES), is a web based operating system that is capable of connecting all OAS entities into a single OAS enterprise financial management system. Total OAS investment in OASES exceeds \$10 million for hardware, software, security, data conversion, and training. If the modules are properly configured to correctly move and associate financial data elements, OASES is capable of maintaining individual general ledger accounts for each OAS entity noted above. The Board understands that a major improvement in Version 11i is that the Project Management Module will be significantly more “user friendly.” Further, in its discussions with the OAS and related entities managers, the Board found no circumstances where OASES did not support a program or entity need and continues to support the decision to deploy OASES OAS-wide.

1.3 – Given the decentralized direction that OAS has undertaken over the last 30 years and the likelihood this trend will continue even though it tends to create duplicative and inefficient operations, the Board recommends that OAS continue implementing OASES and, over time, require all OAS entities under the OAS umbrella to use the system.

In its March 2000 Report, the Board recommended that all OAS entities that were not using Oracle Financials Version 10.7 abandon their existing systems and move to the Oracle Financials. Three Board recommendations that were not resolved in 2001 were related to this issue and the following entities did not adopt Oracle Financials.

- The Inter-American Defense Board (“IADB”)
- The Retirement and Pension Fund
- The Inter-American Court for Human Rights (“Court”)

While the Board continues to support the concept that a centralized financial management is in the best interests of OAS, the Board acknowledges that the foregoing OAS organizations would have to invest additional resources to make the OASES meet their management and reporting needs. The Retirement

and Pension Fund did not decline to utilize OASES in the future, but requested the Board recommendation reflected in the 2000 Report be deferred until Oracle Version 11i is firmly established.

Based on discussions with financial personnel, the Board concurs that the Court, based in Costa Rica and nearly 100% funded by OAS, can continue to use its current system; the Court has received annual audits. Similarly, IADB with substantial contributed in-kind assistance appears able to report its activities using its current system for the present.

1.4 – While the Board strongly recommends that all OAS entities utilize Oracle Financials system with the successful migration to Version 11i, the Board has concluded that it would not be appropriate to move the IADB, Retirement and Pension Fund and the Court to Oracle at this time. However, all new entities created in the future should be required to use the OASES, which is currently Oracle Financials Version 11i.

Oracle Financials Version 11i is a complex and dynamic system that should support all OAS needs if properly configured and implemented. In 2000, the Board extensively reviewed the migration plan for Oracle Version 11i compiled by the Department of Management Analysis, Planning and Support Services (“MAPSS”). At the time, the Board noted that the MAPSS plan appeared ambitious, but achievable, with effective management leadership and internal cooperation among all participants. The Board noted that the migration would require *substantial* commitment.

The migration to Oracle Version 11i has not gone as smoothly as planned. Preliminary findings by the OIG indicate that initial attempts to configure and install Version 11i were not conducted properly. This resulted in some user dissatisfaction and concern with the installation of Oracle Version 11i. The Board discussed this at length with the Inspector General and Secretariat for Management. Both groups assured the Board that the problems had been identified and installation was continuing. However, additional financial resources may be necessary to fully realize the installation and maintenance of the new Version 11i.

1.5 – The Board is concerned with a successful migration to Oracle Financials Version 11i and recommends that (1) all users receive appropriate training on Version 11i, (2) OIG continue to participate in monitoring installation, (3) progress reporting on the migration plan be prepared by MAPSS and discussed with the financial and project managers of the General Secretariat and OAS related entities affected, and (4) General Secretariat ensure that sufficient resources be made available to ensure successful installation of Oracle Financials, Version 11i and to closely monitor MAPSS progress.

Staffing Skills and General Business Processes

As noted above, the quota cap for the past several years imposed the requirement to implement spending reductions throughout the OAS. One casualty of these reductions relates to OAS initiatives to establish an employee evaluation process and ensure all employees are properly and professionally trained. While significant steps were taken to improve employee evaluation and performance during 2001, budgetary constraints and employee turnover in critical positions slowed the initiative. The Board continues to support the efforts of the Department of Human Resources Services (“DHRS”) to institutionalize an annual employee appraisal and training processes, which fell into disuse a number of years ago. Similarly, managerial employees failing to submit evaluations or attend the prescribed recommended training should have this noted in their own annual evaluations.

1.6 – The Board reaffirms its 2000 recommendation that DHRS implement its professional training accomplishments documentation initiative to determine which specific training opportunities each employee has experienced and should receive in the near term.

Human capital for professional organizations like OAS is among OAS' most significant asset even though it is not recorded in the financial statements. OAS must have a continuing training program to maintain and upgrade skills of the employees as OAS implements new technologies. The world is a changing place with the introduction of new technologies and management structures to deal with them. This is particularly important for a range of complex disciplines, but particularly critical for employees responsible for using and operating OASES, professional employees such as attorneys and accountants, and those employees handling activities controlled by new technology. In this regard, on-the-job training may not be appropriate for all OAS training requirements and external training requiring budgetary resources may be necessary.

1.7 – The Board recommends that the 2002 budget for training (\$43,000) be reviewed since this is clearly insufficient to maintain the OAS investment in its human capital.

1.8 – The Board recommends that the OAS explore non-traditional training options now that new technology, such as distance learning via the Internet and video conferencing, are more widely available. While specific training requirements will have to be identified for individual employees, the Internet and other modern technologies may be underutilized options that can accommodate a requirement for precious budgetary resources.

Status of National Offices

For several years, the status of the National Offices has been a significant issue for OAS. During 1999, five national offices were identified for closure. Of these five, three offices were closed. In the 2000 Report, the Board recommended that a definitive decision be reached on the status of the various National Offices to include a timetable showing which Offices will remain open and which will close in the coming years. The Board understands that this decision must be made jointly between the host country and the Secretary General, and dialog has begun in this area.

The future role and responsibilities of the National Offices has to be more clearly understood as OAS begins to design and implement the most efficient way to include National Office transactions under the web based OASES. During the OIG's work for 2001, National Offices in El Salvador, Honduras, Grenada, Guyana, and Jamaica were visited. Common issues were again noted in the prompt reporting of transactions, accounting for fixed assets, documentation for disbursements and receipts, and coordination of Rowe Pan American Fund loan repayment information. Without a clear understanding of the status of the National Offices in the coming months, the Board has serious doubts that OAS management will effectively and efficiently incorporate National Office requirements into OASES.

1.9 – For the National Offices that will remain open, the Board recommends that local OAS personnel be given sufficient guidance on the OASES duties and responsibilities that will be performed.

1.10 – With the introduction of Oracle Version 11i, the Board is concerned that the National Offices will need training and support. The Board therefore recommends that requirements be developed for institutionalizing OAS business processes at the National Office level and such processes be documented in a revised Field Manual.

Implementation of Reporting In-Kind Contributions

OAS and its related entities receive substantial in-kind support in the form of loaned executives whose salaries and benefits are paid by donor Member States and others, facilities made available at little or no cost (including sometimes maintenance, repairs, and utilities), and similar support. This is particularly true of the Inter-American Defense Board, which receives about two-thirds of its personnel, and the head-

quarters offices on 16th Street, NW, and the training facility at Fort McNair on an in-kind basis.

Generally accepted accounting principles have evolved over the years for such activities, and, in the United States, in-kind support, which otherwise would have been required to be purchased if not contributed, is now required to be reported as both revenue and an offsetting cost. United States standards-setting bodies – Financial Accounting Standards Board for the private and nonprofit sectors, Governmental Accounting Standards Board for state and local governmental units, and the Federal Accounting Standards Advisory Board for U.S. governmental entities – have each ruled on this principle.

The degree of materiality of contributed in-kind goods and services varies among OAS and its related entities. Nonetheless, the Board believes for several reasons that each OAS entity should commence to accumulate the in-kind contributions of support of all types and, if material to the financial statements, record this in-kind support. Since OAS allocates costs of common services to participating benefited entities, this information is particularly important to provide equitable cost-sharing formulas based on economic activity.

I.11 – The Board recommends that each OAS entity accumulate its in-kind contributions and, if material, plan to record such data in the respective financial statements beginning in 2002. Each entity should also develop an appropriate footnote disclosure for its in-kind accounting policies.

Documentation of Status of the OAS Related Special Entities

During its meeting, the Board became aware of several entities which assist the OAS in project fundraising and other areas. These include the Friends of the Art Museum of the Americas, the Model General Assembly, and various foundations. Some of these entities operate within OAS facilities and/or are staffed by OAS employees. While the Board is not aware of any issues in recent years involving these entities, it is prudent for OAS to have current information on them if issues arise.

I.12 – The Board recommends that OAS maintain a current file for each related entity consisting of Certificate of Incorporation (or Articles of Association if unincorporated), By-laws, list of current Officers and Directors/Trustees, the U.S. Internal Revenue Service exemption letter (if appropriate), and other pertinent information.

Board of External Auditors 2002 Regular Fund Budget

During its April 2002 deliberations, the Board reviewed the proposed budget MAPSS identified for 2003. On an annual budgetary cycle, the Board currently estimates that approximately \$341,000 is needed to convene the Board and cover the audit services. This is less than the cost incurred for the 2001 Board which exceeded \$500,000. The substantial cost reduction is primarily attributed to the decision to competitively seek a new auditor beginning in 2001. The audit fee paid to Arthur Andersen for the OAS Regular Fund and Specific Funds is currently \$103,280. Additional audit fees are paid for audits for IACD, Rowe Pan American, Rowe Memorial, IADB, Medical Benefits Fund, and the Retirement and Pension Fund.

The \$154,500 budget reviewed by the Board covers the \$103,280 audit fee and expenses for convening the Board, supporting the Assistants and preparing the Board Report. It also covers the cost of printing and distributing the Report. The audit costs for IACD, Rowe Pan American, Rowe Memorial, IADB, Medical Benefits, and Retirement and Pension Fund are not included in the Board's Regular Fund budget. The costs for these areas are projected to be \$182,000 in 2002.

I.13 – With audit fee contributions from IACD, Rowe Pan American, Rowe Memorial, IADB, Medical Benefits Fund, and Retirement and Pension Fund, the Board considers 2003 budget estimate of

\$154,500 appropriate to convene the Board in 2003. However, should there be another competitive bid process to replace the current auditors, the OAS General Secretariat may need to review the Board's budget to accommodate any audit fee changes that may occur.

Engagement of Arthur Andersen LLP for 2001 Audits and Continuation of Its Engagement for 2002 and 2003

Management determined to resolicit for independent public accounting services for the 2001 year following employment of Ernst & Young LLP since about 1988 through 2000. The Board concurred in this decision since periodic resolicitation insures both acceptable service and service at a competitive cost. The Board worked with management in developing the Request for Proposals ("RFP") and the Board Chair participated in the pre-proposal conference for those firms interested in proposing and met personally with the firms which requested a meeting.

A total of seven firms were provided RFP – the five leading international firms, including the incumbent, and two other large firms. Four firms attended the pre-proposal conference, and three formal proposals were received. Management evaluated each proposal – both technical qualifications and fee/cost components, and recommended the selection of Arthur Andersen LLP for an initial three-year tenure (2001-2003). This analysis was provided to each of the three members of the Board of External Auditors, who ratified the selection. Arthur Andersen LLP performed the 2001 audits (including the unaudited 2000 years for the Trust for the Americas and the Rowe Memorial, which were not audited in 2000 by Ernst & Young LLP). Management reported to the Board that the 2001 audits were completed as agreed and to the complete satisfaction of management, and that the transition was seamless.

On March 13, 2002, as a result of the bankruptcy of Enron, Arthur Andersen LLP was indicted by the U.S. Department of Justice for allegedly destroying certain audited-related documents involved in the investigation of Enron's activities. The U.S. General Services Administration then suspended Andersen from further U.S. Government contracts commencing March 14, 2002. Press reports at the time of the Board's meeting indicated that talks were underway between Andersen and the Department of Justice to resolve the issues on Enron. Also, the Board was aware that, absent a negotiated resolution, the trial is scheduled to begin in early May 2002. The Board discussed these developments in detail during its meeting. The Board concluded that it was too early to make a decision on the remaining two years of Andersen's original engagement, but would reconsider action later in 2002 prior to when the preliminary audit work would commence in late fall. This will accommodate any resolution of the matter by negotiation or the outcome of the trial.

**SECTION I
CHAPTER 2**

**COMMENTS RELATING TO THE
EXECUTIVE SECRETARIAT OF THE
INTER-AMERICAN AGENCY FOR COOPERATION
AND DEVELOPMENT**

CHAPTER 2

COMMENTS RELATING TO THE EXECUTIVE SECRETARIAT OF THE INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

This Chapter addresses Board issues, concerns and recommendations for the Secretary General, the Permanent Council, the Director General of the IACD and the General Assembly. The Chapter addresses the IACD management issues and identifies Board recommendations to improve performance as well as issues of concern to the Board. The Chapter will also include a brief summary of the IACD financial condition.

Background

Pursuant to the June 8, 1999, General Assembly resolution *AG/RES. 1686*, effective January 1, 2000, IACD was established as a separate OAS related entity. OAS transferred the former Special Multilateral Fund of the Inter-American Council for Integral Development (“FEMCIDI”) Funds, certain Specific Funds, certain oversight responsibilities for the Rowe Memorial Benefit Fund and the Leo S. Rowe Pan American Fund, and office furniture and equipment to IACD.

At the beginning of 2000, IACD established itself with a temporary CEO until the current Director General was employed in May 2000. Financial affairs were under the responsibility of an employee who was replaced in March 2001 by the current Director of IACD’s Department of Operations and Finance. For 2000 IACD determined it would *not* convert to Oracle Financials in order to avoid a conversion to the now-superseded Version 10.7 followed shortly thereafter by a conversion to Version 11i. IACD initially adopted a simple typical small business oriented accounting system that could not support requirements in the OAS General Standards or the OAS Budgetary and Financial Rules. In addition, IACD did not take full advantage of an initial agreement with the General Secretariat that would have provided some additional financial management and procedural support until IACD was fully established. As a result, IACD encountered serious internal control problems in its first two years of operations.

Although Ernst & Young LLP, the independent auditors for IACD financial statements for the period ending December 31, 2000, issued an unqualified (“clean”) opinion, the Ernst & Young 2000 “Management Letter” for IACD’s 2000 audit cited a “material weakness” in IACD’s internal control structure. This circumstance resulted in an IACD remediation plan that IACD officials believed would address and resolve the material weakness. The plan was presented to the 46th Board of External Auditors on April 11, 2001 (see Chapter 5 of the March 2001 Board Report).

IACD Management Remediation Plan

In accepting the proposed remediation plan from the IACD Director General and the Director, Department of Operations and Finance, the Board noted concern with the task to be accomplished and the proposal to hire a consultant to assist in identifying a financial management system that would be appropriate for IACD needs. The Board requested that the consultant first be charged with determining whether the Oracle Financials system could accommodate IACD needs and, if not, to document this conclusion.

In addition to the system issue, the remediation plan documented the need for IACD to improve the following areas.

- Adequately Separate Duties and Responsibilities
- Perform Critical Analysis and Reconciliations
- Development of Written Policies and Procedures
- Retain Appropriate Documentation
- Improve Project Monitoring

On June 22, 2001, the Board Chair received a copy of the consultant's report. Accompanying the report was a cover memorandum to the Secretary General stating, in part, the following information.

- IACD's current accounting system was inadequate to meet IACD needs.
- Oracle was capable of meeting IACD needs.
- Changing to a system other than Oracle Financials would be prohibitively expensive.

Unfortunately, the consultants conclusions were received six months into the fiscal year, a point where little could be done to address the 2001 system requirement.

Audit work performed by the Inspector General on a variety of internal control issues and documented in SG/OIG/AUDIT 12/01 supports a conclusion that the remediation plan did not satisfactorily resolve all remediation issues proposed in the April 11, 2001, plan. Even the IACD status report dated December 18, 2001, indicated that critical steps related to policies, procedures and analysis were completed and/or revised in the latter half of 2001. Thus, IACD would operate during most of 2001 with an inadequate accounting system and weak internal controls.

Internal Control Environment – 2001 Management Letter

While a “clean” opinion was rendered by Arthur Andersen LLP on the IACD financial statements for 2001, the Management Letters submitted in accordance with generally accepted auditing standards, contained the following information on the internal control environment.

- **IACD Material Weakness** – Although IACD agreed to utilize Oracle Financials as recommended by the Board last year, IACD did not convert to the Oracle Financials system during 2001. This resulted in IACD continuing to use an inadequate accounting system for all of 2001. In addition, the remediation plan that was intended to address many of the issues raised by Ernst & Young in 2000 did not meet all the goals established by IACD. While progress was made, the financial and administrative management infrastructure was inadequate for most of 2001. Consequently, Arthur Andersen determined that the material weakness initially cited by Ernst & Young in 2000 will be repeated by Arthur Andersen for 2001.
- **IACD Reportable Condition** – In addition to the material weakness, a reportable condition will be cited for the IACD treatment of its Central American Projects. While IACD has properly included these Projects in its 2001 financial statements, the financial information was not directly subjected to the IACD's internal control environment and thus resulted in inefficient recreation of the activity for each project from spreadsheets supplied by IACD staff and the National Offices. The activity of these projects was not captured in the IACD's general ledger during the year and the financial information for these projects are not maintained in accordance with the OAS General Standards.
- **Trust for the Americas Reportable Condition** – While the Trust for the Americas complied with Board recommendation to produce financial statements for both 2000 and 2001, Arthur Andersen cited the Trust with a reportable condition. The reportable condition was based on (1) the difficulty recreating the financial statements for the 2000-2001 period due to inadequate

maintenance of the general ledger, and (2) records and documentation needed to produce the required financial statements in accordance with generally accepted accounting principles (GAAP) for the years ended December 31, 2000 and 2001, were either difficult to locate or could not be located.

Material weaknesses and reportable conditions are *serious matters* which warrant the attention of the Secretary General, General Assembly and Permanent Council. As noted in Chapter 1 of this Report, these terms have universal meaning in the world-wide financial, regulatory and banking communities. The Board therefore makes the following recommendation.

II.1 – The Board recommends that IACD take the actions necessary to address the material weakness and two reportable conditions. IACD management should review and revise, as appropriate, the 2000 remediation plan submitted to Board in 2001 as well as work with the Office of the Inspector General and the General Secretariat to prepare policies, procedures and other requirements that will improve internal controls.

Agreement with the OAS General Secretariat

On February 5, 2002, the IACD Director General and the OAS Assistant Secretary for Management signed an agreement providing for the OAS General Secretariat to perform financial, accounting, payroll and other mutually agreeable services to IACD on a fee for service basis. This agreement has the effect of placing IACD financial transactions on OASES when IACD and the General Secretariat confirm December 31, 2001 fund balances. However, the Central American Project transactions were not been processed through OASES as of March 31, 2002.

II.2 – The agreement with the General Secretariat is an appropriate arrangement provided IACD can complete implementing all financial transactions into OASES. The Board therefore recommends that IACD devote sufficient resources into reconciling and identifying all outstanding balances and transactions to migrate IACD completely to OASES during 2002.

FEMCIDI and Central America Projects

During 2001, IACD had several FEMCIDI and special projects in El Salvador, Guatemala and Honduras that were not included in IACD's financial system. On December 31, 2001, there were unexpended cash balances of approximately \$7.4 million on deposit for the special projects in various national bank accounts where the projects are being executed by agencies of the Member State governments. However, financial transactions associated with these projects were not captured in IACD's general ledger at any point during the year. While IACD has fiscal control over the bank accounts and the primary project monitoring and approval of expenditures, it did not maintain records for the FEMCIDI and special projects in accordance with the OAS General Standards. OAS personnel in the National Offices of the Member States performed the monitoring function on the fund balances.

The reportable condition was cited by Arthur Andersen because the projects should be subject to the same level of internal control exercised by IACD on its other activities, to include monthly bank reconciliations and account analysis. Arthur Andersen noted that the financial information was not directly subject to the IACD's internal control environment and thus resulted in inefficient recreation of the activity for each project from spreadsheets supplied by IACD staff and National Offices. The fund balances and any future project activity should be recorded in the IACD official accounts and included in future financial statements. In addition, procedures should be developed to monitor progress on FEMCIDI and Central American Projects.

II.3 – The Board concurs with the Arthur Andersen reportable condition and recommends that IACD develop procedures to monitor project progress as well as a mechanism to record and track financial activity on FEMCIDI and special Central American Projects remaining balances and any new project activity in the future.

OIG Audit Report 12-01

OIG conducted an extensive internal control review of all IACD activity during the latter part of 2001. In March 2002, OIG released its final Report 12-01, which includes IACD's comments on the OIG findings.

II.4 – The Board recommends that IACD closely monitor its remediation activities for OIG Report 12-01 and formally document in writing monthly progress in addressing each OIG finding.

Trust for the Americas

The Trust is a District of Columbia (USA) nonprofit corporation, which is exempt from income taxes in the United States under Section 501(c)(3) of the Internal Revenue Code. As noted above and previously discussed in Chapter 1 of this Report, The Trust was cited with a reportable condition related to the availability and maintenance of documentation on Trust activities.

The Trust's governing documents require an annual audit. Last year, the Board reported that the Trust's 1999 audit had been deferred. This was subsequently completed and the 2001 audit included both the 2000 and 2001 years. The audit is included in this Report. In addition, the Board was informed that the Annual Information Return (Form 990) for 2000 had been filed with the U.S. Internal Revenue Service, which preserves the Trust's tax-exempt status.

Also, because the Trust is a U.S. incorporated nonprofit entity, Arthur Andersen pointed out that the Trust may be subject to a special grant-focused audit pursuant to U.S. government requirements related to recipients of grant resources over \$300,000. This is referred to as a "single audit".

The Board is making the following three recommendations regarding the Trust.

II.5 – The Board recommends that IACD management devote high priority to resolving the reportable condition.

II.6 – The Board recommends that IACD management review and confirm that the 2001 Form 990 is properly filed and consistent with the 2001 audited information.

II.7 – The Board recommends that IACD management inquire of the U.S. Department of Labor whether the Trust must undergo a "single audit" for 2001. If so, this audit is required to be completed by September 30, 2002.

IACD Fellowships and the Leo S. Rowe Pan American Fund

With the creation of IACD, a determination was made that the Rowe Pan American Fund and present IACD Division of Human Development, which administers the Fellowship Program, would be elements of the new IACD. Both areas are associated with human development through scholarships, fellowships, loans, and other educational opportunities. In 2000, the Board determined that an operations study encompassing both areas should be prepared. No action was initiated to address the Board's recommendation.

However, the Rowe Fund Committee advised the Board on March 25, 2002 that the Committee will decide in due course whether to engage the services of external consultants in order to have the benefit of outsider's expert view on how best to carry out the functions and mandates of the Fund. The Board continues to recommend that the study consider the fellowship area and that Fellowship Program take an active part in addressing the Board's views stated in the Leo S. Rowe Pan American Fund section of this Report. Additional discussion on this issue and a Board recommendation is documented in the Leo S. Rowe Pan section of Chapter 4 of this Report.

Financial Highlights

With its establishment as a separate entity, IACD commenced its initial year of operations with a transfer from OAS of \$11.2 million of FEMCIDI resources, \$7.3 million of OAS Specific Funds, and \$0.1 million of Trust for the Americas resources. At the end of 2001, IACD had \$10.8 million FEMCIDI fund balance, \$9.2 million in Specific Funds fund balance and net assets of \$0.1 million in Trust for the Americas fund balance. The \$9.2 million includes an additional \$1.3 million transfer from the General Secretariat for Specific Funds balances on projects started before the formation of IACD and finished under the IACD General Secretariat during 2001.

Total revenues for 2001 were \$19.4 million and expenditures were \$22.0 million compared to \$16.4 million and \$15.1 million, respectively, in 2000. This resulted in a *decrease* in fund balances of \$2.5 million, which, when added to beginning fund balances of \$27.1 million and \$1.3 million transferred for Specific Funds, resulted in aggregate fund balances at December 31, 2001, of \$25.9 million.

**SECTION I
CHAPTER 3**

**COMMENTS RELATING TO THE
OFFICE OF THE INSPECTOR GENERAL**

CHAPTER 3

COMMENTS RELATING TO THE OFFICE OF THE INSPECTOR GENERAL

This Chapter discusses the issues related to the Office of the Inspector General.

Operations of the Office of the Inspector General During 2001

The status and role of the Office of the Inspector General (“OIG”) within the OAS is important to the Board since the OIG function works as an additional on-going safeguard in assessing and maintaining the internal control environment. Under *Executive Order 95-05*, the Inspector General is charged with the responsibility to assist the Secretary General and the governing bodies to monitor various levels of management with respect to the General Secretariat’s and IACD’s programs and resources, and adherence to the legal system governing them.

OIG Staffing and Budget

The OIG staff currently consists of the Inspector General, Deputy Inspector General, three auditors and a general assistant for a total of six positions. During 2001, OIG successfully maintained filled staffing for all authorized positions and, for the first time in several years, there are currently no vacancies.

In a normal work year, the OIG performs approximately 17-20 audits and reviews on a variety of issues including the implementation of projects conducted through the National Offices. This year the OIG prepared 12 audit reports. The OIG attributed the reduced number of audits to the following factors.

- More investigative work
- Reviews of employee misconduct or complaints
- Complexity of the audit work conducted on IACD internal controls and the IACD Fellowships Program

The OIG also noted that the Board recommendation in its 2000 Report to monitor the installation of Oracle Financials Version 11i put an additional burden on OIG resources. This monitoring required expensive technical expertise in system areas. A single contract audit for a system audit will consume most of the available resources for other contract audits.

III.1 – Given the need to assess a new independent agency with documented internal control issues and the need to monitor the installation of Oracle Version 11i, the Board recommends that the OIG request for resources be given favorable consideration. An increase of one staff position and the equivalent of contract resources for at least one annual OASES audit would be appropriate.

OIG Training and Professional Development

The Board’s discussions with the Inspector General confirmed that all OIG staff will receive training to maintain and improve skills commensurate with other comparable inspector general organizations. However, the training budget of \$4,000 per year through 2003 does not provide sufficient funding to maintain appropriate credentials and opportunities for professional development. The Board believes that the OIG staff should achieve the 40 annual hours of continuing professional education credits mandated in the United States for auditors involved in governmental auditing.

III.2 – The Board reaffirms its 2000 recommendation that the OIG budget have sufficient funding to achieve the required training.

Focus of OIG Audits

The activities of the OIG are coordinated with those of the Board and the independent auditing firm the Board designates to conduct audits. The current Board supports and agrees that the OIG's planned audit activities for 2002 continue to be directed toward operations with the highest degree of risk and/or those with the highest potential for increasing efficiency, economy, and effectiveness within the OAS. At the completion of Board proceedings, the Inspector General advised the Board of 2002 audit work on OASES installation and the findings related to OASES configuration. The Inspector General noted that discussions had been held with the General Secretariat and the issues related to OASES installation would be addressed.

III.3 – The Board recommends the OIG ensure, through its ongoing audit follow-up process, that adequate action is taken on any significant weaknesses in the control environment identified by the independent auditors in their “Management Letters” on the various OAS entities, particularly the progress in resolving the “material weakness” in financial operations of IACD and the two “reportable conditions” of IACD and the Trust for the Americas.

III.4 – The Board also recommends the OIG closely monitor the continuing installation of OASES during 2002, particularly if the installation process affects internal controls over data management, segregation of duties, procurement or disbursement processes.

Audit Follow-up Issues

The OIG has developed a designation and tracking system that assigns a risk factor to all audit recommendations. Essentially, audit recommendations are considered to be “high”, “medium”, or “low” relative to OIG assessment of the audit finding's impact on OAS operations and/or resources. For most audit findings, the OIG receives a timely response to recommendations. However, the Board noted that 4 high risk recommendations were over 90 days old and 2 high risk recommendations were over 180 days old. Further, in the case of the recommendations that were 180 days old, no response had been received from the audited organization after repeated inquiries to address the recommendations.

III.5 – The Board considers the Office of Inspector General to be an important element in internal controls and OIG recommendations important to maintaining such controls. The Board therefore recommends that the Secretary General reaffirm OAS entity responsibilities to address OIG recommendations in accordance with OAS responsibilities conferred on the Inspector General by the Secretary General and that the Inspector General advise the Secretary General when entities do not abide by their audit follow-up responsibilities.

Professional Standards Review

The General Secretariat's *Executive Order 95-05* makes reference to the need for the OIG to be periodically subject to a comprehensive evaluation conducted by independent auditors from outside the OAS, and who shall report on compliance in accordance with the *Standards for the Professional Practice of Internal Auditing*. The Inspector General expresses no objection to this requirement, but noted that resources have not been available to schedule the evaluation.

III.6 – The Board reaffirms the need for a comprehensive evaluation and recommends that this requirement be properly funded within the OAS budget and scheduled now that the OIG has reached full staffing strength, and then conducted every three years thereafter.

**SECTION I
CHAPTER 4**

**COMMENTS RELATING TO
OTHER OAS ENTITIES**

CHAPTER 4

COMMENTS RELATED TO OTHER OAS ENTITIES

This Chapter discusses the status and issues related to the various entities of the Organization of American States.

Independent audits provide information and assurances that controls are in place to protect resources. In the complex organizational structure that constitutes the OAS, management attention needs to be focused on all major entities or parts of entities that manage material amounts of OAS resources. The cost benefit of performing an annual audit is based on total resources of an independent area or activity, a statutory or outside reporting requirement, or a determination that OAS resources are covered by a larger OAS entity subject to an independent audit. The Board is pleased to note that OAS has arranged audits of the various entities within the OAS organizational structure that have material amounts of OAS resources. The Board considers the following entities should continue to have annual audits and, where appropriate, the Board has made recommendations from information provided in the 2001 audits.

ROWE MEMORIAL BENEFIT FUND AND TRUST FOR THE AMERICAS

The Rowe Memorial Benefit Fund (“Rowe Memorial”) and the Trust for the Americas (the “Trust”) have been independently audited as explained below.

Rowe Memorial Benefit Fund

The Rowe Memorial has traditionally provided awards of up to \$300 to OAS staff making outstanding contributions to OAS or unexpectedly encountering a financial emergency. Rowe Memorial was essentially inactive prior to 2000, had awards of \$9,474 and \$1,944 in 2000 and 2001, respectively. The larger amount in 2000 is primarily attributed to Rowe Memorial Benefit Fund Committee decision to award a large sum to a contract employee for a medical emergency. The following is a status of the Rowe Memorial for 2000 and 2001.

	<u>2000 (Audited)</u>	<u>2001 (Audited)</u>
Net investment income, Including unrealized gains/losses	\$ 27,043	\$ (10,269)
Awards	<u>(9,474)</u>	<u>(1,944)</u>
Change in net assets	17,569	(12,213)
Net assets, beginning of year	<u>307,219</u>	<u>324,788</u>
Net assets, end of year	\$ <u>324,788</u>	\$ <u>312,575</u>

The award of funds to a contract employee was a controversial decision and the Rowe Memorial Fund Committee has agreed to review its grant eligibility documentation and draft new written guidelines for future awards.

IV.1 – The Board recommends that during 2002 the Rowe Memorial Fund Committee issue new written guidelines regarding future awards from the Rowe Memorial Benefit Fund.

Trust for The Americas

The Trust is included within IACD's accounts and included in the IACD organizational structure. The Trust has been cited with a reportable condition related to the retention and quality of documentation and financial records. A detail discussion of the Trust and the associated Board recommendations are located in Chapter 2 of this Report.

LEO S. ROWE PAN AMERICAN FUND

The Rowe Pan American Fund is a trust fund established to provide loans to students from Member States, other than residents and citizens of the United States, and to make loans to OAS employees for educational and emergency purposes. With the creation of IACD, the Fund was placed under the IACD organization in 2000.

There are 67 OAS employees and 641 OAS current/former students with outstanding loan balances approximating \$803,800 and \$2,037,700, respectively, at December 31, 2001. Fund managers have noted that there has never been a loss from loans to OAS employees, which bear interest approximately 1% below the prevailing prime rate. The interest rate on new employee loans granted in 2001 varied between 4.0% and 8.0% compared to rates between 7.5% and 8.5% in 2000. Repayments are made via payroll deduction for employee loans.

Student loans are interest-free, and repayments commence after students have completed their courses of study. During 2001, students' repayments were made by mail to or in person at National Offices, via a credit card, or directly to the Fund offices in Washington.

Independent Audit Results

The 2000 financial statements for the Rowe Pan American Fund received an unqualified ("clean") opinion from Ernst & Young LLP. However, Ernst & Young cited the two reportable conditions in the Fund's "Management Letter." For 2001, Arthur Andersen LLP did not cite any reportable conditions and issued an unqualified ("clean") opinion for the Rowe Pan American Fund.

While the Board is pleased that the 2000 reportable conditions cited by Ernst & Young were satisfactorily addressed, the Board had two other recommendations for 2000. One recommendation was to install Rowe Pan American Fund onto OASES and the other was for the Rowe Committee to perform a study of Fund Procedures and Rowe Pan American Fund relationship to IACD Fellowship Program activities. As noted in Chapter 1, the Rowe Pan American Fund balances will be maintained on OASES and OAS employees will oversee the reconciliation and financial reporting responsibilities for the loans. The actual administration of the loans repayments and maintenance of borrowers' balances will be handled, under contract, by the OAS Staff Federal Credit Union.

Board Concerns With Procedures

During the Board review of the Rowe Pan American Fund in 2000, the Board expressed concerns with the Fund's existing procedures and recommended that the Rowe Fund Committee undertake an operations study that examines all aspects of Fund procedures and to also address the following.

- Since only about 30% of the Fund assets is invested in loans, can the "mix" between investments (70%) and loans (30%) be changed to increase loans, while maintaining the trust corpus?
- Are students borrowers returning to their countries to put their education to work or are students seeking employment in the countries where they received their degrees?

- Are loan qualification standards, approved amounts, and repayment terms for both employee and student loans appropriate?
- Should interest rates on employee loans continue to be changed as prevailing rates fluctuate once loan notes are signed?
- Is the “mix” of employee loans to student loans appropriate?
- Is Fund management appropriately staffed – currently two employees administer the Fund?
- Are their internal mechanisms in place for transferring loans for non-interests bearing to interest bearing?
- Are delinquent student loans being written off when facts support this action or turned over to collection agencies on a timely basis?

In connection with the study recommended above, the Board also recommended that the study encompass the Fellowship Program activities administered by IACD (see brief discussion in the Leo S. Rowe Pan American Fund and Fellowships section of Chapter 2). While the study was not conducted during 2001 as recommended, the Rowe Fund Committee advised the Board on March 25, 2002, that the Committee will decide in due course whether to engage the services of external consultants in order to have the benefit of an outsider’s expert view on how best to carry out the functions and mandates of the Fund.

IV.2 – The Board recommends that a study be commenced by mid-2002 on Rowe Pan American Fund procedures and that such a study encompass the IACD Fellowship and Scholarship programs to determine their operating efficiency and achievement of expected results.

RETIREMENT AND PENSION FUND

The OAS retirement program is comprised of the Pension Plan and the Provident Plan, which are accounted for in the Retirement and Pension Fund, and a new U.S. IRS Section 401(m) plan for newly hired employees working in international organizations. The Pension and Provident Plans are administered by a three-member OAS Retirement and Pension Committee comprised of (1) an appointed representative of the Secretary General, (2) a Permanent Council representative who serves as the Chair, and (3) an elected representative of the OAS active and retired employees. There is currently a staff of six individuals supporting the Retirement and Pension Fund.

The Pension Plan is a contributory plan maintained for the benefit of all regular employees of OAS and other affiliated entities. This Plan was established in 1929. As of March 2002, there were about 850 active members with 640 from the OAS, 140 retirees, and the rest coming from employees at the Inter-American Defense Board and Inter-American Institute of Agriculture. Pension benefits under the Pension Plan are based on 2% of the average of the highest three years within the last five years of contributory participation in the Plan times the number of years of employment up to 30 and 1.6% for 31-40 years. Spouse survivorship pension is 50% of the retired employee’s pension.

The Provident Plan is a contributory savings plan established for the benefit of OAS employees under short-term contracts who are not eligible to participate in the Pension Plan. The Plan was established in 1954 and currently has about 40 participants.

The 401(m) plan is not administered by the OAS Retirement and Pension Committee. This plan was established in 2000 and is primarily for short-term employees who are either ineligible for the other plans or do not consider the other plans suitable. In July 2001, the Committee advised the Board that the Commit-

tee had been monitoring this plan and had ordered an actuarial study. The actuarial study concluded that the new plan would not have an adverse impact on the Pension or Provident Plans even with the faster vesting offered under the 401(m) plan option.

The Retirement and Pension Fund staff produced timely financial statements for the year ended December 31, 2001. The resources of the Pension and Provident Funds appear to be well managed and the Fund is actuarially sound. However, as noted in the following chart, market value of investments, net assets, and ratio of net asset to actuarial liabilities (Actuarial Benefit Liabilities) have experienced a decline since the end of 1999.

<u>Date</u>	<u>Value of Investments</u> (millions)	<u>Net Assets</u> (millions)	<u>Actuarial Values</u> (millions)	<u>Net Assets vs. Actuarial Liabilities</u>
December 31, 1999	\$431.6	\$422.6	\$250.4	\$1.68
December 31, 2000	\$380.8	\$369.9	\$277.5	\$1.33
December 31, 2001	\$339.3	\$320.1	\$310.2	\$1.03

IV.3 – The Board continues to recommend that the Pension Committee closely monitor the diversification strategy for investments and frequently consult its investment managers for any changes necessary due to changes in market conditions.

IV.4 – The Board also recommends that General Secretariat coordinate with officials in the Pension and Retirement Fund to ensure that any potential liabilities that could affect the General Secretariat be identified as early as possible. While the Fund is actuarially sound, the Board also requests that the General Secretariat advise the Board of any concerns the General Secretariat may have regarding future pension liabilities.

INTER-AMERICAN DEFENSE BOARD (“IADB”)

IADB’s 2001 revenues and expenses each approximate \$2.0 million, with revenues principally from OAS. Net assets approximate \$333,000. The Board noted that, for financial reporting and training reasons, IADB did not convert to the Oracle Financials during 2001 as recommended by the Board. While the Board continues to recommend that all OAS entities convert to OASES, the Board has determined that it may not be appropriate for IADB to convert at this time.

Implementation of Reporting In-Kind Contributions

As noted in Chapter 1 of this report, IADB receives about two-thirds of its personnel, office space at the headquarters offices on 16th Street, NW, and the training facility at Fort McNair on an in-kind basis. Generally accepted accounting principles have evolved over the years for such activities, and, in the United States, in-kind support, which otherwise would have been required to be purchased if not contributed, is now required to be reported as both revenues and offsetting costs. The Board believes that IADB has material in-kind contributions that should be accumulated and recorded in future financial statements.

IV.5 – The Board recommends that IADB begin accumulating its in-kind contributions and, if material, plan to record such data in its respective financial statements beginning in 2002. IADB should also develop an appropriate footnote disclosure for its in-kind accounting policies.

PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE PROJECT

The Project receives funding from The World Bank for its activities, which are principally administered at the University of the West Indies in Barbados. The World Bank's grant agreement requires a separate audit which, in 2001, was conducted by an affiliate of Arthur Andersen LLP. The auditors issued an unqualified ("clean") opinion on the financial statements. Revenues and expenses each approximate \$1.2 million and net assets approximate \$25,000.

In 2000, the PricewaterhouseCoopers "Management Letter" pointed out that the Project could be \$400,000 short in funding from the World Bank to complete the scope of the Project. During 2001, the Project recognized a \$434,000 purchasing power loss in its cash balance. This was attributable to unfavorable exchange rate changes since the original 1998 World Bank grant award. The Project advised the Board that planned Project activities had been reduced to accommodate the shortage but, even with the shortage, the Project will be completed to the satisfaction of all parties concerned.

The Project is in its final year and the Board has no recommendations.

UNIT FOR THE PROMOTION OF DEMOCRACY ("UPD")

On October 15, 1990, under *Executive Order 90-3 (Rev. 1)*, the Secretary General established the Unit for the Promotion of Democracy in accordance with *General Assembly Resolution (AG/RES.1063/90)*. Pursuant to *Executive Order 90-3* and *Executive Order 95-6*, dated July 25, 1995, the Secretary General established various OAS accounts to record the receipts and disbursements for the Unit for the Promotion of Democracy. The fund balance for UDP on December 31, 2001, was \$7.8 million, which is a slight decline from a fund balance of \$7.9 million on December 31, 2000.

The Board has no recommendations related to the UPD.

INTER-AMERICAN COURT OF HUMAN RIGHTS ("COURT")

The Court is based in San Jose, Costa Rica. Over 90% of the Court's revenues consist of an operating grant from OAS with most of the remaining revenue from the Government of Costa Rica. Total revenues and expenses each approximate \$1.3 million, and net assets at December 31, 2001, were a *deficit* of approximately \$11,000.

Venegas, Pizarro, Ugarte y Co., a Costa Rican accounting firm, rendered an opinion of the Court's 2001 financial statements which was unqualified ("clean"). In the opinion, the auditors note that the Court's financial statements are prepared on a cash basis which differs from international accounting standards and from accounting principles generally accepted in Costa Rica. The internal accounting control system employed by the Court is suitable for the recording and monitoring of transactions and reasonable business practices are applied to ensure the most effective use of funds provided.

The Board has no recommendations for the Court.

MEDICAL BENEFITS TRUST FUND

The Medical Benefits Trust Fund provides medical benefits to staff members of the OAS. This Fund has activity limited to paying covered employees' health claims. Claim adjudication is handled by Blue Cross. The fund balance as of December 31, 2001 was \$9.1 million.

In the 2001 Arthur Andersen LLP "Management Letter," the auditors noted that the Fund's claims and administrative expenses to Blue Cross exceed the contributions that the Fund received from OAS entity

employers and participants in the Plan. In addition, the auditors noted that retired employees contribute to the plan through a third-party administrator. Arthur Andersen recommends that OAS consider implementing monitoring controls to ensure all retirees' medical benefit plan payments are being remitted to the Plan and whether the current arrangement is an optimal method for retiree contributions. An increase in premiums was implemented in 2002 to address 2001 excess payments over participant premium and employer contributions.

IV.6 – The Board recommends that the retiree contributions process be reviewed and that procedures be developed to ensure the information and premiums received is routinely tested and verified.

SECTION II

**FINANCIAL STATEMENTS
OF THE
GENERAL SECRETARIAT
OF THE
ORGANIZATION OF AMERICAN STATES**

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

The General Assembly approved the administration of the funds under its purview, to the General Secretariat, the Inter-American Agency for Cooperation and Development (IACD), and granted autonomy to certain organs, agencies and/or entities.

During the year 2001, the administration of the OAS entities contained in this report was divided as follows: the General Secretariat was responsible for financial administration of the Regular Fund and its related specific projects. The IACD was responsible for the financial administration of FEMCIDI funds and its related specific projects. The Leo S. Rowe Panamerican Fund was under the administrative responsibility of IACD and its treasury was under the General Secretariat. The Inter-American Defense Board and Retirement and Pension Fund received contributions from the OAS but operated administratively as autonomous organs.

According to the separation of administrative responsibility mentioned above, the annual audit book for the year 2001 is divided into four sections: Section I relates to the comments and recommendations to improve operating procedures and internal accounting controls; Section II incorporates the financial statements of the funds administered by the General Secretariat; Section III, the financial statements of the funds administered by IACD; and Section IV, incorporates the financial statements of other related agencies to the OAS.

As reflected in Section II, 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 accounting principles generally accepted

in the United States customarily applied in the presentation of financial statements. A description of the significant differences from accounting principles generally accepted in the United States is set forth in Note 2 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, consisting 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 Arthur Andersen 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.

For the Rowe Fund, the General Secretariat acts as its Treasurer and in that capacity has prepared and is responsible for the integrity of the data contained in the financial statements. However the Rowe Fund is administratively under IACD and accordingly IACD is responsible for all operational aspects of the Rowe Fund Technical Secretariat.

**SECTION II
CHAPTER 1**

**FINANCIAL STATEMENTS
OF THE
GENERAL SECRETARIAT
OF THE
ORGANIZATION OF AMERICAN STATES**

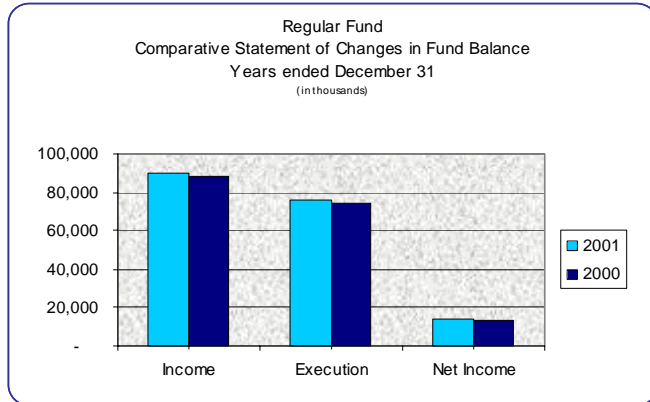
EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

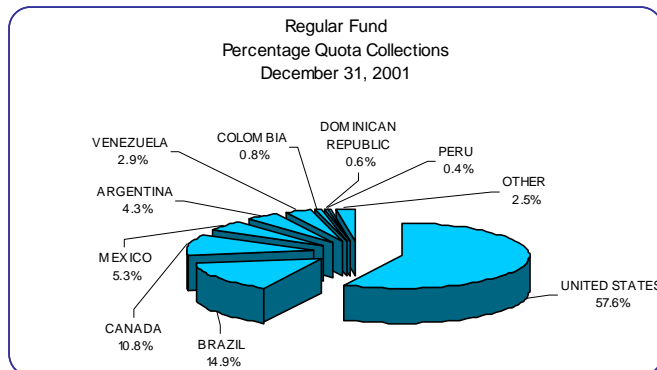
FINANCIAL SITUATION OF THE REGULAR FUND AND SPECIFIC FUNDS

REGULAR FUND

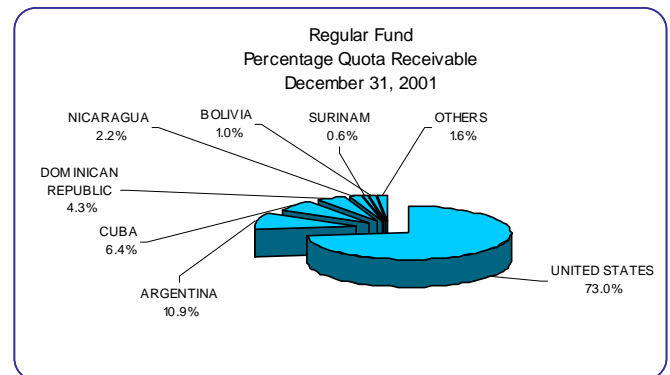
The financial situation of the Regular Fund continued to improve with a net increase of \$14 million at the end of 2001. This amount resulted in a year-end fund balance of \$22.8 million, out of which \$11 million were transferred to the Reserve Subfund.



As of December 31, 2001, the Regular Fund received a total of \$90 million; \$85.4 of quota payments and \$4.6 million in other income. Receipts exceeded the budgeted amount by \$11.9 million. At the end of the period, the General Secretariat executed activities totaling \$76 million, which was the original budgeted amount.

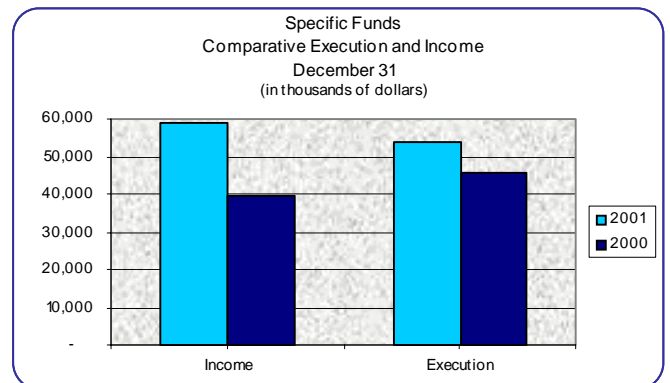


At the beginning of the period, the Regular Fund had \$43.3 million in quotas receivable and \$73.7 million in year 2001 quotas for a total of \$117 million. After receiving \$85.6 million in quotas, \$45.1 million in current year quotas and \$40.5 in prior year quotas, the quotas receivable of the Member States decreased from \$43.3 to \$31.5 million, \$28.7 million corresponding to 2001 quotas, and \$2.8 million to prior years. The amounts here noted do not include Cuba's outstanding arrears of \$2.2 millions.

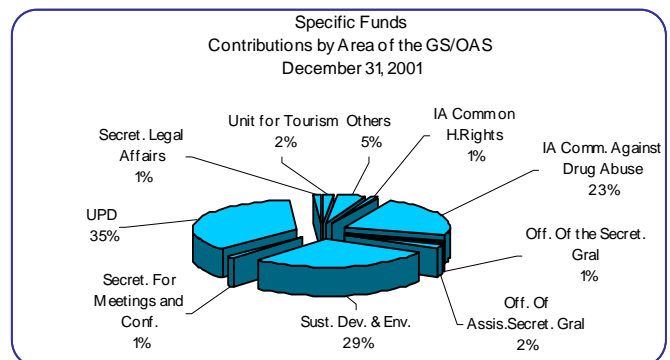


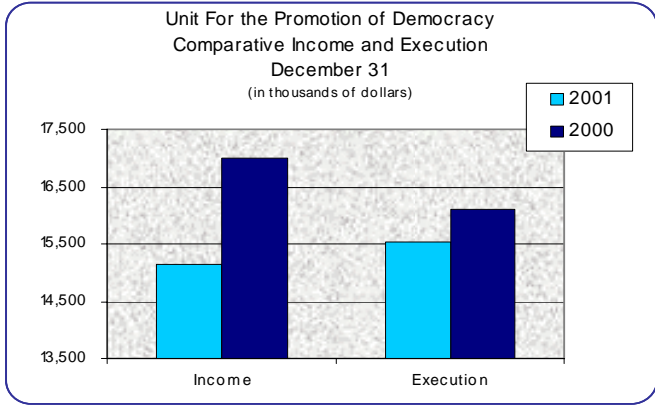
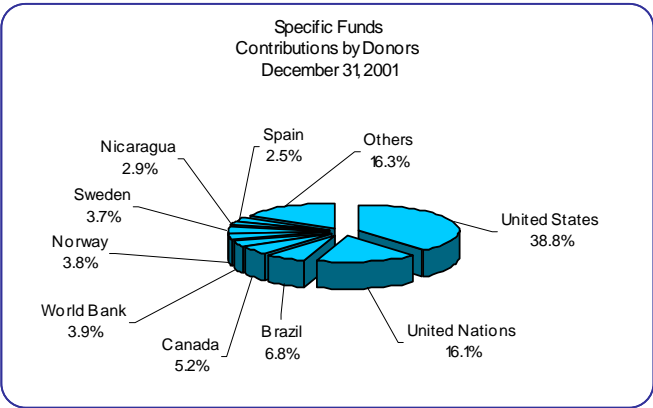
SPECIFIC FUNDS

Income to Specific funds (projects) increased in comparison to previous years. During the year 2001 specific projects received a total of \$59.8 million compared to \$52.7 million during the year 2000. This increase is due primarily to an increase in tax contributions to the tax revolving fund in the year 2001.



The pace of the execution for specific funds decreased by 14.2% with \$54.7 million executed during the year 2001 compared to \$63.8 million in the year 2000. The net activity of specific funds resulted in a net increase of \$5.1 million in the year 2001 compared to a decrease of \$11.1 million for the year 2000.

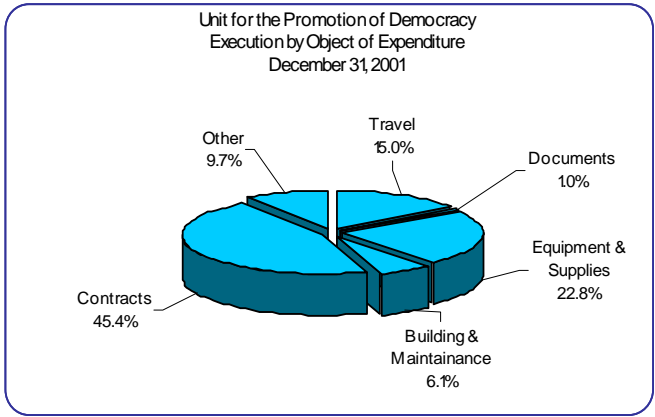
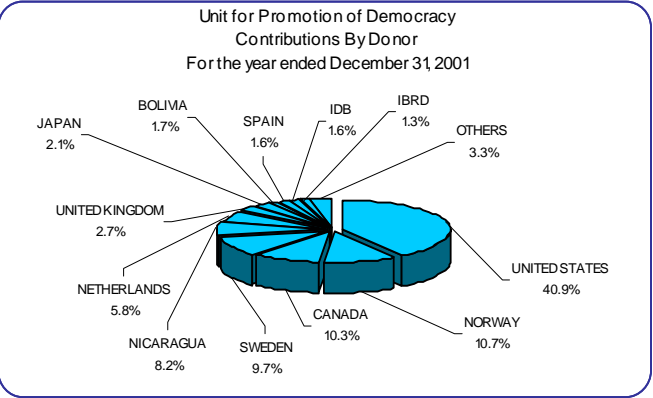




UNIT FOR PROMOTION OF DEMOCRACY

Income to specific projects related to the Unit for the Promotion of Democracy have decreased. During the year 2001, specific projects related to UPD received total of contributions of \$15.6 million compared to \$17.2 million during the year 2000.

The pace of the execution for specific funds related to UPD decreased slightly with \$15.5 million executed during the year 2001 compared to \$16.1 million in the year 2000.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

Board of External Auditors of the
Organization of American States:

We have audited the financial statements of the funds of the Organization of American States (the Organization), as of December 31, 2001 and for the year then ended, as listed in the accompanying table of contents. 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 audit. The financial statements of the Organization as of December 31, 2000, were audited by other auditors whose report dated March 19, 2001 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 audit provides a reasonable basis for our opinion.

As described in Note 2, the Organization prepares its financial statements on the basis of accounting principles 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 accounting principles generally accepted in the United States.

In our opinion, the financial statements listed in the accompanying table of contents present fairly, in all material respects, the assets, liabilities and fund balance for the Organization as of December 31, 2001, and the changes in fund balance for the year then ended on the basis of accounting described in Note 2.

Our audit has been made primarily for the purpose of expressing an opinion on the basic financial statements listed in the accompanying table of contents for the Organization referred to in the first paragraph of this report taken as a whole. The accompanying information in the Executive Summary and in Supplementary Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit 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.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
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ORGANIZATION OF AMERICAN STATES

EXHIBIT 1

OPERATING AND RESERVE SUBFUNDS
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
REGULAR FUND
(in thousands)

	December 31	
	2001	2000
ASSETS		
Cash and equity in OAS Treasury Fund	\$ 28,467	\$ 14,325
Advances to employees	-	11
Other assets	185	360
Present value of OAS annuities	5,026	5,365
Investment in Fixed Assets Fund	32,605	31,965
	<u>\$ 66,283</u>	<u>\$ 52,026</u>
LIABILITIES AND FUND BALANCES		
Unliquidated obligations	\$ 4,641	\$ 4,469
Quotas/Pledges collected in advance	14	116
Amounts to be charged to future years appropriations	5,026	5,365
Accounts payable and other liabilities	1,244	1,397
Mortgage Liability	4,680	5,193
	<u>15,605</u>	<u>16,540</u>
Fund balances:		
Appropriated for Supplementary Appropriations	3,688	-
Reserve Subfund	11,059	8,714
Operating Subfund Unappropriated	8,008	-
	<u>22,755</u>	<u>8,714</u>
Equity in Fixed Assets	27,923	26,772
	<u>\$ 66,283</u>	<u>\$ 52,026</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

OPERATING AND RESERVE SUBFUNDS
STATEMENTS OF CHANGES IN FUND BALANCES
REGULAR FUND
(in thousands)

	<u>Year ended December 31,</u>	
	<u>2001</u>	<u>2000</u>
INCREASES		
Quota/Collections	\$ 85,603	\$ 83,403
Less prompt payment credit	212	66
	<u>85,391</u>	<u>83,337</u>
Contribution for administrative and technical support	1,210	1,247
OAS Treasury Fund income	1,231	481
Other income, refunds, and deobligations	2,210	2,911
	<u>90,042</u>	<u>87,976</u>
DECREASES		
Expenditures and obligations pursuant to appropriations:		
General Assembly and Permanent Council	11,835	11,155
Executive Office of the General Secretariat	10,846	9,972
Units and Specialized Offices	12,063	12,282
Inter-American Council for Integral Development (CIDI)	11,819	11,580
Offices Away from Headquarters	5,666	5,971
Activities of the Sub-Secretariat for Legal Affairs	1,851	1,795
Activities of the Sub-Secretariat for Management	9,725	9,604
Common Administrative and Personnel Costs	7,073	6,978
Contributions to other agencies	5,123	5,309
	<u>76,001</u>	<u>74,646</u>
Net increase during period	14,041	13,330
Balance at beginning of period	8,714	(4,616)
Fund balances at end of period	<u>\$ 22,755</u>	<u>\$ 8,714</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

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

	December 31	
	2001	2000
ASSETS		
Cash and Equity in OAS Treasury Fund	\$ 34,143	\$ 28,151
Advances to employees and other receivables	-	586
	<u>\$ 34,143</u>	<u>\$ 28,737</u>
LIABILITIES AND FUND BALANCE		
Unliquidated obligations	\$ 7,096	\$ 6,361
Accounts payable and other liabilities	891	1,306
Fund balance	26,156	21,070
	<u>\$ 34,143</u>	<u>\$ 28,737</u>

STATEMENTS OF CHANGES IN FUND BALANCES
(in thousands)

	Year ended December 31	
	2001	2000
INCREASES		
Contributions	\$ 44,066	\$ 42,092
Contributions for tax reimbursements	7,609	4,843
Other income and interest	8,130	5,779
	<u>59,805</u>	<u>52,714</u>
DECREASES		
Obligations and expenditures	42,580	45,443
Transfers	210	-
Return to donors	519	13,324
Tax reimbursements to employees	11,410	5,079
	<u>54,719</u>	<u>63,846</u>
Net Increase/(decrease) during period	5,086	(11,132)
Fund balance at beginning of period	21,070	32,202
Fund balance at end of period	<u>\$ 26,156</u>	<u>\$ 21,070</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1 ORGANIZATION AND FINANCIAL STATEMENTS

The Charter of the Organization of American States (OAS) was signed in Bogota in 1948 and amended by the Protocol of Buenos Aires in 1967, by the Protocol of Cartagena de Indias in 1985, by the Protocol of Washington in 1992, and by the Protocol of Managua in 1993. In this charter the Organization of American States was created as an international organization to achieve an order of peace and justice, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity, and their independence. Within the United Nations, the OAS is a regional agency.

The OAS accomplishes its purposes by means of a) the General Assembly, b) the Meeting of Consultation of Ministers of Foreign Affairs, c) the Councils, d) the Inter-American Juridical Committee, e) the Inter-American Commission on Human Rights, and f) the General Secretariat.

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 (Note 2D). 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 General Secretariat, the following organs, specialized organizations, agencies and entities 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 on Human Rights
- Inter American Commission of Women
- 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
- Inter-American Defense Board
- Inter-American Council for Integral Development
- The Meeting of Consultation of Ministers of Foreign Affairs
- Pan American Development Foundation

Specific Funds and Funds from Special Contributions (Specific Funds)-financed by grants or bequests to finance activities specified by the donor, 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.

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

OTHER ENTITIES AND SPECIALIZED ORGANIZATIONS

The assets and liabilities as of December 31, 2001 and 2000, 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:

- 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 *
- Pan American Health Organization
- Rowe Memorial Benefit Fund *

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

2 ACCOUNTING PRINCIPLES

During 2000, the presentation of the Statements of Assets, Liabilities and Fund Balances and the Statements of Changes in Fund Balances was changed to reflect the reorganization of FEMCIDI and its related specific projects under the Inter-American Agency for Cooperation and Development.

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 accounting principles generally accepted in the United States. The OAS has not quantified the impact of these differences on the financial statements. The significant deviations are as follows:

A. The General Secretariat deems impractical to evaluate the collectibility of assessed but uncollected quotas; therefore, quotas 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.

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. Once unliquidated obligations in the regular fund are older than one year, they are de-obligated. Those de-obligated obligations are recorded as other income in the accompanying financial statements.

C. The OAS provides certain benefits to its employees that 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. The table below shows expenditures and obligations for the year ended December 31, 2001 and 2000 as follows:

	2001	2000
Home Travel	\$ 182,000	\$ 194,000
Repatriation of Family and Household Goods upon Separation	330,000	321,000
Separation Indemnity and Termination Pay	1,015,000	1,454,000
Medical Benefits Subsequent to Separation	<u>1,098,000</u>	<u>1,258,000</u>
Total	<u>\$2,625,000</u>	<u>\$3,227,000</u>

Unrecorded earned annual and special leave approximated \$6,353,000 and \$6,342,000 as of December 31, 2001 and 2000, respectively.

D. The General Assembly of the OAS adopts a consolidated program budget which includes the budgets for the Regular Fund. 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 Statements of Assets, Liabilities and Fund Balances of the Regular Fund 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.

F. The Statements of Assets, Liabilities and Fund Balance of the Regular Fund do not account for unexpended advances issued in the performance of certain OAS programs as deferred revenue (Note 7).

G. Contributions from member states and other interested parties in the form of use of facilities and services are received by certain 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 in as much as the General Secretariat deems their value inestimable.

H. The Cash Flow Statement is not provided and certain other provisions pertaining to accounting principles generally accepted in the United States 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 as they are recorded at cost.

I. The OAS has created revolving accounts according to its Rules for the allocation of common costs among the various OAS funds and entities. The creation of these funds allows recognition of other income in the fund, which incurs the expenditure and then allocates a portion of those costs to other funds or entities. Those funds or entities to which the costs are allocated recognize the amount as expenditure and a reduction in cash.

J. Distributions from life insurance policies are not recognized as revenue in the Regular Fund upon receipt. Instead, those distributions are recorded as liabilities, which represent revenue for future employee benefits.

3 USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

4 FOREIGN CURRENCIES

Certain income and expense transactions during 2001 and 2000 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 (\$1,726,000 and \$707,000 as of December 31, 2001 and 2000, respectively) have been translated into United States dollars at the applicable exchange rates at the time of the transactions. Certain currencies are restricted as to convertibility and, therefore, must be utilized in OAS activities.

5 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 and the Specific Funds maintain equity to the extent of their cash balances retained there in. 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.

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

	2001	2000
Demand and Time Deposits, net of \$204,000 and \$459,000 representing checks not presented for payment as of December 31, 2001 and 2000, respectively	\$ 46,312,000	\$ 18,681,000
Overnight Repurchase Agreements	2,100,000	2,147,000
United States Treasury Notes at amortized cost (approximate market value of \$13,123,000 and \$21,625,000 as of December 31, 2001 and 2000, respectively) ¹	12,370,000	21,508,000
Accrued Interest Receivable	244,000	436,000
Scheduled Disbursements	62,000	(472,000)
Local Currency at OAS National Offices	1,726,000	707,000
	<u>\$62,814,000</u>	<u>\$43,007,000</u>
Less Equity of:		
Administrative and Trust Funds	132,000	169,000
Inter- American Agency for Cooperation and Development	88,000	380,000
	<u>\$62,594,000</u>	<u>\$42,458,000</u>
Add:		
Petty Cash and Cash in Transit	16,000	18,000
	<u>\$62,610,000</u>	<u>\$42,476,000</u>
1 Maturities of US Treasury Notes as of December 31, 2001.		
	Amortized Cost	Approx. Market Values
Current (1 year or less)	\$ 6,022,000	\$ 6,270,000
1 – 5 years	6,348,000	6,853,000
	<u>\$12,370,000</u>	<u>\$ 13,123,000</u>

Fund Balances

The Regular Fund is divided into three subfunds: Appropriated for Supplementary Appropriations, the Reserve subfund and the Operations subfund unappropriated.

Appropriated for Supplementary Appropriations The purpose of the Appropriated for Supplementary Appropriations subfund is to reserve funds to cover resolutions that have been approved but not provided for in the program-budget as of December 31, 2001.

The Operations Subfund Unappropriated In accordance with the Regular Fund Program-Budget the Operations

Subfund Unappropriated is where all income of the Regular Fund is credited to, and against which all obligations and expenditures are charged to, except for those amounts allocated to the Reserve Subfund or the supplementary appropriations.

The Reserve Subfund The purpose of the Reserve subfund is to ensure the regular and continuous financial functioning of the General Secretariat. The amount of this Subfund is equivalent to 15 percent of the total of the annual budgeted quotas of the member states. As of December 31, 2000, the total fund balance was not sufficient to provide 15 percent to this balance.

The following is the rollforward of the equity accounts from December 31, 2000 to December 31, 2001:

	Operating Subfund Appropriated	Operating Subfund Unappropriated	Reserve Subfund	Investment in Fixed Assets
Balance, December 31, 2000	\$ -	\$ -	\$ 8,714	\$ 26,772
Net increase during period	3,688	8,008	2,345	-
Increase in fixed assets	-	-	-	640
Decrease in mortgage	-	-	-	513
Balance, December 31, 2001	<u>\$ 3,688</u>	<u>\$ 8,008</u>	<u>\$ 11,059</u>	<u>\$ 27,925</u>

6 FIXED ASSETS

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 pur-

poses while, at the same time, presenting them as capitalized assets on the Statements of Assets, Liabilities and Fund Balances.

Fixed Assets are recorded at cost and depreciated on a straight line basis over their estimated useful lives. The composition of fixed assets as of December 31, is as follows:

Asset	Depreciation Basis	2001	2000
Land	-not depreciated	\$ 5,491,305	\$ 5,491,305
Buildings	-50 years	32,830,862	31,637,802
Vehicles	- 5 years	1,977,980	1,908,887
Furniture and Equipment	-10 years	3,200,781	3,429,977
Technical Machinery and Equipment	-10 years	8,565,597	8,409,838
Works of Art	-not depreciated	2,318,452	2,254,452
		<u>54,384,977</u>	<u>53,132,261</u>
Less: Accumulated Depreciation		(21,780,532)	(21,167,596)
Net Book Value as of December 31		<u>\$32,604,445</u>	<u>\$31,964,665</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.

7 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. As of December 31, 2001 and 2000, there were no accountable advances pending expenditure recording in the Regular Fund.

8 CONTRIBUTIONS TO SPECIFIC FUNDS

Contributions to Specific Funds during the year ended December 31, 2001, as reflected in Exhibit 4 of the accompanying financial statements were as shown on next page:

8 CONTRIBUTIONS TO SPECIFIC FUNDS

Contributor	Total
<i>Members States:</i>	
Antigua and Barbuda	\$ 1,000
Argentina	116,940
Bahamas	69,518
Barbados	5,985
Belize	121,980
Bolivia	289,073
Brazil	2,997,177
Canada	2,285,819
Chile	34,970
Colombia	316,430
Costa Rica	344,225
Dominica	18,540
Dominican Republic	11,000
Ecuador	11,930
El Salvador	21,400
Guatemala	293,534
Haiti	16,000
Honduras	116,343
Jamaica	46,798
Mexico	198,000
Nicaragua	1,294,667
Panama	224,071
Paraguay	13,362
Peru	221,227
Saint Lucia	51,283
St. Kitts and Nevis	3,975
St. Vicente and the Grenadines	5,982
Suriname	5,975
Trinidad and Tobago	291,832
United States	17,103,115
Uruguay	328,242
Venezuela	45,916
	26,906,310
<i>Observers:</i>	
Australia	38,918
Denmark	190,876
European Economic Community	127,451
Finland	59,785
France	29,316
Israel	20,000
Italy	100,000
Japan	529,240
Netherlands	909,720
Norway	1,662,170
Republic of Cyprus	3,000
Spain	1,085,291
Sweden	1,637,403
Switzerland	29,810
United Kingdom	496,141
	6,919,120
<i>Non Members States and Others:</i>	
World Bank	1,710,664
I-A Development Bank	412,095
United Nations	7,118,779
Others	999,298
	10,240,836
TOTAL	\$ 44,066,265

9 TAX REIMBURSEMENTS

Tax reimbursements represent amounts paid to certain employees of the General Secretariat of the Organization of American States (GS/OAS) for income taxes paid to the respective member state. Upon reimbursing the employee, the GS/OAS is subsequently reimbursed by the respective member state that received the employee's tax.

10 MORTGAGE LIABILITY

Mortgage liability was incurred solely by the Regular Fund under the following terms and conditions:

First Mortgage with Bank of America (secured by the General Secretariat Building)

Principal Amount as of December 31, 2001:	\$4,680,000
Repayment Terms	Due in monthly installments beginning on September 1, 2003, through September 1, 2032
Annual Interest Rate	6.37%
Interest Expense during 2001	\$239,765
Principal Payments	\$1,031,633
Amount of Previous Mortgage Paid Off	\$4,161,317

Principal payments due for the next five years under the new agreement are as follows:
2002: \$0; 2003: \$285,000; 2004: \$310,000; 2005: \$310,000; 2006: \$350,000.

During the year 2001, GS/OAS entered into a financing arrangement with Bank of America with the objective of paying the existing mortgage, renovating the property at 1889 F street N.W. and securing a new mortgage in the amount of \$25,000,000.

In this context, on October 24th, 2001, GS/OAS authorized Bank of America N.A. (lender) the issuance and sale of up to Twenty-Five Million Dollars (\$25,000,000) in the aggregate principal amount of The General Secretariat of the Organization of American States Taxable Variable Rate Demand Notes, Series A (Demand notes), and use the proceeds to pay off the old mortgage, finance the cost of the construction, renovation, and equipping of the property located at 1889 F Street, N.W.

The Demand notes will mature on September 1, 2032 and will be issued in accordance with the draw down schedule required by the GS/OAS to implement the renovation project. In support of the Demand notes to be issued, Bank of America will provide GS/OAS with a letter of credit scheduled to expire on November 1, 2006 that will coincide with the draw down schedule. As of December 31, 2001, Demand notes have been issued and a draw down on the letter of credit has been completed in the amount

of \$4,680,000. The proceeds were used to repay the existing mortgage, financing fees and renovations.

Although the Demand notes shall be issued at the then prevailing market rate, GS/OAS has entered into a SWAP agreement with Bank of America locking the interest it will pay on the letter of credit to 6.37 %.

Swap agreement

As OAS does not follow accounting principles generally accepted in the United States, OAS does not account for the interest rate swap agreement under Statement of Financial Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Thus, OAS has not determined whether this swap is an effective or ineffective hedge relationship, and thus marked to market through equity or changes in fund balance, respectively.

11 LEASES

The General Secretariat leases certain facilities and equipment. Rental expense for such lease was approximately \$412,000 and \$599,000 for the year ended December 31, 2001 and 2000, respectively. Aggregate rentals subsequent to December 31, 2001 are not significant.

12 RETIREMENT PLANS

Staff members of the General Secretariat of the OAS are required to join the Retirement and Pension Plan, Provident Plan or 401(M) Plan, as a condition of employment. In addition under special agreements, employees of other agencies of the Inter-American system may also participate in these Plans. The following agencies are current participants: the Inter-American Institute for Cooperation on Agriculture (IICA), the Inter-American Defense Board (IADB), and the Inter-American Court of Human Rights (ICHR).

The Retirement and Pension Plan is a contributory retirement plan. Compulsory contributions are shared 2/3 by the institution and 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 to the Provident Plan are made in equal amounts and participants are fully vested at all times on their respective balances in the Plan. The 401 (m) plan is also a contributory plan designed for members with a contract for a limited time in excess of one year or for a position and has not elected participation in the Retirement and Pension Plan. The 401 (m) is similar in its nature as the IRA. Pension expenses for the Retirement and Pension, Provident and 401 (m) Plans borne by the Regular Fund amounted to \$6,216,000 in 2001, and \$5,998,000 in 2000.

Actuarial present value of accumulated plan benefits:

Vested	\$283,148,000
Nonvested	27,014,000
Total as of December 31, 2001:	<u>\$310,162,000</u>
Net Plan Assets Available for Benefits:	<u>\$320,098,000</u>

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, \$315,000 and \$275,000 in 2001 and 2000 respectively, is budgeted and recognized in the year paid. The approximate present value of estimated future payments of \$5.0 million, and \$4.9 million as of December 31, 2001 and 2000, respectively, is reflected in the amounts to be charged to future years appropriations in the combined Statement of Assets, Liabilities and Fund Balance of the Regular Fund.

13 POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits as described in Note 12 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 2001 and 2000, those costs were \$1,277,000 and \$1,434,000, respectively.

14 CONTINGENCIES

There are several cases pending since 1988 in the labor courts of Brazil brought by individuals who allege to have been employees of the General Secretariat and did not receive benefits according to Brazilian labor laws and that were wrongfully terminated. The Secretariat maintains that it is not liable because does not and did not recognize them as employees of the OAS but rather employees of the Brazilian government or independent contractors. The statute of limitations for cases of this nature range from two to five years from date of termination for former and actual employees respectively. The Secretariat has no accurate knowledge of the number of persons who are eligible under the statute of limitations to file similar claims against the Secretariat, but they could amount to approximately sixty. If they proceed to file those claims, and if the Government of Brazil refuses to recognize the Organization's immunity, the Secretariat's costs for defending and satisfying those judgments could potentially be significant. However, in 1998 the Supreme Labor Court of Brazil confirmed the Secretariat's immunity from execution in an overturned case. In addition, eventual execution of a court award against the Secretariat would amount to an outright repudiation of Brazil's Agreements on Privileges and Immunities with the Secretariat. 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.

SUPPLEMENTARY INFORMATION

ORGANIZATION OF AMERICAN STATES

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REGULAR FUND

STATEMENT OF

QUOTA ASSESMENTS, COLLECTIONS, AND BALANCES

ORGANIZATION OF AMERICAN STATES

SCHEDULE 1

REGULAR FUND
STATEMENT OF QUOTA ASSESSMENTS, COLLECTIONS, AND BALANCES
YEAR ENDED DECEMBER 31, 2001

Member States	Balances as of December 31, 2000		Quota assessment For 2001		Collections for tax reimbursements	2000 Prompt Payment & Other Credits	Collections in 2001		Uncollected balances as of December 31, 2001
	Uncollected	Received In advance	Percent	Amount			For 2001 and prior years	In advance for 2002	
ANTIGUA AND BARBUDA	\$ -	\$ -	0.02	\$ 14,900	\$ -	\$ -	\$ 14,900	-	\$ -
ARGENTINA	3,658,000	-	4.90	3,658,000	-	-	3,658,000	-	3,658,000
BAHAMAS, COMM. OF	-	-	0.07	52,300	-	1,046	52,300	-	-
BARBADOS *	-	-	0.08	59,700	2,234	-	38,683	-	21,017
BELIZE	-	-	0.03	22,400	-	-	22,400	-	-
BOLIVIA	383,167	-	0.07	52,300	-	-	107,040	-	328,427
BRAZIL	6,382,800	-	8.55	6,382,800	-	-	12,765,600	-	-
CANADA	-	-	12.36	9,227,100	-	184,542	9,227,100	-	-
CHILE	-	16,200	0.54	403,100	-	8,062	403,100	-	-
COLOMBIA	-	-	0.94	701,700	-	14,034	701,700	6,849	-
COSTA RICA	-	13,218	0.13	97,000	-	-	97,000	-	-
CUBA	2,166,322	-	1.24	-	-	-	0	-	2,166,322
DOMINICA, COMM. OF	-	-	0.02	14,900	-	-	14,900	-	-
DOMINICAN REPUBLIC	1,828,079	-	0.18	134,400	-	-	520,682	-	1,441,797
ECUADOR	190,090	-	0.18	134,400	-	-	324,490	-	-
EL SALVADOR	-	-	0.07	52,300	-	-	52,300	-	-
GRENADA	11,272	-	0.03	22,400	-	-	22,400	-	11,272
GUATEMALA	-	24,500	0.13	97,000	-	-	97,000	-	-
GUYANA	-	-	0.02	14,900	-	298	14,900	-	-
HAITI	133,927	-	0.07	52,300	-	1,046	82,926	-	103,301
HONDURAS	-	25,742	0.07	52,300	-	-	52,300	6,872	-
JAMAICA	-	15,600	0.18	134,400	-	-	105,600	-	28,800
MEXICO	-	-	6.08	4,538,900	11,000	-	4,538,900	-	-
NICARAGUA	793,391	-	0.07	52,300	-	-	108,971	-	736,720
PANAMA	-	-	0.13	97,000	-	-	97,000	-	-
PARAGUAY	60,931	-	0.18	134,400	-	-	15,303	-	180,028
PERU	-	21,217	0.41	306,100	-	-	306,100	-	-
ST. KITTS AND NEVIS	-	-	0.02	14,900	-	-	14,900	-	-
ST. LUCIA	-	-	0.03	22,400	-	448	22,400	-	-
ST. VINCENT & THE GRENAD	-	-	0.02	14,900	-	-	14,900	-	-
SURINAME	156,900	-	0.07	52,300	-	-	-	-	209,200
TRINIDAD AND TOBAGO	-	-	0.18	134,400	-	2,688	134,400	229	-
UNITED STATES	29,459,221	-	59.47	44,395,900	7,595,544	-	49,294,900	-	24,560,221
URUGUAY	194,100	-	0.26	194,100	-	-	194,100	-	194,100
VENEZUELA	97,395	-	3.20	2,388,900	-	-	2,486,295	-	-
	<u>\$ 45,515,595</u>	<u>\$ 116,477</u>	<u>100</u>	<u>\$73,727,100</u>	<u>\$ 7,608,778</u>	<u>\$ 212,164</u>	<u>\$85,603,490</u>	<u>\$ 13,950</u>	<u>\$ 33,639,205</u>

* A payment from Barbados was received on January 03, 2002 to cover the debts as of December 31, 2001.

REGULAR FUND
SUMMARY OF APPROPRIATIONS AND
DISPOSITION OF APPROPRIATIONS

ORGANIZATION OF AMERICAN STATES

SCHEDULE 2

**REGULAR FUND
SUMMARY OF APPROPRIATIONS
YEAR ENDED DECEMBER 31, 2001**

	2001 Budget Approved by the General Assembly (a)	Supplementary Appropriations	Discretionary Appropriation Transfers (b)	2001 Adjusted Budget
General Assembly and Permanent Council	\$ 12,323,800	\$	\$ (207,476)	\$ 12,116,324
Executive Office of the General Secretariat	9,973,600	750,004	239,078	10,962,682
Units and Specialized Offices	12,123,500		(7,366)	12,116,134
Inter-American Council for Integral Development (CIDI)	11,847,200		32,602	11,879,802
Offices Away from Headquarters	6,100,300		(388,890)	5,711,410
Activities of the Secretariat for Legal Affairs	1,960,900		(91,400)	1,869,500
Activities of the Secretariat for Management	10,192,100		(416,787)	9,775,313
Common Administrative and Personnel Costs	6,130,100		967,512	7,097,612
Contributions to:				
Inter-American Defense Board	1,947,800			1,947,800
Inter-American Children's Institute	1,616,600		(94,565)	1,522,035
Inter-American Commission of Women	936,500		(78,396)	858,104
Inter-American Development Foundation	166,600			166,600
Inter-American Commission of Telecommunications	681,000		35,731	716,731
Chapter 2 - Personnel Costs Adjustment			9,957	9,957
	<u>\$ 76,000,000</u>	<u>\$ 750,004</u>	<u>\$ -</u>	<u>\$ 76,750,004</u>

(a) AG/Res. 1 (XXVII-E/00).

(b) CP/doc.3446/01, CP/doc.3512/01, CP/doc.3539/02 corr.1

ORGANIZATION OF AMERICAN STATES

SCHEDULE 3

REGULAR FUND
SUMMARY AND DISPOSITION OF APPROPRIATIONS
YEAR ENDED DECEMBER 31, 2001

	2001 Adjusted Budget	Charges for Expenditures	Unliquidated Obligations	Total Expenditures and Obligations	Expired Appropriations
General Assembly and Permanent Council	\$ 12,116,324	\$ 11,421,596	\$ 413,703	\$ 11,835,299	\$ 281,025
Executive Office of the General Secretariat	10,962,682	10,692,196	153,935	10,846,131	116,551
Units and Specialized Offices	12,116,134	11,828,794	234,249	12,063,043	53,091
Inter-American Council for Integral Development (CIDI)	11,879,802	8,929,164	2,889,842	11,819,006	60,796
Offices Away from Headquarters	5,711,410	5,620,767	44,778	5,665,545	45,865
Activities of the Secretariat for Legal Affairs	1,869,500	1,798,636	52,410	1,851,046	18,454
Activities of the Secretariat for Management	9,775,313	9,623,481	101,746	9,725,227	50,086
Common Administrative and Personnel Costs	7,097,612	6,388,989	683,915	7,072,904	24,708
Contributions to:					
Inter-American Defense Board	1,947,800	1,947,800		1,947,800	
Inter-American Children's Institute	1,522,035	1,409,070	27,440	1,436,510	85,525
Inter-American Commission of Women	858,104	817,780	38,139	855,919	2,185
Pan American Development Foundation	166,600	166,600		166,600	-
Inter-American Commission of Telecommunications	716,731	715,689	471	716,160	571
Chapter 2 - Personnel Costs Adjustment	9,957				9,957
	<u>\$ 76,750,004</u>	<u>\$ 71,360,562</u>	<u>\$ 4,640,628</u>	<u>\$ 76,001,190</u>	<u>\$ 748,814</u>
Budgeted Funding:					
Quotas	\$ 73,727,100				
Supplementary Appropriations	427,299				
Other Funding	2,272,900				
Americas subscriptions revenue	322,705				
	<u>\$ 76,750,004</u>				

**SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCES**

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance 1-Jan-01	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
Unit for the Promotion of Democracy											
Bolivia	Assist to Minister of Econo Development	26,197	20,859	-	-	-	39,179	(18,320)	7,878	1313	6,564
PRONAGOB	Aud. Sist. Inf. CNE Bolivia	(9,568)	31,200	-	-	-	20,845	10,355	787	24	763
Canada	Stockpile Destruction	-	476,507	-	-	-	403,183	73,324	73,324	3,470	69,854
Canada	Elect. Registry - Belize	453	-	(453)	-	-	-	(453)	-	-	-
CIDA	Demining Program Assist. Peru/Ecuador	279,548	-	-	-	-	45,052	(45,052)	234,496	-	234,496
CIDA	Parliamentary Network of the Americas	90,034	-	-	-	-	84,657	(84,657)	5,377	3,999	1,378
CIDA	CIDA MICIMH	4,183	-	-	-	(4,183)	-	(4,183)	-	-	-
CIDA	CIDA Contribution	5,457	-	-	233	-	-	233	5,690	-	5,690
CIDA	Elect. Obs. Dominican Rep 1996	15,911	-	(15,911)	-	-	-	(15,911)	-	-	-
Nicaragua	Home Reconstruction Nicaragua	221,595	1,272,284	(9,931)	6,594	-	828,294	440,653	662,248	185,693	476,554
U.S.	Panama Obs.Mission Panama (05/99)	2,277	-	(120)	-	120	-	-	2,277	-	2,277
U.S.	Strengthening Democ. Proc. Cuba	50,000	-	-	-	-	-	-	50,000	-	50,000
U.S.	Elect. Obs. Mission - Guatemala	3,869	-	(2,230)	-	1,271	1,863	(2,821)	1,048	-	1,048
U.S.	Elect. Obs. Mission - Venezuela 1999	11,000	-	(7,518)	-	-	2,658	(10,176)	824	-	824
U.S.	Elect. Obs. Mission - Venezuela	6,630	-	(5,805)	-	-	825	(6,630)	-	-	-
U.S.	Arias Foundation for Peace	5,378	141,147	(21,525)	-	-	125,000	(5,378)	-	-	-
U.S.	Elect. Obs. Mission - Dominic. Rep.	12,070	-	(9,696)	-	-	2,374	(12,070)	-	-	-
U.S.	National Dialogue in Ecuador	5,682	-	-	-	-	5,436	(5,436)	246	209	36
U.S.	Elect. Obs. Mission-Municipal Elect-NI	35,507	-	-	-	342	23,070	(22,728)	12,779	5,067	7,712
U.S.	Horizontal Coop. Bra-Par / Electronic Vote	-	-	135,000	-	-	126,317	8,683	8,683	3,960	4,723
U.S.	Database of the Americas	13,789	-	210,000	-	-	49,275	160,725	174,514	80,000	94,514
U.S.	Elect. Assist and Civil Education Guatemala	542	-	-	-	(147)	-	(147)	395	-	395
U.S.	Infrastructure Strengthening-Nicaragua	194,677	-	(200,022)	-	5,345	-	(194,677)	-	-	-
U.S.	Elect. Obs. Mission Panama	2,442	-	(2,443)	-	3,488	3,487	(2,442)	-	-	-
U.S.	Andean Regional Conference on Registries	3,762	-	(3,762)	-	-	-	(3,762)	-	-	-
U.S.	Tec.Asist.Elect. Justice Tribunal - PY	6,014	-	-	-	-	5,697	(5,697)	317	46	271
U.S.	Elect.Obs.Mission- Honduras 2001	-	68,081	225,000	-	-	205,681	87,400	87,400	21,007	66,394
US St.-H.Demin.	Demining PADEP/PERU	500,000	500,000	-	-	-	62,466	437,534	937,534	47,816	889,717
US St.-H.Demin.	Demining PADEP/ECUADOR	-	500,000	-	-	-	239,160	260,840	260,840	12,253	248,587
US St.-H.Demin.	Mine Detecting Canine Administ. Program	-	276,889	-	-	-	180,881	96,008	96,008	32,698	63,310
Germany	Elect. Obs. Panama 1994	11,736	-	(11,736)	-	-	-	(11,736)	-	-	-
Germany	Elect. Obs. Venezuela 1993	5,006	-	(5,006)	-	-	-	(5,006)	-	-	-
Netherlands	General Election Volunteers	8	-	-	-	-	-	-	8	-	8
Netherlands	Plan Ass. Tecnica TSE Guatemala	262,084	681,156	-	20,142	29,068	693,567	36,799	298,883	144,543	154,340
Sweden	Son of the River - Nicaragua	1,173,589	-	-	24,645	(4,940)	1,110,104	(1,090,399)	83,191	44,762	38,429
Sweden	VII Iberoamerican Congress of Chemistry	437	-	-	-	-	-	-	437	-	437
Sweden	Peace and Reinsertion	552,159	-	-	7,754	196	552,226	(544,276)	7,882	1,300	6,583
Sweden	Hazards Retrofitting OAS-WB	-	718,376	-	-	-	371,799	346,577	346,577	141,186	205,391
UK	Miss. Obs. Proc. Inscrip. Belize	237	-	(237)	-	-	-	(237)	-	-	-

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2001 to December 31, 2001

Organization, Donor & Project	Cash Balance 1-Jan-01	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
Unit for the Promotion of Democracy (continued)										
UK Caribbean Forum Constitutional Reform	-	30,000	20,000	-	-	25,783	24,218	24,218	16,198	8,020
Italy Demining Awareness- Nicaragua	-	100,000	-	-	-	-	100,000	100,000	-	100,000
Norway Diminishing Voting Abstention in Guatemala	5,582	-	-	-	-	-	-	5,582	-	5,582
Norway PADCA/GUA TEMALA 00384	-	46,217	-	-	-	23,614	22,603	22,603	644	2,1959
IDB IDB Judicial Support Congress	31963	-	-	-	-	19,124	(19,124)	12,839	5,010	7,829
IDB MORECIV	120,340	148,400	-	-	5,411	202,113	(48,302)	72,038	69,492	2,546
IDB Democratic Study Program	-	100,000	-	-	-	31,929	68,071	68,071	-	68,071
UN- Mine Info Mgmt Systems Mine Action -Nicaragua	23,471	-	-	-	-	18,687	(18,687)	4,784	4,150	634
IBRD M.A.C.C.	-	208,889	-	-	-	30,276	178,613	178,613	7,000	17,1613
Soros Support to Dialogue in Guatemala	3,587	-	-	87	(2,841)	-	(2,755)	832	-	832
Various Overhead Account (Democ)	114,015	-	76,464	179,075	-	252,117	3,421	117,436	-	117,436
Various St. Kitts & Nevis Constitution Reform	1	3,213	(3,214)	-	-	-	(1)	-	-	-
Various Democ Overhead Contribution	7	-	-	-	-	-	-	7	-	7
Various Manual Org. Elect. Obser. Mission	3,262	-	(3,262)	-	-	-	(3,262)	-	-	-
Various Democracy Courses	-	-	-	-	11,985	11,858	127	127	-	127
Various Inf Camp.& Voter Reg. Inf.- Guatemala	459	-	(459)	-	-	-	(459)	-	-	-
Various Caribbean Elect. Tech. Assistance	72,478	35,410	114,439	-	-	89,336	60,513	132,991	46,413	86,578
Various Elect. Obs. Mission-Haiti 1999	28,557	-	-	-	1,207	14,538	(13,331)	15,226	300	14,926
Various Elect. Obs. Mission-Guatemala Nov 99	84,809	-	(82,705)	-	-	1,108	(83,813)	996	-	996
Various Elect. Obs. Mission Peru	106,822	-	(64,095)	1	(36,926)	5,649	(106,668)	154	-	154
Various Demining PADCA-Nicaragua	484,241	2,562,579	-	1	653	2,295,254	267,979	752,221	204,379	547,841
Various Elect. Obs Mission-Suriname	33,953	-	-	-	-	8,467	(8,467)	25,486	-	25,486
Various Demining PADCA-Honduras	67,044	311,502	-	-	-	370,665	(59,163)	7,882	2,041	5,841
Various Elect. Obs. Mission - Venezuela 2000	6,265	-	-	-	-	1,383	(1,383)	4,883	2,780	2,103
Various Demining-Preventing Education	3,070	-	-	-	-	3,067	(3,067)	3	3	-
Various Special Fund for Strengthening Democracy	40,725	62,551	26,297	-	-	22,818	66,030	106,755	670	106,085
Various Elect. Obs. Mission - Paraguay	20,484	-	(10,000)	-	-	5,815	(15,815)	4,669	-	4,669
Various Demining PADCA Regional	257,843	1,460,491	(29,604)	25	188	892,484	538,615	796,459	180,937	615,522
Various OAS-Mission to Haiti	43,287	12,000	50,000	-	-	76,962	(14,962)	28,325	2,712	25,613
Various High Level Mission.-Peru	11,000	230,000	(24,873)	-	-	58,740	46,387	57,387	-	57,387
Various ELEC OBSERV MISS GUAYANA 2001	210,000	56,782	-	-	-	188,117	(131,335)	78,665	35,126	43,539
Various Elect. Observation Mission in Peru-2001	-	10,110,31	64,095	-	-	973,430	10,1696	10,1696	11,235	90,461
Various Community of Democracies	-	37,975	15,000	-	-	41,334	11,641	11,641	-	11,641
Various Elect.Obs.Mission- St.Vincent & Grenadines	-	20,020	65,000	-	(247)	76,421	8,353	8,353	1,483	6,870
Various Elect. Obs. Mission - Nicaragua General Election	-	974,888	87,700	-	-	972,037	90,550	90,550	72,011	18,539
Various Permanent Forum Political Parties	-	-	75,000	-	-	64,176	10,824	10,824	5,068	5,757
Various Prog.of Legislative Development	80,098	-	-	10	-	61,323	(61,313)	18,785	10,549	8,237
Various Civic Training	56,570	-	-	-	-	-	-	56,570	-	56,570
Various Decentralization Local Governments	76,562	-	-	-	10,560	37,557	(26,997)	49,565	1,200	48,365
Various Mov.Elect. Observation Honduras	1,200	-	(1,200)	-	-	-	(1,200)	-	-	-

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance 1-Jan-01	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
Unit for the Promotion of Democracy (continued)											
Varios	Elect. Observation Fund	41,803	50,000	-	-	-	-	50,000	91,803	-	91,803
Varios	Elect. Obs. Guyana	18,843	-	(18,843)	-	-	-	(18,843)	-	-	-
Varios	International Civilian Mission Haiti	9,007	-	-	-	12,700	21,706	(9,006)	-	-	-
Varios	Elect. Obs. Colombia	25,859	-	(25,859)	-	-	-	(25,859)	-	-	-
Varios	Elect. Obs. Nicaragua (1996)	20,008	-	(20,008)	-	-	-	(20,008)	-	-	-
Varios	Elect. Obs. Nicaragua Atlantic Coast	2,281	-	(2,281)	-	-	-	(2,281)	-	-	-
Varios	Elect. Obs. Paraguay	6,668	-	-	-	19	3,238	(3,119)	3,549	-	3,549
Varios	Elect. Obs. Dominican Rep (1998 Activity)	131	-	(131)	-	-	-	(131)	-	-	-
Varios	Elect. Obs. Bolivia	14	-	(14)	-	-	-	(14)	-	-	-
Varios	OAS DEMOC Unprogrammed Funds	611,460	2,500,000	(1,205,338)	-	12,500	-	1,307,162	1,918,622	-	1,918,622
Varios	Demining in Central America	1,528,569	-	-	(69)	11,475	1,441,787	(1,430,380)	98,189	70,128	28,061
Varios	PRONAGOB	14,946	206,284	-	-	15,102	159,862	61,524	76,471	15,042	61,429
Varios	PROPAZ	252,041	-	-	39,570	(36,191)	22,126	(217,884)	34,157	3,857	30,301
Varios	PROPAZ II	468,746	166,916	(16,887)	-	-	379,778	(229,749)	238,996	78,522	160,475
Varios	Special Mission to Suriname	18,863	-	-	1,105	-	15,237	(14,131)	4,731	100	4,631
Varios	Elect. Obs. Mission Peru-1998	7	-	(7)	-	-	-	(7)	-	-	-
Varios	Elect. Technical Assistance	467	-	-	-	-	-	-	467	-	467
Varios	Politic Management - Guatemala	375,932	533,716	-	-	(8,317)	563,370	(37,970)	337,962	51,887	286,074
Varios	Exploratory Mission Venezuela	1,151	6,711	-	-	-	-	6,711	7,863	392	7,471
Varios	Experts Meeting - Education & Peace	726	-	-	-	-	-	-	726	-	726
Sub-Total		8,877,926	15,562,075	(741,183)	279,173	27,938	14,865,516	262,486	9,140,412	1628,672	7,511,741
Permanent Secretariat to CIM											
Barbados	III Meetings CIM - Barbados	361	-	-	-	(361)	-	(361)	-	-	-
Canada	App.Tech.Rural Women Contr. CA	108	-	-	-	(108)	-	(108)	-	-	-
Canada	Canada High Com Jamaica	4,441	-	-	-	(4,441)	-	(4,441)	-	-	-
CIDA	CIDA - SEED Fund	4,497	-	-	-	(4,497)	-	(4,497)	-	-	-
CIDA	UNDP - Golden Fleece - CIM	1,707	-	-	-	(1,707)	-	(1,707)	-	-	-
USAID	Trafficking of Women & Children in America	-	220,000	1,024	-	-	221,024	-	-	-	-
UNIFEM	Sub Regional Meeting Montevideo Uruguay	5,000	-	-	-	-	4,627	(4,627)	373	-	373
UNIFEM	Convention of Belem Do Para	-	15,000	-	-	-	14,055	945	945	-	945
Varios	Other Expenses - CIM	3,440	-	688	-	-	2,860	(2,173)	1,268	20	1,248
Varios	Sales CIM - Publications	306	-	(306)	-	-	-	(306)	-	-	-
CR/NI	Interest CIM	48	-	(48)	-	-	-	(48)	-	-	-
CR/NI	Income from Other Sources	333	-	(333)	-	-	-	(333)	-	-	-
CR/NI	I-A Quin.Fund.Hist.of Women	7,501	-	-	-	(7,501)	-	(7,501)	-	-	-
Sub-Total		27,744	235,000	1,024	-	(18,616)	242,566	(25,158)	2,586	20	2,566

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance		Transfers	Interest Income	Refunds &		Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
		1-Jan-01	Contributions			Other Income	Expenditures				
Inter-American Commission on Human Rights											
Various	I-A Comiss. of Human Rights-Overhead	49,527	-	-	16,500	-	-	16,500	66,027	-	66,027
Various	I-A Commission on Human Rights	541,344	400,353	400,000	-	3,799	685,153	18,999	660,343	71,668	588,674
Various	Rapporteur-Freedom Exp.	398,106	120,234	260,000	-	336	377,609	2,960	401,066	93,179	307,887
Sub-Total		988,977	520,588	660,000	16,500	4,134	1,062,763	138,459	1,127,436	164,847	962,589
Office of the Secretary General											
Canada	Office of Protocol	-	1,867	-	-	2,287	4,153	-	-	-	-
Chile	Inter-American Tribune	2,560	-	-	-	-	-	-	2,560	-	2,560
Colombia	Ex-Presid. Gaviria Security	(223,330)	311,430	-	-	-	124,127	187,303	(36,026)	-	(36,026)
U.S.	AID-Hemispheric Free Trade	4,446	93,654	(23,911)	-	(1,589)	72,500	(4,346)	100	16,500	(16,400)
U.S.	High Level Mission-Peru	-	-	37,476	-	-	25,305	12,171	12,171	139	12,032
IBRD	Follow Up Summit America 98	-	3,462	-	-	-	3,462	-	-	-	-
Various	Office of the Secretary General	689	-	-	-	-	-	-	689	-	689
Various	Oracle Marketing Plan	-	-	-	-	14,944	14,935	9	9	-	9
Various	OAS 50th Anniversary	905	-	-	-	-	116	(116)	790	-	790
Various	OAS 50th Anniversary-Sales	402	-	-	-	50	-	50	452	-	452
Various	Model OAS General Assembly	33,856	45,600	-	-	943	38,849	7,695	41,551	3,004	38,547
Various	Model OAS IA Stud Fd	5,200	-	-	876	(6,076)	-	(5,200)	-	-	-
Various	Pub. Inf. Radio & TV Sale Video	520	-	-	-	1,020	-	1,020	1,540	-	1,540
Other	Public. "House of the Americas"	50,647	-	-	-	-	-	-	50,647	-	50,647
Various	Development Assistance Unprogrammed Funds	145,889	-	(113,527)	-	-	-	(113,527)	32,363	-	32,363
Various	Facilitate Talk between BZ/GU	5,867	110,240	(1,897)	-	(74,743)	42,267	(8,667)	7,200	-	7,200
Various	S.I.R.G. Meetings	-	34,789	-	-	-	4,944	29,845	29,845	1,561	28,285
Various	OAS Special Representative-NI	26,733	129,825	-	-	(8,931)	46,714	74,181	100,914	1,343	99,571
Sub-Total		64,386	730,866.84	(101,858)	876	(72,095)	377,371	180,418	244,804	22,546	222,258
Office of Cultural Affairs											
Brazil	Unprogrammed Funds (ex CEC)	44,420	-	-	-	-	-	-	44,420	-	44,420
Chile	Unprogrammed Funds	10,000	-	-	-	(2,500)	-	(2,500)	7,500	-	7,500
Colombia	Cultural Projects	1,687	-	-	-	-	-	-	1,687	-	1,687
Mexico	Cultural Projects	65	-	-	-	-	-	-	65	-	65
Mexico	Gabriela Mistral Price Competition	4,011	-	-	-	-	110	(110)	3,901	-	3,901
Union Latina	UNION LATINA	2,765	-	55	-	-	2,820	(2,765)	-	-	-
Various	Amalia Fortabat Music Friends Fellowship	876	-	-	-	-	-	-	876	-	876
Various	Miscellaneous Record Sales	5,484	-	(55)	-	36	-	(19)	5,465	-	5,465
Various	Prot & Promot. Cultural	942	-	-	-	-	-	-	942	-	942
Sub-Total		70,251	-	-	-	(2,464)	2,930	(5,393)	64,857	-	64,857
Department of Fellowships											
CIDI	Contrib-Fellowships	8,145	-	-	-	-	-	-	8,145	-	8,145
Chile	Course on Nutritional Policies	5,000	-	-	-	-	-	-	5,000	-	5,000
St. Vin. & Grenadines	Contrib-Fellowships	1,374	-	-	-	-	-	-	1,374	-	1,374
Sub-Total		14,519	-	-	-	-	-	-	14,519	-	14,519

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance 1-Jan-01	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
Office of Science & Technology											
Argentina	Center Textile Research	437	-	-	-	-	-	-	437	-	437
Argentina	CNEA Degradation Materials	5,707	-	-	-	-	-	-	5,707	-	5,707
Brazil	Unprogrammed Funds (exCMP)	3,895	2,878	-	-	-	-	2,878	6,773	-	6,773
Costa Rica	Science Projects	1,547	-	-	-	(1,547)	-	(1,547)	-	-	-
Panama	Plan for Science and Technology	8,392	123,984	-	-	20	123,777	227	8,619	1,180	7,439
Panama	Drug Investigations	22,051	59,087	-	-	-	44,599	14,488	36,539	25,131	11,408
GTZ	Science Projects	248	-	-	-	-	-	-	248	-	248
GTZ	Quality Mngt. Syst. Flood and Text.	55,186	-	-	1,908	483	16,009	(13,618)	41,568	4,005	37,563
Netherlands	Food Technology-Brazil	6,982	-	-	-	-	-	-	6,982	-	6,982
OSI - (NGO)	University Environment	75	-	-	-	-	-	-	75	-	75
Sub-Total		104,518	185,949	-	1,908	(1,044)	184,384	2,429	106,947	30,316	76,631
Inter-American Commission Against Drug Abuse											
Colombia	Support to Teaching Program	4,210	-	-	-	-	4,210	(4,210)	-	-	-
Honduras	XXIV Ord. Period of Sessions	1,309	-	-	-	(1,309)	-	(1,309)	-	-	-
U.S.	Drug-Related Gang and Violence	63,194	-	-	-	-	33,408	(33,408)	29,786	-	29,786
USDOE	Drug Policy Leadership Conf	281	-	(260)	-	-	-	(260)	21	-	21
USINL	Field Research Site-Tarapoto	58,968	-	100,000	-	-	-	100,000	158,968	-	158,968
USINL	Street Children-Central	65,185	-	24,544	265	-	39,444	(14,635)	50,550	18,715	31,835
USINL	Peruvian Cacao Coordination	57,577	-	-	-	1,934	8,496	(6,561)	51,016	4,440	46,575
USINL	Firearms-Model Reg.	37,745	-	132,000	-	-	57,995	74,005	111,750	13,688	98,062
USINL	Enhancement of CICAD Information & Statistical Se	30,100	10,748	6	-	1,702	25,050	(12,595)	17,505	2,700	14,805
USINL	Support to Peruvian Cacao Strategy	197,218	-	41,000	-	-	53,642	(12,642)	184,576	198	184,378
USINL	Alternative Development Colombia	82,770	-	140,000	-	-	54,101	85,899	168,669	4,639	164,030
USINL	Minimum Standards of Care	15,333	-	29,621	-	-	25,895	3,727	19,060	18,828	232
USINL	Alternative Devel.-Cacao	22,454	1,700,000	(8,000)	-	-	47,167	1,644,833	1,667,287	19,017	1,648,270
USINL	Alternative Devel.-SIGATOKA	80,000	1,800,000	84,000	-	-	114,588	1,769,412	1,849,412	124,801	1,724,611
USINL	Bolivia-GLEAM	61,597	1,500,000	336,000	-	-	379,000	1,457,000	1,518,598	420,110	1,098,488
USINL	SENASA-Vitarte	85,771	-	-	-	-	82,447	(82,447)	3,324	239	3,085
USINL	Alternative Development Caribbean SIGATOKA	106,312	-	-	-	172	4,489	(4,317)	101,995	-	101,995
USINL	Alternative Development General Support	27,107	500,000	(306,746)	-	351	109,614	83,991	111,098	4,882	106,217
USINL	Pharmaceutical/Experts Group	-	-	40,000	-	-	13,470	26,530	26,530	152	26,378
USINL	Observatory Technical & Administ. Support	-	-	172,079	-	-	15,479	16,600	16,600	-	16,600
USINL	Ecuador - Alternative Development Frontier.	-	-	500,000	-	-	28,874	471,126	471,126	801	470,325
USINL	US Contrib. Year 1997	100,000	2,855,913	(2,580,446)	-	-	222,810	52,656	152,656	-	152,656
USINL	Demand Reduction-Expert Grp	674	-	60,000	-	-	56,079	3,921	4,595	3,451	1,144
USINL	Treatment Training	5,545	-	-	-	-	4,966	(4,966)	579	-	579
USINL	Altern. Dev.-GLEAM	240,321	-	1,901	-	-	239,916	(238,015)	2,306	2,000	306
USINL	Chemical Control	1,414	-	(739)	-	-	675	(1,414)	-	-	-
USINL	Chemical Control Systems	2,430	-	739	-	426	1,394	(229)	2,201	-	2,201
USINL	Displacement of Illicit Crops and People	-	-	132,300	-	-	120,901	11,399	11,399	985	10,414
USINL	RETCOD/NDC-Equipment	7,292	-	1,000	-	-	3,896	(2,896)	4,396	1,244	3,152

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2001 to December 31, 2001

Organization, Donor & Project	Cash Balance 1-Jan-01	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
Inter-American Commission Against Drug Abuse (continued)										
USINL Money Laundering-Expert	7,465	-	40,000	-	-	29,249	10,751	18,216	255	17,961
USINL Witness Protection-Training	33,652	-	-	-	-	3,795	(3,795)	29,857	-	29,857
USINL Precursors Chemical-Technical Assistance	1,332	-	(1,332)	-	-	-	(1,332)	-	-	-
USINL Information XXI Century	11,040	-	-	-	-	10,507	(10,507)	533	-	533
USINL SIDUC - Caribbean	-	-	95,500	-	-	12,378	83,122	83,122	4,000	79,122
USINL Regional Initiative on Demand Reduction	-	-	20,000	-	-	14,367	5,633	5,633	4,723	909
USINL Colombian Indigenos	-	-	350,000	-	-	93,882	256,118	256,118	-	256,118
USINL Master Degree On Line	-	-	99,000	-	-	91,995	7,005	7,005	2,235	4,770
Spain Spain-CICDAT	68,932	-	-	-	-	59,345	(59,345)	9,587	-	9,587
AECI Strengthening of CND in Andean Countries	-	357,476	-	-	-	13,925	343,551	343,551	99,321	244,230
EEC EEC- Online Information Management	2,650	54,442	-	-	-	13,946	40,496	43,146	8,459	34,687
EEC Inter-Reg'l Drug Prevention Program	29,213	-	-	-	-	26,915	(26,915)	2,298	-	2,298
IDB Money Laundering - Training	21,789	6,000	1,079	-	1,386	30,000	(21,534)	255	-	255
Various Resource Generation	116	-	5,000	-	-	805	4,195	4,311	440	3,871
Various I-A Legislative Integration	-	-	21,725	-	-	19,117	2,608	2,608	2,608	-
Various Caribbean Chemical Resources	94,871	73,009	38,043	-	-	85,853	25,199	120,070	-	120,070
Various Institution Building Central America	97,447	179,455	-	-	33	162,194	(2,706)	94,741	3,919	90,822
Various Support To Drug Consult Groups	13,770	-	260	-	-	10,004	(9,744)	4,025	-	4,025
Various MEM Solidarity Fund	32,853	38,868	(38,868)	-	38,868	27,195	11,673	44,525	11,517	33,008
Various Money Laundering	65,719	-	55,243	-	529	104,356	(48,583)	17,136	1816	15,320
Various Ord. Session Period	57,021	26,000	-	-	110	80,093	(53,953)	3,068	-	3,068
Various Exec.Secret.Tech./Adm.Supp	28,424	-	87,129	108,108	1,199	65,267	131,169	159,593	3,450	156,143
Various Exec.Secretariat Tech.Supp	49,940	-	(51,293)	-	-	20,473	(71,767)	(21,827)	-	(21,827)
Various General Fund	41,448	58,000	(158)	-	-	31,871	25,971	67,419	183	67,236
Various Canadian Contribution	2,341	31,985	-	100	-	34,405	(2,320)	21	-	21
Various Nursing School Training	11,195	201,195	165,405	-	46,195	337,725	75,070	86,265	65,244	21,021
Various Atlantic Coast Prevention	26,794	-	(301)	-	1,998	20,017	(18,320)	8,473	2,656	5,817
Various Caribbean Prevention	4,472	-	109	-	-	4,498	(4,389)	84	84	-
Various Youth Encounters Prevention	2,124	-	-	-	-	2,123	(2,123)	1	-	1
Various Women and Drug Abuse	720	3,267	-	41	-	1,428	1,881	2,601	2,563	38
Various Street Children	9,162	-	-	-	-	8,296	(8,296)	866	-	866
Various John Hopkins-NIDA-Research	14,179	-	-	-	-	7,161	(7,161)	7,018	-	7,018
Various Fellowships/Training	16,624	-	70,000	-	-	74,322	(4,322)	12,301	7,333	4,968
Various Technical ADM TVE-Support	(11,151)	9,148	158,016	-	9,148	139,067	37,245	26,093	35	26,059
Various Control & Interdiction Intelligence	31,375	64,655	131,330	-	33,186	168,542	60,629	92,005	11,746	80,259
Various Control & Interdiction	10,594	-	49	-	-	10,541	(1,492)	102	102	-
Various Customs/Maritime Coop.	69,637	-	100,000	550	-	79,501	21,049	90,687	5,473	85,213
Various RETCOD/Precursors	36,267	72,069	22,800	158	42,753	93,276	44,504	80,771	7,932	72,838
Various USINL-Administrative/Tech.	65	63,946	25,301	-	63,946	122,226	30,968	31,033	-	31,033
Various INST. Building-National	44,668	21,013	203,749	-	18,204	237,545	5,421	50,089	5,487	44,602

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance 1-Jan-01	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
Inter-American Commission Against Drug Abuse (continued)											
Varios	INST.Build-Tech. Assist	3,796	-	60,144	-	(18,204)	30,348	11,592	15,388	7,000	8,388
Varios	Money Laundering - Training Judicial	9,496	48,300	29,012	-	-	49,457	27,855	37,351	30,133	7,218
Varios	Money Laundering	14,225	3,000	336	-	(6,000)	11,000	(13,664)	561	-	561
Varios	Dev. & Judicial	6,907	23,549	72,451	-	23,549	106,603	12,947	19,854	744	19,109
Varios	Legal Dev-Adm/Tech.Supp	40,320	13,926	43,992	-	12,540	110,417	(39,959)	361	361	-
Varios	EEC-IA DIS	18,288	-	-	-	-	12,825	(12,825)	5,463	-	5,463
Varios	SIDUC-Stats. System	38,993	1,398	299,602	-	11,698	200,839	120,859	159,852	24,306	135,546
Varios	Cost of Substance Abuse	908	25,483	(25,483)	-	25,483	25,483	-	908	-	908
Varios	MEM	127,681	186,301	2,017	631	78,525	182,562	84,912	212,593	222	212,371
Sub-Total		2,542,168	9,938,146	978,855	109,854	388,452	4,985,739	6,429,568	8,971,735	955,236	8,016,499
Inter-American Telecommunications Commission											
Fees	CITEL Special Activities	50,935	-	-	7,371	5,355	-	12,726	63,661	-	63,661
Fees	CCP I -Public Services of Telecomunic.	105,490	175,397	-	-	-	154,463	20,934	126,424	-	126,424
Fees	CCP I Radio Difusion	35,479	5,962	-	-	-	33,418	(17,456)	18,023	-	18,023
Varios	CCP III -Radio Communication	187,718	242,747	-	-	-	344,131	(101,384)	86,334	-	86,334
Sub-Total		379,623	434,106	-	7,371	5,355	532,012	(85,180)	294,442	-	294,442
Trade Unit											
Jamaica	Georgetown University Trade Course	7,013	-	-	-	(2,013)	4,500	(6,513)	500	-	500
Jamaica	First Meeting Research Network Integration	-	20,000	-	-	(246)	19,754	-	-	-	-
St. Lucia	Georgetown University Trade Course	-	183,618	-	-	(11,833)	164,285	7,500	7,500	7,500	-
Trin.&Tob.	2nd Meeting of Research Network on Hemispheric	-	40,000	-	-	-	13,543	26,458	26,458	1,442	25,015
IDB	II Meeting-Paramaribo	20,269	-	-	-	-	-	-	20,269	-	20,269
Varios	Trade Unit Publications Sales	4,009	2,185	-	-	2,640	-	4,825	8,834	-	8,834
Sub-Total		31,292	245,803	-	-	(11,452)	202,081	32,269	63,561	8,942	54,619
SICE-Foreign Trade Information System											
CAF	Andean Technical Cooperation Corp/OAS	(30,000)	-	-	-	-	-	-	(30,000)	-	(30,000)
Varios	U.S. State Department to SICE	509,502	-	-	-	12,253	105,145	(92,892)	416,610	330	416,280
Sub-Total		479,502	-	-	-	12,253	105,145	(92,892)	386,610	330	386,280
Social Development and Education Unit											
Argentina	Workshop Design/eval/ID Int'l Coop	6,108	-	-	-	-	-	-	6,108	-	6,108
Argentina	Strengthening of Investment Systems	64,968	-	1,500	-	-	57,171	(55,671)	9,297	3,411	5,886
Argentina	CIDES	4,406	-	-	-	-	-	-	4,406	-	4,406
Argentina	CITAF	1,500	-	(1,500)	-	-	-	(1,500)	-	-	-
Argentina	Education Projects	7,038	-	-	-	28	-	28	7,066	-	7,066
Brazil	Unprogrammed Funds-Education	17,769	-	-	-	-	-	-	17,769	-	17,769
SENAI	PAT-SENAI-OEA	10,116	-	-	-	-	-	-	10,116	-	10,116
CIDA	CIDA Technical Cooperation	135	-	-	4	-	-	4	139	-	139
Colombia	Education Projects	87,151	-	-	-	(87,151)	-	(87,151)	-	-	-
Dom.Rep.	Education Projects	5,060	-	-	-	-	-	-	5,060	-	5,060

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance 1-Jan-01	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
Social Development and Education Unit (continued)											
Honduras	Telebasica Project	21,778	-	-	-	-	15,859	(15,859)	5,919	487	5,432
Mexico	Regional Enterprises	70,897	-	-	-	-	-	-	70,897	-	70,897
Mexico	Indigenous Organizations	20,919	-	-	-	-	-	-	20,919	-	20,919
Venezuela	Improvement Quality Basic Education	32,119	-	-	-	-	-	-	32,119	-	32,119
ICS	Parliamentarian Health Meeting	3,507	-	-	-	-	-	-	3,507	-	3,507
IDB	National Customs Costa Rica	7,689	-	-	-	-	-	-	7,689	-	7,689
IDB	Meeting PSDIC	779	-	-	-	-	-	-	779	-	779
IDB	Program Support to Social Network	25,455	55,000	-	-	432	79,075	(23,643)	1812	23	1,790
IDB	Labor Ministers Conference	30,496	-	-	-	-	5,286	(5,286)	25,209	-	25,209
UNESCO	Education for Sustain Future	12,800	-	-	-	-	10,344	(10,344)	2,457	2,450	7
UNICEF	Proposal/CEPAL	1,690	-	-	-	-	-	-	1,690	-	1,690
IBM	Education Program	7,936	-	-	-	-	-	-	7,936	-	7,936
Tinker Found.	Tech. Coop. Seminar HQ.	8,520	-	-	-	-	-	-	8,520	-	8,520
Various	Perkins School for the Blind	2,500	-	-	-	-	-	-	2,500	-	2,500
Various	Education Projects	20,859	-	-	-	-	-	-	20,859	-	20,859
Various	Social Net Fund	2,336	109,443	-	-	-	72,393	37,050	39,386	5,000	34,386
Various	Special Port Program	77,703	198,626	(134,627)	934	2,632	130,518	(62,953)	14,750	14,750	-
Various	CIENES	33,671	-	-	-	(33,671)	-	-	-	-	-
Various	Ports Emergency Program	233,275	7,975	(214,547)	4,506	-	26,009	(228,075)	5,200	5,200	-
Various	Unprogrammed Funds-Tech Coop	332,950	-	-	6,190	-	-	6,190	339,140	-	339,140
Various	Reforma Educativa en Paraguay	2,776	-	-	-	-	-	-	2,776	-	2,776
Various	Education Projects	824	-	-	-	-	-	-	824	-	824
Various	IV SYMPOSIUM-Early Childhood	(2,162)	34,500	-	-	-	24,500	10,000	7,838	-	7,838
Sub-Total		1,533,568	405,544	(349,174)	11,634	(117,730)	421,154	(470,881)	682,688	31,321	651,367
Sustainable Development and Environment											
Brazil	MMA Operation	277,826	-	-	-	-	594	(594)	277,232	6	277,226
Brazil	Strengthening Water Res. SRH/OAS	795,347	2,520,943	-	16,647	-	2,119,158	418,432	1,213,779	13,886	1,199,893
Brazil	PRONI - CODEVASF	128,842	137,963	-	4,570	-	129,277	13,256	142,097	15,597	126,501
SUDAM	Strategic Action Pro-Amazon	638,675	-	-	26,886	-	162,692	(135,806)	502,869	67,690	435,179
Guatemala	Gulf of Honduras	19,709	62,791	-	-	-	65,941	(3,150)	16,559	-	16,559
Honduras	Gulf of Honduras	49,766	93,519	-	-	-	138,351	(44,832)	4,935	738	4,197
U.S.	Trade Corridor Development	1,520	-	-	78	363	100	341	1,861	-	1,861
U.S.	Exchange Water Resource Inf. Americas	912	-	(912)	-	-	-	(912)	-	-	-
USAID	AID Trade Training Program in Hemisphere	6,980	-	-	-	-	6,980	(6,980)	-	-	-
USAID	AID Renew. Energy in the Americas-REIA	-	63,354	7,059	-	-	70,309	104	104	4,252	(4,148)
USAID	AID-Post Georges Disaster Mitigation	257,710	286,276	227,327	-	-	771,158	(257,555)	156	50	105
USAID	Water Level Observation Network For Central Am	233,838	15,000	-	-	285	248,700	(233,415)	422	422	-
USAID	USAID INI/Water/workshop/ISP	8,500	37,894	21,687	-	-	68,010	(8,428)	72	-	72
USAID	CCECB	28,200	656,165	(151,634)	-	-	532,716	(28,185)	15	-	15
USAID	AID Caribbean Disaster Mitigation	-	-	(7,500)	-	7,698	-	198	198	-	198
USAID	AID IA Strategy Particip.-Bo.	1,997	-	(1,842)	-	-	155	(1,997)	-	-	-
USAID	Environment & Trade Clean Production	-	-	47,100	-	-	78,303	(31,203)	(31,203)	42,750	(73,953)

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance	Contributions	Transfers	Interest	Refunds &	Expenditures	Net Change	Cash Balance	Unliquidated	Fund Balance
		1-Jan-01			Income	Other Income			Obligations	31-Dec-01	
Sustainable Development and Environment (continued)											
USDI	DOE Disaster Mitigation	1,089	-	-	-	-	-	-	1,089	-	1,089
Japan	Support to the WRN/NFP	-	39,995	40,005	-	-	77,543	2,457	2,457	48	2,409
ECHO	Develop Flood Hazard Mapping	68	-	-	-	-	-	-	68	-	68
ECHO	Flood Hazard Phase IV	5,559	-	(3,465)	-	1812	3,906	(5,559)	-	-	-
UNEP	Environmental Program	746,385	704,000	(85)	-	-	679,602	24,313	770,697	302,464	468,233
UNEP	Upper Paraguay River Basin	1,207,487	485,000	-	-	-	571,463	(86,463)	1,121,024	396,864	724,160
UNEP	Formulation of SAP for SJRB	16,207	1,389,000	(60,000)	-	-	619,412	709,588	725,794	248,232	477,563
UNEP	Rio Bermejo Basin	6,271	-	-	-	-	-	-	6,271	-	6,271
UNEP	Basin of the Bermejo River	43,383	-	-	-	300	37,675	(37,375)	6,008	-	6,008
UNEP	Sao Francisco River Basin - Brazil	5,811	-	-	-	-	(5,811)	(5,811)	-	-	-
UNEP	Approach to Managing the Environment	(42,801)	-	85	-	42,716	-	42,801	-	-	-
UNEP	Strategic Action Prog. Bermejo River Basin	-	4,500,779	-	116,083	-	492,354	4,124,508	4,124,508	221,101	3,903,407
UNESCO	Civil Society Sustainability	683	-	18	-	-	701	(683)	-	-	-
IBRD	Hazard Retrofitting OAS	33,410	-	-	-	-	-	-	33,410	-	33,410
IBRD	Guarani Aquifer	99,607	291,694	-	-	4	389,443	(97,745)	1,862	621	1,240
IBRD	Global Climate Change	365,314	1,166,964	-	-	-	1,452,560	(285,596)	79,718	54,274	25,445
IBRD	Upper Paraguay River Basin	1,968	-	-	-	-	-	-	1,968	-	1,968
Shell Found.	G8 Task Force On Renewable Energy For LAC	-	24,982	-	-	-	16,700	8,282	8,282	-	8,282
Turkey	Natl Transportation Tour	9,000	-	-	-	-	2,827	(2,827)	6,173	-	6,173
Brazil	Brazil- Caribbean Natural Disaster Reduction	-	10,000	-	-	-	-	10,000	10,000	-	10,000
Various	Workshop in Central America	8,515	-	-	-	-	3,190	(3,190)	5,325	-	5,325
Various	Floods Vulnerability	215,058	7,000	-	-	-	165,251	(158,251)	56,807	33,702	23,105
Various	Dept of Transportation	111,346	20,000	-	-	412	89,476	(69,065)	42,282	1,000	41,282
Various	Floods	39,034	25,650	-	-	-	28,141	(2,491)	36,543	132	36,411
Various	Disaster Mitigation Initiatives-FEMA	50,000	20,300	-	-	-	59,083	(38,783)	11,217	2,658	8,559
Various	TRIFINIO Project	1,243	-	-	-	-	-	-	1,243	-	1,243
Various	Env and Sust Development	223,328	44,250	23,452	67,955	15,000	116,777	33,880	257,208	16,134	241,074
Sub-Total		5,597,789	12,603,520	141,296	232,218	62,778	9,198,551	3,841,261	9,439,050	1,422,621	8,016,429
Inter-Sectorial Unit for Tourism											
Brazil	Tourism-South Region	2,266	-	-	-	-	-	-	2,266	-	2,266
Panama	Tourism Development	86,249	-	-	-	1,500	81,406	(79,906)	6,343	2,022	4,322
USAID	STEP - Caribbean	-	673,545	(110,498)	301	-	563,140	208	208	52,422	(52,213)
IATC	Inter American Travel Congress	188	-	-	-	-	-	-	188	-	188
Sub-Total		88,703	673,545	(110,498)	301	1,500	644,546	(79,697)	9,006	54,444	(45,438)

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance		Transfers	Interest Income	Refunds &		Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
		1-Jan-01	Contributions			Other Income						
Office of the Assistant Secretary General												
CIDI	Conf. Andean Community Cepal	152	-	-	-	-	-	-	-	152	-	152
A. & B.	Argentine Gov/ White Helmets	2,385	-	-	-	(2,385)	-	-	(2,385)	-	-	-
Argentina	Valle De Sula Nat Danger	24,491	-	(24,491)	-	-	-	-	(24,491)	-	-	-
Argentina	Hospital Re-equipment	6,801	-	(6,801)	-	-	-	-	(6,801)	-	-	-
Argentina	Argentina Security Meeting	2,104	-	-	-	-	-	-	-	2,104	-	2,104
Argentina	Administrative Support	162	-	-	-	(162)	-	-	(162)	-	-	-
Ecuador	Ecuador OAS Building	70,260	-	(70,381)	121	-	-	-	(70,260)	-	-	-
Nicaragua	Rec. Solidarity of Housing	23,462	14,133	9,931	-	-	-	38,791	(14,727)	8,735	6,536	2,199
Panama	Panama Canal Treaty	(24,487)	-	-	-	-	-	-	-	(24,487)	-	(24,487)
Uruguay	Support to Civilian Society Uruguay	-	300,000	-	-	-	-	6,800	293,200	293,200	-	293,200
Various	Honduras/ES Military Observation	(363,508)	-	-	-	-	-	-	-	(363,508)	-	(363,508)
Various	Publications Control	25,276	-	-	-	-	3,758	24,890	(21,131)	4,145	644	3,501
Other	Hurricane George Relief	1818	-	-	-	-	-	-	-	1818	-	1818
Other	Palco to Museum	2,363	-	-	-	-	-	-	-	2,363	-	2,363
CR/NI	Civilian Observers	(24,703)	-	-	-	-	-	-	-	(24,703)	-	(24,703)
Various	Office in the Member States	459,521	274,160	72,453	-	51,764	268,375	130,003	589,523	11,182	-	578,341
Various	Support to CICTE	-	42,000	-	-	-	1032	-	40,968	40,968	-	40,968
Various	Fund for Peace	-	442,568	81,897	-	(240)	192,391	331,834	331,834	7,447	-	324,387
Various	GEN Fund FONDEM	14,837	-	-	-	-	-	-	-	14,837	-	14,837
Sub-Total		220,935	1,072,861	62,608	121	52,736	532,279	656,047	876,982	25,809	-	851,172
Secretariat of the General Assembly Meetings												
Bolivia	Meeting Americas Dev.	4,995	-	-	-	-	-	-	-	4,995	-	4,995
Panama	XXI Consult Meet Ministers	4,600	-	-	-	-	-	-	-	4,600	-	4,600
Uruguay	Development. Judicial Integration	149	-	-	-	-	-	-	-	149	-	149
Sub-Total		9,743	-	-	-	-	-	-	-	9,743	-	9,743
Secretariat for Meetings and Conferences												
Argentina	2nd Conference on Terrorism	26,933	-	-	-	-	-	-	-	26,933	-	26,933
Bahamas	Bahamas- XXII General Assembly	(43,618)	43,618	-	-	-	-	-	43,618	-	-	-
Bolivia	IA Conference Int'l Law	(41,847)	-	-	-	-	-	-	-	(41,847)	-	(41,847)
Brazil	General Assembly-Brazil	5,312	-	-	-	-	-	-	-	5,312	-	5,312
Costa Rica	Meetings of CIDI	-	49,907	-	-	-	-	38,597	11,310	11,310	658	10,652
El Salvador	El Salvador-Gen Assembly	9,287	-	-	-	-	-	-	-	9,287	-	9,287
Grenada	Grenada- VII General	(14,341)	-	-	-	-	-	-	-	(14,341)	-	(14,341)
Nicaragua	NI XXIII General Assembly	2,207	-	-	-	-	-	-	-	2,207	-	2,207
Various	Conf. & Meetings-Print.Services	452,864	-	-	-	195,626	177,964	17,662	470,525	95,613	-	374,912
Peru	Special General Assembly - Peru	-	167,265	-	-	-	131,441	35,824	35,824	2,595	-	33,229

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance		Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
		1-Jan-01	Contributions								
Secretariat for Meetings and Conferences (continued)											
U.S.	Justice Study Center	(1947)	-	-	-	-	-	-	(1947)	-	(1947)
USNL	Group of Government Experts Conferences	-	10,000	-	-	5,373	11,454	3,919	3,919	-	3,919
Uruguay	Meetings of CIDI	1,401	-	-	-	-	-	-	1,401	-	1,401
Various	Conf. & Meetings-Print.Services	452,864	-	-	-	195,626	177,964	17,662	470,525	95,613	374,912
Various	General Assembly	18,052	232,700	-	-	(2,566)	218,871	11,263	29,315	10,860	18,455
	Sub-Total	414,301	528,220	-	-	197,313	601,918	123,615	537,916	109,744	428,171
Office of the Inter-American Children's											
OAS G. A.	OAS-IDBA-1942 Friendship Fun	1,105	-	-	-	3,427	-	3,427	4,532	-	4,532
CIDA	CIDA - Childlike Work	-	49,226	-	-	-	24,875	24,351	24,351	-	24,351
Peru	ALIDE-Prog IA INF.Childhood FAM	138	-	-	-	(138)	-	(138)	-	-	-
Uruguay	Fortal.Vigencia Instr International	197	-	-	-	(76)	-	(76)	121	-	121
Netherlands	INN Conf Adoption	(4,709)	-	10,859	-	(2,771)	-	8,088	3,379	-	3,379
Spain	Identity Right Video	-	16,402	-	-	-	5,250	11,152	11,152	-	11,152
AECI	AECI-MAS 91BADAJ	(10,587)	-	11,187	-	(600)	-	10,587	-	-	-
AECI	AECI-PID Nicaragua/Rep.Dom	(8,993)	-	15,277	-	(746)	3,041	11,490	2,497	-	2,497
AECI	United Nations Children's	1,680	-	-	-	(1,615)	-	(1,615)	65	-	65
AECI	Conv Cooperation International	(500)	-	8,219	-	-	-	8,219	7,719	-	7,719
AECI	Espana AECI 91BO/HO	(23,021)	-	26,398	-	(3,563)	-	22,835	(186)	-	(186)
AECI	Espana AECI-91CR/HO	(921)	-	921	-	-	-	921	-	-	-
AECI	Espana AECI-92-El Salvador	(19,471)	-	27,111	-	-	4,400	22,711	3,241	-	3,241
AECI	SIP-Centro America	-	-	-	-	17,933	-	17,933	17,933	-	17,933
AECI	Espana MAS-92 El Salvador	(9,410)	-	9,410	-	-	-	9,410	-	-	-
IDB	Children Sexual Violence	6,638	-	-	-	(4,292)	2,346	(6,638)	-	-	-
UNESCO	Indig Education	(18)	-	18	-	-	-	18	(0)	-	(0)
UNICEF	Children's Fund	-	-	-	-	97	-	97	97	-	97
UNICEF	UNICEF-Prog. IA IIN	1,287	-	-	-	(171)	-	(171)	1,117	-	1,117
UNICEF	Sexual Commercial Exploit of Children	-	25,000	-	-	227	21,442	3,785	3,785	227	3,558
UNICEF	Children's Fund	-	-	-	-	9	-	9	9	-	9
Foster Parents Plan	International Plan IIN	-	40,000	-	-	-	20,086	19,914	19,914	-	19,914
Various	AECI-IA Children's Institute	209,843	-	-	-	(4,194)	4,987	(9,181)	200,662	450	200,212
Various	Prog. IA Information on Children	124,326	16,620	(92,476)	-	(27,337)	15,606	(118,800)	5,526	26	5,500
Various	Strenght Child Welfare System	25,512	-	(18,978)	-	15,664	-	(3,314)	22,198	-	22,198
Various	XVII Child Panamerican Congress	(9,223)	-	-	-	9,223	-	9,223	(0)	-	(0)
Various	UNESCO Special Education	6,056	-	(18)	-	(2,471)	-	(2,489)	3,567	-	3,567
	Sub-Total	289,928	147,248	(2,072)	-	(1,392)	102,033	41,750	331,678	703	330,975

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance	Contributions	Transfers	Interest	Refunds &	Expenditures	Net Change	Cash Balance	Unliquidated	Fund Balance
		1-Jan-01			Income	Other Income				Obligations	31-Dec-01
Museum of Art of the Americas											
Paraguay	Museum of Art Americas	766	-	-	-	-	-	-	766	-	766
SECAB	SECAB - Property training	8,000	-	-	-	-	-	-	8,000	-	8,000
Xerox Corp.	Xerox-Grant Latin Amer.Art	706	-	-	-	-	-	-	706	-	706
Varios	Donations	10,372	-	-	-	9,124	8,822	302	10,674	-	10,674
Varios	Sales-Museum of Art Americas	14,110	-	-	-	-	-	-	14,110	-	14,110
Varios	Museum Art of the Americas	5,359	-	-	-	4,935	3,700	1,235	6,594	714	5,881
Varios	Sales-Audio Visual-M US	2,219	-	-	-	582	838	(256)	1,963	403	1,559
Other	Space Museum Rental	7,362	-	-	-	13,090	4,370	8,720	16,082	-	16,082
	Sub-Total	48,895	-	-	-	27,730	17,729	10,001	58,896	1,117	57,779
Office of the Executive Secretary for SEDI											
Argentina	X Conf. Labor Ministers	6,458	-	-	-	-	-	-	6,458	-	6,458
Argentina	Unprogrammed funds	24,374	-	-	-	-	-	-	24,374	-	24,374
Colombia	Unprogrammed funds	24,045	-	-	-	(24,045)	-	(24,045)	-	-	-
Colombia	Secretariat Projects	52,271	-	-	-	(52,271)	-	(52,271)	-	-	-
Honduras	UN Programmed Funds	29,332	-	-	-	-	-	-	29,332	-	29,332
Mexico	Demand for Technical Cooperation	3,061	-	-	-	-	-	-	3,061	-	3,061
Mexico	Strengthening Tech Coop. L.A. & Caribbean	-	-	-	-	236	-	236	236	-	236
Mexico	Economic & Financial Development	342	-	-	-	-	-	-	342	-	342
Mexico	Second Meeting of COMCYT	11,416	-	-	-	-	-	-	11,416	-	11,416
Uruguay	OEA/Uruguay Overhead	86,335	-	-	-	(86,335)	-	(86,335)	-	-	-
Italy	Telecommunications Study CONSULTEL	8,207	-	-	372	-	-	372	8,579	-	8,579
Varios	Governmental Strength.	36,732	-	-	-	-	-	-	36,732	-	36,732
Varios	Support to Specific Funds-SEDI	717	-	(717)	-	-	-	(717)	-	-	-
Brazil	Horizontal Cooperation	-	-	-	-	-	-	-	-	-	-
Varios	Supp Tech Coop Progress	794,391	-	(794,391)	-	-	-	(794,391)	-	-	-
	Sub-Total	1,077,681	-	(795,108)	372	(162,415)	-	(957,151)	120,530	-	120,530
Secretariat for Legal Affairs											
Brazil	International Law Course	30,000	-	-	-	-	26,031	(26,031)	3,969	3,108	861
CIDA	Bijuridism	-	46,548	-	-	-	20,625	25,923	25,923	25,900	23
Can.-Sol.Gral.	Humanitarian International Law	-	15,807	-	-	-	15,807	-	-	-	-
U.S.	U.S./CIDJ- I-A Convention Against Corruption	57,002	5,186	(6,128)	-	-	32,946	(33,888)	23,114	18,507	4,606
U.S.	International Arbitration Ecom & Legal Develop	57,874	-	-	-	1,256	-	1,256	59,130	57,873	1,257
U.S.	Implem I-A Conv Against Corruption	102,857	2,589	(1,205)	-	-	94,462	(93,077)	9,780	50	9,730
U.S.	Investigative Report against Corruption	5,000	-	-	-	-	3,291	(3,291)	1,709	-	1,709
U.S.	I-A Convention Against Corruption (Follow-up)	-	50,000	-	-	-	-	50,000	50,000	-	50,000
U.S.	I-A Convention Against Corruption (Workshop)	-	241,625	-	1,027	-	-	242,652	242,652	-	242,652
Uruguay	International Law	126	-	-	-	-	-	-	126	-	126
IDB	IDB To Impl I-A. Convent Against Corruption	33,769	-	7,333	-	3,440	9,301	1,472	35,241	-	35,241
IICA	Admn Tribunal Sessions	38,873	24,051	(12,040)	-	-	2,000	10,011	48,883	-	48,883
IICA	Dept of Legal Services	52,252	12,730	12,040	-	-	-	24,770	77,022	-	77,022
UNHCR	Joint Prog.OAS/ACNUR-P phase	2,810	-	-	-	-	1,305	(1,305)	1,506	313	1,193
Georgetown Univ.	Eval. & Persp. I-A Legal System	-	-	-	-	1,400	1,400	-	-	-	-
Varios	Contingency Plan for Administration	12,102	-	(12,102)	-	-	-	(12,102)	-	-	-
Other	Red Cross/OAS Seminar in I-Natl law	25	-	-	-	-	-	-	25	-	25
Varios	Min of Justice	8,114	43,986	-	-	-	-	43,986	52,100	-	52,100
	Sub-Total	400,803	442,521	(12,102)	1,027	6,096	207,167	230,376	631,179	105,751	525,428

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project	Cash Balance			Interest Income	Refunds & Other Income		Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-01
	1-Jan-01	Contributions	Transfers								
Secretariat for Management											
Common Services											
Various	DM IST-Dept of Mgt Sys Info	77,869	27,482	-	-	178,673	164,993	41,161	119,030	42,685	76,345
Various	Travel Commission Override	12,156	-	(12,156)	-	-	-	(12,156)	-	-	-
Various	General Services-Refunds	72,225	-	-	-	-	16,380	(16,380)	55,845	-	55,845
Various	Overnight Delivery Service	-	-	-	-	7,517	5,787	1,730	1,730	-	1,730
Various	CSERV-IT Training	37,602	-	-	-	4,850	25,874	(21,024)	16,578	2,599	13,979
Various	LAN Communications	26,263	-	-	-	112,298	74,992	37,306	63,568	20,202	43,367
Various	Photocopy Services	895,521	-	(182,000)	-	69,059	261,390	(374,331)	521,191	198,425	322,766
Various	Telephone - Common Services	1,037,783	-	(150,000)	-	356,753	625,705	(418,952)	618,831	276,857	341,974
Various	Postage & Shipping	44,540	-	-	-	38,534	98,951	(60,418)	(15,878)	11,057	(26,935)
Various	Moderniz.&Upgrade of Network	16,000	-	446,400	-	-	388,950	57,450	73,450	70,220	3,230
Various	Software Licences	-	-	-	-	8,864	4,428	4,436	4,436	-	4,436
Rentals & Maintenance											
PAHO	PAHO-Rental 4th floor	399,746	-	-	-	738,889	136,851	602,039	1,001,785	14,760	987,025
IBRD	Rental Space 6th Floor-GSB	8,125	-	(1,023)	-	22,364	13,075	8,265	16,391	1,440	14,951
Various	Build. Mgmt. & Maintenance	399,906	-	-	-	2,442,826	2,300,848	141,978	541,884	447,178	94,707
Various	Rental Hall Americas	509,944	-	-	-	186,801	156,685	30,116	540,059	208,593	331,467
Various	Rental World Bank	736,297	-	-	-	16,315	243,480	(227,166)	509,131	443,809	65,322
Outside Organizations											
Various	AROAS	299	-	-	-	-	-	-	299	-	299
Various	IDB -Passports	(5,887)	-	-	-	12,000	-	12,000	6,113	-	6,113
Various	International Building Services	(5)	-	-	-	1,273	2,024	(750)	(755)	-	(755)
Various	IACAC	131	-	-	-	-	-	-	131	-	131
Various	OAS Staff	171	9,501	-	-	19,436	34,147	(5,210)	(5,039)	-	(5,039)
Various	OAS RF	(850)	-	-	-	1,294	-	1,294	444	-	444
Various	Panamerican Development Fd.	(4,880)	-	-	-	26,444	4,328	22,116	17,237	-	17,237
Various	IICA Common Services	(4,610)	-	-	-	8,279	4,538	3,742	(868)	-	(868)
Various	OASCU	(7,703)	-	-	-	16,813	6,719	10,094	2,391	-	2,391

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2001 to December 31, 2001

Organization, Donor & Project		Cash Balance			Interest Income	Refunds &		Unliquidated Obligations	Fund Balance 31-Dec-01		
		1-Jan-01	Contributions	Transfers		Expenditures	Other Income			Net Change	Cash Balance
Secretariat for Management (continued)											
Other Projects											
OAS G.A.	Terms and Repatriations	206,732	-	-	-	-	-	206,732	-	206,732	
Canada	Americas Magazine-French Edition	6,848	32,181	-	-	6,690	45,280	(6,409)	439	439	
Jamaica	Food & Nutrition Policy - Program	6,398	-	-	-	-	-	6,398	-	6,398	
Jamaica	Chalkmaking Industry	1619	-	-	-	-	-	1,619	-	1,619	
USAID	6th Annual Congress FIO	-	-	25,000	-	-	24,375	625	-	625	
Uruguay	Build Mgmt & Maintenance	143,541	-	-	-	-	5,478.63	(5,479)	138,062	63,139	74,923
IICA	IICA to Office of Guyana	2,340	-	-	-	-	-	2,340	-	2,340	
Various	Parking	406,141	-	1,425	-	433,629	457,267	(22,213)	383,928	167,732	216,196
Various	Support to Specific Funds	613,633	-	38,649	1,178,475	-	1,751,790	(534,666)	78,968	36,017	42,951
Various	OAS-Oracle Workshop for National Offices	2,768	-	-	-	-	-	-	2,768	-	2,768
Various	Renovation of the GSB	-	254,286	-	789	235,388	408,292	82,170	82,170	488,697	(406,527)
Various	Sales - OAS Microfilm Sales	2,406	-	-	-	-	-	-	2,406	-	2,406
Various	Cafeteria Concesion&Serv.	149,424	-	-	-	-	2,583	(2,583)	146,841	27,492	119,348
Staff Contrib.	Staff-Human Resources Dev	15,252	-	-	-	-	-	-	15,252	-	15,252
Joint Sourc.	Museum Of America Foundation	(758)	-	-	-	131	-	131	(627)	-	(627)
Various	Hipolito Library	21,774	-	-	-	48,070	48,818	(748)	21,026	232	20,794
Various	National Offices Misc. Sales	24,399	-	-	-	18,267	37,127	(18,860)	5,539	72	5,468
Various	OAS-Health Insurance	270,119	-	-	-	113,537	155,541	(42,004)	228,115	12,841	215,274
Various	Unprogrammed Funds-Education	-	16,823	-	-	-	-	16,823	16,823	-	16,823
Various	Construction Services	34	-	1,023	-	-	1,057	(34)	-	-	-
Sub-Total		6,232,719	340,273	57,913	1,179,264	5,124,993	7,507,754	(805,311)	5,427,408	2,534,045	2,893,363
TAX Equilization Fund		(1,736,551)	7,608,778	-	-	246,930	11,409,732	(3,554,025)	(5,290,576)	-	(5,290,576)
Grand Total		27,379,418	51,675,043	(210,299)	1,840,618	5,771,001	53,203,371	5,872,992	33,252,410	7,096,466	26,155,944

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

March 20, 2002

External Audit Board
Organization of American States
1889 F Street NW
Washington, D.C. 20006

Dear Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by General Assembly and management, solely to assist you with respect to compliance with the General Standards of the Organization of American States during 2001. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures performed and results thereof are broken out between director expenditures and general expenditures. The results are as follows:

1. Director Expenditures

For director expenditures, our population consisted of all director expenditures during 2001. The sample size was statistically determined using an 80% confidence level, a 0% expected error rate, and a 10% tolerable error rate. These criteria resulted in a sample of 24 expenditures for testing. The 24 sample units (i.e., the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the General Standards (hereafter referred to as "GS") in four areas. The four areas are:

1. Honoraria
2. Hospitality and Representational Allowances
3. Personnel (Director level)
4. Travel

Testing performed and exceptions are documented below.

Honoraria

We tested to ensure no services were rendered to any government entity or gifts, awards or honors were accepted from any government entity without the approval of the Secretary General. This testing revealed no findings.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented. This testing revealed no findings.

Personnel (Director level)

We tested expenditures related to directors to ensure that personnel at the director level:

- 1) maintain no connections that could involve conflicts of interest with OAS responsibilities
- 2) have proper check signing approval (as applicable)
- 3) are not considered or listed as a Career Service Member
- 4) if terminated during 2001 that the director was given proper notices as defined in GS Chapter II Articles 20 and 54
- 5) have current statements of personal net worth upon hire date
- 6) have sworn statements of personal associations

We noted the following findings:

- Six individuals' personnel files did not contain statements of personal net worth
- We were not able to obtain the personnel file for the Secretary General.

Travel

We tested expenditures related to travel to ensure the following:

- 1) travel is approved by appropriate supervisor or Chief of Staff
- 2) senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
- 3) supervisors complete a quarterly report of official travel for all authorized travel
- 4) unplanned travel requires approval by Chief of Staff of the Secretary General
- 5) travel expense claims require approval by the supervisor within 15 days of return from travel

We noted the following findings:

- Our testing indicated that Quarterly Official Travel Plans were not prepared in accordance with Administrative Memorandum (“AM”) 79 A.3. Through interviews, we determined that as a result of this non-compliance, a memo was issued on July 20, 2001, directing all department directors to authorize their own travel. This memo came from the Office of the Secretary General. Although, this memo is not a General Standard, it was noted per GS 2.12.F. that the Secretary General has authorization to issue administrative provisions as necessary.
- Before the date of the aforementioned memo, we noted instances of unplanned travel that was not properly approved in advance.
- OAS directors are required to report quarterly all official travel for the previous quarter per AM 79 A.3. We could not obtain documentation of these reports.
- Our testing indicated one travel expense claim that was not signed and dated.

2. General Expenditures

For general expenditures, our population consisted of all nonpayroll expenditures during 2001 (including directors). The sample size was statistically determined using an 80% confidence level, a 0% expected error rate, and a 10% tolerable error rate. These criteria resulted in a sample of 46 expenditures for testing. The 46 sample units (i.e., the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the GS in ten general areas. The ten areas are:

1. Fixed Assets
2. Grants
3. Honoraria
4. Hospitality and Representational Allowances
5. Obligations
6. Performance Contracts (including Personal Service Contracts)
7. Procurement Contracts
8. Travel
9. General

The testing performed and exceptions noted are documented below.

Fixed Assets

We tested expenditures related to fixed assets to ensure the following:

- 1) the acquisitions were properly approved by officials with budgetary expenditure authority
- 2) all related costs to acquire the property are considered for capitalization
- 3) all expenditures greater than \$500 are capitalized
- 4) property is depreciated on a straight line basis
- 5) prenumbered labels are affixed to fixed assets upon receipt with proper records being maintained
- 6) inventories taken at regular intervals
- 7) an accounting of fixed assets is prepared at regular intervals

We noted the following findings:

- We noted that no written approval could be obtained for the purchase of a printer.
- We also noted two instances of assets purchased for more than \$500 that were expensed. GS require all fixed asset expenditures over \$500 to be capitalized.

Grants

We tested grants to ensure the following:

- 1) grants are properly approved
- 2) grants related to inventoried equipment have a properly approved Memorandum of Certification

This testing revealed no findings.

Honoraria

Our general expenditure testing scope did not include any honoraria expenditures. See director expenditures above.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented. This testing revealed no findings.

Obligations

We tested the obligations to ensure:

- 1) obligation records are maintained and filed
- 2) appropriate support is obtained by the Department of Financial Services before disbursements are made
- 3) that on a quarterly basis, each dependency of the General Secretariat submit to the Department of Management Analysis and Planning Support Services ("DMAPPS") a report indicating the status of obligations that have not been fully expended in the 180 days since they were made
- 4) appropriations are available to meet the obligations incurred during the year
- 5) all obligations shall be recorded in the accounting system
- 6) all obligations must have a beginning and end date
- 7) obligations during the year do not exceed the estimated income from quotas and other revenues, unless properly approved
- 8) obligations must be based on firm commitments when they are approved and legally binding

We noted the following finding:

- DMAPPS was having trouble getting departments to report quarterly on the outstanding obligations. DMAPPS learned that they could get the same information from the Oracle system themselves. As this is not following the GS but rather the "intent", this process should be corrected or the GS updated to avoid possible confusion.

Performance Contracts

We tested expenditures related to performance contracts to ensure the following:

- 1) performance contracts are approved by the proper level of authority
- 2) no performance contracts are committed to, signed or executed unless all funds are available and assigned to the contract
- 3) contracts for more than \$50,000 are approved by the director of Legal Services
- 4) performance contracts for the specific fund shall not exceed a period of three years
- 5) within 30 days of signing the contract, an executed copy of the contract should be sent to the Chief Office of Procurement Management Services ("OPMS")
- 6) contracts greater than \$20,000 should be accompanied by required documentation and financial statements
- 7) performance contracts greater than \$70,000 funded by the specific fund or operating fund require competitive bidding
- 8) payment should be made upon the contractor's invoice and an authorizing official noting the service has satisfactorily provided
- 9) upon completion of the contract, certification for final payment must be accompanied by an evaluation of the service and signed by the authorizing contract official

We noted the following finding:

- We noted that during 2001, copies of executed contracts were kept at the departmental level. The OPMS was receiving some copies, notably Brazil. OMPS further indicated a lack of understanding and general training on this section of the GS.

Procurement Contracts

We tested expenditures related to procurement contracts to ensure the following:

- 1) procurement contracts must be approved by a Director level or above
- 2) procurement contracts greater than \$30,000 require approval by the Contract Awards Committee
- 3) construction greater than \$50,000 and other procurement contracts greater than \$75,000 shall be reviewed by the Department of Legal Services
- 4) construction contracts greater than \$250,000 require contractors to be bonded
- 5) procurement contracts greater than \$999 require competitive bidding
- 6) procurement contracts may not be entered into with entities that are not Member States
- 7) procurement contracts greater than \$10,000 require written justification

This testing revealed no findings.

Travel

We tested expenditures related to travel to ensure the following:

1. travel is approved in advance and in writing
2. senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
3. supervisors complete a quarterly report of official travel for all authorized travel
4. unplanned travel requires approval by Chief of Staff of the Secretary General
5. travel advances require approval and required supporting documents (i.e., itinerary)
6. travel expense claims require approval by the supervisor within 15 days of return from travel

We noted the following findings:

- Our testing revealed missing travel documents (itinerary's, per diem rates etc.) and late authorization on multiple travel expenditures.
- There were four instances of missing Travel Expense Claim ("TEC") forms.
- As explained above under travel for directors, the Quarterly Official Travel Plan was not in compliance with the GS before July 20, 2001.

General

We tested all expenditures in our sample to determine if they were in accordance with the instruments establishing them. This testing revealed no findings.

3. Payroll Expenditures

For payroll expenditures, our population consisted of all payroll expenditures during 2001. The sample size was statistically determined using a 0% expected error rate, and a 6% tolerable error rate. These criteria resulted in a sample of 38 expenditures for testing. The 38 sample units (i.e., the expenditures) were selected using a random number generator.

We tested expenditures related to payroll to ensure:

- 1) an Offer of Employment was properly signed and kept in the employees' file
- 2) an Acceptance of Offer or Declaration of Loyalty was properly signed and kept in the employees' file
- 3) employee salaries are in agreement with the United Nations' salary scale
- 4) salary changes are properly approved
- 5) new employees are properly approved in the Human Resources department and proper documents are obtained

We noted the following findings:

- There were two employees that did not have a signed Offer of Employment and Acceptance of Offer in their files.
- There was one employee that did not have a signed Acceptance of Offer in their file.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Board of External Audit and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**SECTION II
CHAPTER 2**

**FINANCIAL STATEMENTS
OF THE
LEO S. ROWE PAN AMERICAN FUND**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Board of External Auditors of the
Organization of American States:

We have audited the accompanying statement of financial position of the Leo S. Rowe Pan American Fund (the Fund), as of December 31, 2001, and the related statements of activities and cash flows for the year 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 audit. The financial statements of the Fund as of December 31, 2000, were audited by other auditors whose report dated March 19, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 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 Fund as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

STATEMENTS OF FINANCIAL POSITION

Assets	December 31	
	2001	2000
Equity in OAS Treasury Fund (Note 3)	\$ 121,563	\$ 324,647
Investments at Market Value (Note 4):		
Mutual funds invested in equity investments	3,953,125	4,510,289
Mutual funds invested in fixed income securities	4,340,600	4,349,824
	8,293,725	8,860,113
Loans receivable (Note 5):		
Students	2,037,713	2,015,766
Allowance for uncollectible loans	(328,461)	(324,080)
	1,709,252	1,691,686
Employees of the Organization of American States	803,849	713,279
	2,513,101	2,404,965
Other Receivables	26,380	15,638
Total Assets	\$ 10,954,769	\$ 11,605,363
Liabilities and Net Assets		
Miscellaneous payables	36,447	92,722
Due to MacLean Fund (Note 6)	65,523	-
Total liabilities	\$ 101,970	\$ 92,722
Unrestricted Net Assets:		
Committee designated (Note 1)	1,000,000	1,000,000
Available for loans	9,852,799	10,512,641
Total Net Assets	10,852,799	11,512,641
Total Liabilities and Net Assets	\$ 10,954,769	\$ 11,605,363

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

STATEMENTS OF ACTIVITIES

	Year Ended December 31	
	2001	2000
Income		
Dividend and interest income	\$ 213,397	\$ 269,322
Realized gains on investments	200,569	198,990
Bad Debt Recovery	-	56,322
Miscellaneous income	21,357	7,947
	435,323	532,581
Expenses		
Unrealized loss on investments (Note 4)	919,440	651,341
Administrative expenses	175,725	106,551
	1,095,165	757,892
Change in net assets	(659,842)	(225,311)
Net assets at beginning of year	11,512,641	11,737,952
Net assets at end of year	\$ 10,852,799	\$ 11,512,641

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2001	2000
Operating Activities		
Change in net assets	\$ (659,842)	\$ (225,311)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments	-	(198,990)
Unrealized loss on investments	919,440	651,341
Increase in provision for uncollectible loans	4,381	-
Changes in operating assets and liabilities:		
(Increase)/decrease in loans to students	(21,947)	28,382
Increase in loans to employees	(90,570)	(102,252)
Increase in miscellaneous receivables	(10,742)	-
(Decrease)/increase in miscellaneous payables	(56,275)	24,557
Increase in due to MacLean Fund	65,523	-
Net cash provided by operating activities	149,968	177,727
Investing activities		
Purchase of investments	(152,483)	(205,581)
Reinvestment of dividends received	(200,569)	-
Net cash used in investing activities	(353,052)	(205,581)
Net decrease in cash and cash equivalents	(203,084)	(27,854)
Equity in OAS Treasury Fund, beginning of year	324,647	352,501
Equity in OAS Treasury Fund, end of year	\$ 121,563	\$ 324,647

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1 ORGANIZATION AND FINANCING

The Leo S. Rowe Pan American Fund (the 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 Pan American Union Director General. 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 Organization of American States (OAS). The Fund Committee, consisting of representatives of the Permanent Council and Secretary General designated net assets of \$1,000,000 comprised of investments not considered to be available for the purpose of granting loans.

**2 BASIS OF ACCOUNTING
USE OF ESTIMATES**

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and as-

sumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reporting amounts of income and expenses during the reported period. 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 General Secretariat administers the OAS Treasury Fund 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

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

Investments are summarized in the following page.

Mutual Fund Investments
(in thousands)

December 31, 2001

	<u>Market Value as of 1/1/01</u>	<u>Dividends & Realized Gain/(loss)</u>	<u>Unrealized Gain(loss)</u>	<u>Market Value as of 12/31/01</u>
Fixed income securities	\$ 4,350	\$ 321	\$ (330)	\$ 4,341
Equity investments	4,510	32	(589)	3,953
	<u>\$ 8,860</u>	<u>\$ 353</u>	<u>\$ (919)</u>	<u>\$ 8,294</u>

December 31, 2000

	<u>Market Value as of 1/1/00</u>	<u>Dividends & Realized Gain/(loss)</u>	<u>Unrealized Gain(loss)</u>	<u>Market Value as of 12/31/00</u>
Fixed income securities	\$ 4,149	\$ 282	\$ (81)	\$ 4,350
Equity investments	4,959	121	(570)	4,510
	<u>\$ 9,108</u>	<u>\$ 403</u>	<u>\$ (651)</u>	<u>\$ 8,860</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 (the Committee) has extended the repayment dates for certain loans.

The activity in the allowance for uncollectible loans follows:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Balance at beginning of year	\$324,080	\$324,080
Activity in provision for uncollectible loans,	4,381	-
Balance at end of year	<u>\$328,461</u>	<u>\$324,080</u>

Management believes that the allowance of \$328,461 or approximately 15% of the student loan balance as of December 31, 2001, is sufficient to provide for losses that may be incurred upon the ultimate realization of these loans.

During 2001 and 2000, the Fund disbursed new student loans aggregating approximately \$632,700 and \$498,871, respectively. The Fund received loan repayments of approximately \$638,100 and \$539,461 in 2001 and 2000, respectively.

New loans to employees for educational purposes or in emergency situations aggregated \$268,700 and \$220,928 in 2001 and 2000, respectively. The Fund received loan repayments of approximately \$225,500 and \$136,193 in 2001 and 2000, respectively. The interest rate applied to employee loans is one percent below the prime rate and is adjusted periodically. The interest rate on new employee loans granted in 2001 varied between 4.0% and 8.0%. Interest rates on outstanding loans granted in 2000 and earlier years varied between 7.5% and 8.5%.

6 DUE TO MACLEAN

The balance of Due to MacLean as of December 31, 2001, represents amounts due to the Julia MacLean Legacy Fund (The MacLean Fund), a separate fund established to provide fellowships for Peruvian women studying in Washington D.C, using the interest earned on the initial endowment to provide for these fellowships. The balance due to The MacLean Fund is equal to the initial endowment of \$65,523 made by Julia MacLean to The MacLean Fund.

7 ADMINISTRATIVE EXPENSES

The accompanying financial statements include approximately \$104,000 and \$48,000 in administrative expenses related to the services of a contract for the customization of a subsidiary system in 2001 and 2000, respectively. No additional amounts are recorded in the accompanying financial statements relating to the use of services and facilities provided to the Fund by the OAS since no objective basis is currently available to measure the value of such contributions.

8 COMMITMENTS AND CONTINGENCIES

As of December 31, 2001, the Fund was committed to provide for student loans totalling \$27,400.

9 LITIGATION

The Fund is not subject to any lawsuits which management believes will have a material adverse effect on the Fund's financial condition.

**SECTION II
CHAPTER 3**

**FINANCIAL STATEMENTS
OF THE
ROWE MEMORIAL BENEFIT FUND**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Board of External Auditors of the
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, 2001 and 2000, 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 auditing standards generally accepted in the United 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
ROWE MEMORIAL BENEFIT FUND**

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2001	2000
Assets		
Equity in OAS Treasury Fund	\$ 5,861	\$ 7,486
Investments at market value	306,714	317,302
Total unrestricted net assets	\$ 312,575	\$ 324,788

STATEMENTS OF ACTIVITIES

	For the years ended December 31,	
	2001	2000
Additions/Deductions		
Dividends	\$ 5,279	\$ 6,608
Realized gains on investments	6,659	38,450
Income from OAS Treasury Fund	319	503
Unrealized losses on investments, net	(22,526)	(18,518)
	(10,269)	27,043
Awards and other benefits	(1,944)	(9,474)
Change in net assets	(12,213)	17,569
Unrestricted net assets, beginning of year	324,788	307,219
Unrestricted net assets, end of year	\$ 312,575	\$ 324,788

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
ROWE MEMORIAL BENEFIT FUND**

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2001	2000
Operating activities		
Change in net assets	\$ (12,213)	\$ 17,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses on investments, net	22,526	18,518
Net cash provided by operating activities	10,313	36,087
Investing activities		
Purchase of securities	(11,938)	(45,058)
Net cash used in investing activities	(11,938)	(45,058)
Net decrease in cash and cash equivalents	(1,625)	(8,971)
Equity in OAS Treasury Fund, beginning of year	7,486	16,457
Equity in OAS Treasury Fund, end of year	\$ 5,861	\$ 7,486

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
ROWE MEMORIAL BENEFIT FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1 ORGANIZATION AND FINANCING

The assets of the Rowe Memorial Benefit Fund (the 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 Organization of American States (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 by the OAS since no objective basis is available to measure the value of such contributions.

**2 BASIS OF ACCOUNTING
USE OF ESTIMATES**

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the re-

porting period. 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 Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Income earned by the Treasury Fund is added to the equity of each fund in proportion to its balance.

4 INVESTMENTS

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

Investments are summarized below.

5 COMMITMENTS AND CONTINGENCIES: LITIGATION

The Fund is not subject to any lawsuits which management believes will have a material adverse effect on the fund's financial condition.

Mutual Fund Invested in Equity and Fixed Income Securities (in thousands)				
December 31, 2001				
	Market Value as of 1/1/01	Dividends & Realized Gain/(loss)	Unrealized Gain(loss)	Market Value as of 12/31/01
Blue Chip Fund	\$ 185	\$ 6	\$ (24)	\$ 167
Near Term Bond	132	6	2	140
	<u>\$ 317</u>	<u>\$ 12</u>	<u>\$ (22)</u>	<u>\$ 307</u>
December 31, 2000				
	Market Value as of 1/1/00	Dividends & Realized Gain/(loss)	Unrealized Gain(loss)	Market Value as of 12/31/00
Blue Chip Fund	\$ 167	\$ 39	\$ (21)	\$ 185
Near Term Bond	122	7	3	132
	<u>\$ 289</u>	<u>\$ 46</u>	<u>\$ (18)</u>	<u>\$ 317</u>

**SECTION II
CHAPTER 4**

**FINANCIAL STATEMENTS FUNDS
OF THE
UNIT FOR PROMOTION OF DEMOCRACY**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

Board of External Auditors of the
Organization of American States:

We have audited the accompanying combined statement of assets, liabilities and fund balance of the Unit for the Promotion of Democracy of the Organization of American States (the Unit), as of December 31, 2001, and the related 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 auditing standards generally accepted in the United States and 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 audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statements of the Unit have been prepared on the basis of accounting principles 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 Organization of American States), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the Unit for the Promotion of Democracy of the Organization of American States as of December 31, 2001, 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 2, the financial statements being presented are only for the activities referred to above, which were established by the Organization of American States to account for the assets, liabilities and fund balance and to support revenues and expenses of the Unit for the Promotion of Democracy.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

**UNIT FOR THE PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
AS OF DECEMBER 31, 2001**

	PROMOTION DEMOCRACY AND PEACE SURINAME	PEACE AND RE-INTEGRATION NICARAGUA	SONS OF THE RIVER NICARAGUA	PROGRAM FOR PEACE GUATEMALA	COMPREHENSIVE ACTION AGAINST ANTIPERSONAL 2001	HOUSING RECONSTRUCTION NICARAGUA PHASE II	TECHNICAL ASSIST. ELECTORAL TRIBUNAL OF GUATEMALA
ASSETS							
Equity in OAS Treasury Fund	\$ 2,662	\$ 121,745	\$ 103,876	\$ 275,157	\$ 3,452,605	\$ 686,420	\$ 299,513
Other Assets	618	-	-	-	-	-	-
Total Assets	<u>\$ 3,280</u>	<u>\$ 121,745</u>	<u>\$ 103,876</u>	<u>\$ 275,157</u>	<u>\$ 3,452,605</u>	<u>\$ 686,420</u>	<u>\$ 299,513</u>
LIABILITIES AND FUND BALANCE							
Unliquidated Obligations	\$ 100	\$ 1,300	\$ 44,762	\$ 82,379	\$ 558,519	\$ 185,693	\$ 144,543
Other Accounts Payable	-	113,863	20,686	2,000	68,264	24,172	630
Fund balance	3,180	6,582	38,429	190,779	2,825,822	476,555	154,340
Total Liabilities and Fund Balance	<u>\$ 3,280</u>	<u>\$ 121,745</u>	<u>\$ 103,876</u>	<u>\$ 275,157</u>	<u>\$ 3,452,605</u>	<u>\$ 686,420</u>	<u>\$ 299,513</u>

See accompanying notes

UNIT FOR PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2001

	PROMOTION DEMOCRACY AND PEACE SURINAME	PEACE AND RE-INTEGRATION NICARAGUA	SONS OF THE RIVER NICARAGUA	PROGRAM FOR PEACE GUATEMALA	COMPREHENSIVE ACTION AGAINST ANTIPERSONAL LANDMINES 2001	HOUSING RECONSTRUCTION NICARAGUA PHASE II	TECHNICAL ASSIST. ELECTORAL TRIBUNAL OF GUATEMALA	ELECTORAL OBSERVATION MISSION PERU-2001
Increases								
Contributions and transfers								
Antigua and Barbuda	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Argentina	-	-	-	-	-	-	-	25,000
Australia	-	-	-	-	38,918	-	-	-
Bahamas	-	-	-	-	-	-	-	-
Bolivia	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	50,000	-	-	30,000
Canada	\$ -	\$ -	\$ -	\$ -	\$ 1,399,735.94	\$ -	\$ -	\$ 64,220.56
CARICOM	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	-	-
Colombia	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	-	-	-	-
Dominica	-	-	-	-	-	-	-	-
El Salvador	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Finland	-	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-
Guatemala	-	-	-	-	-	-	-	-
Honduras	-	-	-	-	-	-	-	-
IADB	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Italy	-	-	-	-	100,000	-	-	-
Japan	-	-	-	-	45,000	-	-	264,095
Mexico	-	-	-	-	-	-	-	-
Nicaragua	-	-	-	-	-	1,262,353	-	-
Netherlands	(81,377)	-	-	-	-	-	681,156	-
Norway	\$ -	\$ -	\$ -	\$ 161,074.13	\$ 1,126,763.49	\$ -	\$ -	\$ 25,000.00
Panama	-	-	-	-	-	-	-	-
Paraguay	-	-	-	-	-	-	-	-
Russia	-	-	-	-	-	-	-	-
Spain	-	-	-	-	255,340	-	-	-
Saint Kitts and Nevis	-	-	-	-	-	-	-	-
Suriname	\$ 81,377.45	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sweden	-	-	-	-	639,964	-	-	29,311
Switzerland	-	-	-	-	-	-	-	-
Trinidad and Tobago	-	-	-	-	-	-	-	-
UNESCO	-	-	-	-	-	-	-	-
United Kingdom	-	-	-	-	271,971	-	-	37,500
United States	\$ -	\$ -	\$ -	\$ -	\$ 2,276,889.00	\$ -	\$ -	\$ 600,000.00
Uruguay	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-
European Econ. Comm.	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
OAS Treasury Fund Income	1,106	7,753	24,645	39,570	-	6,594	20,142	-
Other Refunds/Returns	-	196	-	3,972	12,273	-	29,068	-
Total Increases	\$ 1,106	\$ 7,949	\$ 24,645	\$ 204,616	\$ 6,216,854	\$ 1,268,947	\$ 730,366	\$ 1,075,126
Decreases								
Transfers	-	-	-	11,045	-	-	-	-
Refunds	-	-	4,940	36,191	-	-	-	-
Obligations and Expenditures								
Travel	2,860	22,660	75,088	27,600	1,181,017	6,600	60,708	281,615
Documents	10,296	4,518	17,623	3,620	112	5,144	37,950	5,031
Equipment & Supplies	2,043	149,594	168,204	62,653	2,068,602	214,331	199,106	83,936
Building & Maintenance	-	28,611	251,409	51,550	146,900	268,850	6,178	35,867
Contracts	427	251,861	405,954	418,788	1,937,931	372,884	472,953	546,844
Other	219	88,619	183,180	95,181	630,639	104,334	50,715	31,483
Total Decreases	\$ 15,844	\$ 545,864	\$ 1,106,398	\$ 706,629	\$ 5,965,201	\$ 972,143	\$ 827,610	\$ 984,777
Net change during period	(14,738)	(537,915)	(1,081,754)	(502,013)	251,653	296,804	(97,244)	90,349
Fund balance at beginning of period	17,919	544,497	1,120,182	692,792	2,574,169	179,751	251,584	-
Fund balance (deficit) at end of period	\$ 3,180	\$ 6,582	\$ 38,429	\$ 190,779	\$ 2,825,822	\$ 476,555	\$ 154,340	\$ 90,349

See accompanying notes

**UNIT FOR PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2001**

	ELECTORAL	POLITICAL	TECHNICAL	OTHER	TOTAL	Since Inception to December 31	
	OBSERVATION MISSION	MANAGEMENT PROJECT	COOPERATION PROGRAM IN	DEMOCRATIC INITIATIVES		2000	2001
	NICARAGUA-2001	GUATEMALA	NICARAGUA-PHASE II				
Increases							
Contributions and transfers							
Antigua and Barbuda	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Argentina	-	-	-	-	25,000	396,658	421,658
Australia	-	-	-	-	38,918	3,579	42,497
Bahamas	-	-	-	5,000	5,000	-	5,000
Bolivia	-	-	-	258,343	258,343	654,199	912,542
Brazil	-	-	-	50,000	130,000	50,000	180,000
Canada	-	-	-	67,895	1,531,851	4,762,369	6,294,220
CARICOM	-	-	-	-	-	6,150	6,150
Chile	-	-	-	4,000	4,000	70,000	74,000
Colombia	-	-	-	-	-	25,000	25,000
Denmark	59,635	31,241	-	-	90,876	3,829,459	3,920,335
Dominica	-	-	-	-	-	1,000	1,000
El Salvador	-	-	-	-	-	1,000	1,000
Finland	59,785	-	-	-	59,785	82,692	142,477
France	-	-	-	-	-	804,642	804,642
Germany	-	-	-	-	-	394,597	394,597
Guatemala	-	-	-	98	98	1,400,761	1,400,859
Honduras	-	-	-	-	-	255,360	255,360
IADB	-	-	-	-	-	1,477,177	1,477,177
Italy	-	-	-	-	100,000	169,921	269,921
Japan	89,245	-	-	-	398,340	2,154,736	2,553,076
Mexico	-	-	-	1,400	1,400	10,000	11,400
Nicaragua	-	-	-	-	1,262,353	300,000	1,562,353
Netherlands	-	228,563	-	-	828,342	2,148,331	2,976,673
Norway	39,975	273,912	-	-	1,626,724	4,022,317	5,649,041
Panama	-	-	-	-	-	45,400	45,400
Paraguay	-	-	-	-	-	191,969	191,969
Russia	-	-	-	-	-	1,500	1,500
Spain	-	-	-	-	255,340	2,285,114	2,540,454
Saint Kitts and Nevis	-	-	-	-	-	3,000	3,000
Suriname	-	-	-	-	-	81,377	926,426
Sweden	61,438	-	718,376	63,508	1512,597	14,462,313	15,974,910
Switzerland	29,810	-	-	-	29,810	229,788	259,598
Trinidad and Tobago	-	-	-	-	-	1,500	1,500
UNESCO	-	-	-	-	-	81,126	81,126
United Kingdom	10,000	-	-	52,731	372,202	897,646	1,269,848
United States	712,700	-	-	2,232,045	5,821,634	57,255,259	63,076,893
Uruguay	-	-	-	-	-	5,000	5,000
Venezuela	-	-	-	-	-	88,469	88,469
European Econ. Comm.	-	-	-	-	-	249,040	249,040
Other	-	-	-	555,491	555,491	1,053,155	1,608,646
OAS Treasury Fund Income	-	-	-	179,406	279,216	1,014,309	1,293,525
Other Refunds/Returns	-	-	-	33,905	79,372	284,080	363,452
Total Increases	\$ 1,062,588	\$ 533,716	\$ 718,376	\$ 3,503,822	\$ 15,348,068	\$ 102,096,042	\$ 117,444,110
Decreases							
Transfers	-	-	-	155,646	166,691	1,232,084	1,398,775
Refunds	-	8,317	-	-	49,448	49,169	98,617
Obligations and Expenditures							
Travel	169,686	19,792	18,071	460,052	2,325,749	14,461,393	16,787,142
Documents	5,379	18,520	7,840	36,931	152,965	548,574	701,539
Equipment & Supplies	288,091	76,446	63,235	168,346	3,544,587	14,283,597	17,820,784
Building & Maintenance	39,220	42,442	10,883	69,163	951,074	2,578,426	3,529,500
Contracts	452,888	358,129	351,682	1,481,142	7,051,483	48,842,088	55,893,571
Other	88,784	86,993	61,273	92,584	1514,006	12,188,435	13,702,441
Total Decreases	\$ 1,044,049	\$ 610,639	\$ 512,985	\$ 2,463,863	\$ 15,756,002	\$ 94,176,366	\$ 109,932,368
Net change during period	18,539	(76,923)	205,391	1,039,959	(407,934)	7,919,675	7,511,741
Fund balance at beginning of period	-	362,998	-	2,175,741	7,919,675	-	-
Fund balance (deficit) at end of period	\$ 18,539	\$ 286,074	\$ 205,391	\$ 3,215,700	\$ 7,511,741	\$ 7,919,675	\$ 7,511,741

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES UNIT FOR THE PROMOTION OF DEMOCRACY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001

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 (UPD). 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.

Among the largest contributors to the UPD during 2001 were the United States government, with a total contribution of \$5.8 million, Canada with \$1.5 million, Sweden with \$1.5 million, Norway with \$1.6 million, and Nicaragua with \$1.3 million. Some contributions are restricted as to their use.

The Secretary General established various Organization of American States (OAS) accounts to record 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 basis for presentation of the accompanying statements is based upon a disclosure of detailed financial information for those projects with significant financial activity for the current period, and a grouping called other democratic initiatives with the remainder of UPD project activities. This basis of presentation results in different projects displayed at the detailed level from year to year. 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 accounting principles generally accepted in the United States. The significant deviation from accounting principles generally accepted in the United States is as follows:

Unliquidated obligations include amounts related to commitments resulting from offers made by the UPD 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 on December 31, 2001. 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 in conformity with the accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reported period. 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

Promotion Democracy and Peace Suriname

The Promotion Democracy and Peace Suriname formally ended its activities in Suriname on July 2001 with the presentation of its Final Report to President Runaldo R. Venetiaan. Its mandate expired on July 21, 2000, and during its nine-year presence in the country, the Mission assisted the government of Suriname in formalizing and safeguarding durable peace, and in the strengthening of democratic order and institutions. The Mission was established in 1992 when the Government of the Republic of Suriname and the General Secretariat of the OAS signed the "Agreement on the Activities and Relations of the OAS Special Mission for Strengthening of Democracy and Promotion of Peace in Suriname."

Peace and Re-integration Nicaragua

On October 14, 1997 an agreement was signed between the government of Sweden and the General Secretariat of the Organization of American States (GS/OAS), acting through UPD. Working with the government of Nicaragua, UPD will carry out this program called The Program of Technical Cooperation Towards Peace, Consolidation and Reintegration in Nicaragua. The objective of the program is to contribute to the reconciliation process in Nicaragua and to the process leading to peace, democracy and a state governed by law, by strengthening the institution of the state and the civil society.

From January 1 to December 31, 2001, financing in the amount of \$7,949 was received from distributions.

Son of the River

On January 8, 1999 an agreement was signed between the Swedish agency international development (SIDA) and the General Secretariat of the Organization of American States to begin a project called "Hijos del Rio", with financing the amount of \$3,800,000. The project main objectives included emergency assistance, reconstruction of physical infrastructure, education, health care, social organization, and strengthening of local government. Initially the project was established for a period of two years (1999-2000) But its mandate has been renewed to the end of execution.

The accomplishment and results to date are building of schools, recreational child parks, child dinnings, health care centers, housing for endangered population, civic centers, community housing.

Culture of Dialogue: Development of Resources for Peacebuilding in Guatemala OAS-PROPAZ

Since 1994, the OAS has developed a program to strengthen the capacity of Guatemalans in conflict prevention and resolution. The Program "Culture of Dialogue: Development of Resources for Peacebuilding in Guatemala" (PROPAZ) has been financed by the contributions of the governments of Denmark, Sweden and Norway. The program was scheduled to end April 30th, 2002. However, a negotiation is currently underway that would most likely prolong the program until December 2002. During 2001, over \$706,629 has been expended for this program.

Comprehensive Action Against Antipersonnel Landmines (AICMA) - 2001

In 1992, by resolution AG/RES. 1191 (XXII-O/92), a special fund was established to cooperate with mine-clearing operations in Central America. The Comprehensive Action Against Antipersonnel Mines (AICMA), strengthened by AG/RES. 1792, 1793, and 1794 (XXXI-O/01), has continued efforts to technically and financially support the mine-clearing activities in Nicaragua, Honduras, Guatemala, and Costa Rica. AICMA activities expanded during the second semester of 2001 to include the Ecuador-Peru region.

Through the humanitarian demining programs of these member states, the AICMA and the Inter-American Defense Board have located and destroyed more than 13,000 antipersonnel mines (OAS/IADB certification), and nearly a million square meters of land have been cleared. The AICMA also continued to support the "Program for Victims of Mines and Unexploded Ordinance," which has assisted some 340 victims in Central America, mainly in Nicaragua.

Another significant AICMA program during the 2001 period has been the destruction of stockpiled mines, developed in support of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Antipersonnel Mines and on Their Destruction (Ottawa Convention). Under this program more than 500,000 of these mines were destroyed between January and September 2001, eliminating entirely the antipersonnel mine stockpiles of Peru and Ecuador and leaving some 46,000 mines to be destroyed by Nicaragua in 2002.

The AICMA also implemented the Information Management System for Mine Action (IMSMA) in Nicaragua with the support of the United Nations Mine Action Service. IMSMA now serves as the primary database for prioritization of mine clearance, preventive education and victim assistance efforts and will be used to develop detailed studies of the socio-economic impact in mine affected regions.

During 2001 a total of \$6.2 million in contributions were received to finance these AICMA programs, representing a 15% increase from the previous year. Humanitarian demining related programs have been financed by generous contributions from the Governments of: Argentina, Australia, Brazil, Canada, Denmark, France, Germany, Honduras, Italy, Japan, Norway, Spain, Sweden, United Kingdom, United States, and The Netherlands since 1992. The AICMA programs were also financed by contributions from the Canadian Landmine Foundation, the Central-American Economic Integration Bank (BCIE), and the United Nations. Additionally, these programs received in kind contributions from the United States, the Russian Federation, Korea, and the Women of the Americas Association.

Housing Reconstruction - Nicaragua - Phase II

The first phase of the Solidarity Program of Housing Reconstruction in North Central Nicaragua was completed in October 2000. Phase I resulted in the construction of 838 houses by the people who would live in them. This program also inspired community development through the construction of health clinics, schools and community centers. The Second Phase is intended to benefit 1,500 more families.

An addendum to the agreement was signed on August 15, 2000 between the OAS and the Nicaraguan government for \$4,800,000. The OAS will continue to be in charge of the technical and administrative aspects of the project.

Through this program, the Nicaraguan government is continuing to resolve the housing problems caused by Hurricane Mitch as well as other critical housing needs. This project will continue to cut the current housing shortage by promoting construction by the beneficiaries.

Technical Assistance to the Supreme Electoral Tribunal of Guatemala

On October 18, 2000, an agreement was signed between the OAS and the Kingdom of the Netherlands to implement a Technical Assistance plan to the Supreme Electoral Tribunal [TSE] of Guatemala, with financing in the amount of \$1,722,103.

A main objective is to promote and design a plan to modernize and strengthen this governmental institution. Over a two-year period, the plan intends to develop the conditions necessary for the TSE to propose election law reforms for the political parties with a strengthened Tribunal, a well-trained staff, and the necessary tools to better carry out the proposed objectives.

The cost of activities carried out during 2001 totaled \$827,610.

Electoral Observation Mission - Peru 2001

The Electoral Observation Mission of the OAS to Peru (MOE-Peru) was originated with an invitation from the Government of Peru to the Secretary General of the OAS on December 7, 2000 to observe the general elections. The General Secretariat through the Unit for the Promotion of Democracy deployed the Mission for all electoral processes from the pre-election stage until after the elections.

The objective of the Mission was to observe all aspects of the electoral process and verify the conditions for its conduct in accordance with procedures established by the country's legislation and that it was carried out with complete transparency. The Mission also cooperated with the government, electoral and party authorities, and general public, in an attempt to ensure that the electoral process exhibited integrity, impartiality and reliability.

During the Mission, a total of approximately \$1,075,000 in contributions was received to finance it from the governments of Argentina, Brazil, Canada, United States of America, Great Britain, Norway and Sweden.

Electoral Observation Mission Nicaragua 2001

The OAS Electoral Observation Mission monitored Nicaraguan elections of president and vice president, national and departmental congressional representatives and members of the Central American Parliament. It was organized in response to the request submitted by the Government of the Republic of Nicaragua to the General Secretariat of the Organization of American States.

The Mission began in May and observed the electoral process as a whole, taking special account of the calendar approved by the Supreme Electoral Council (CSE) and including the post-electoral stage.

A total of approximately \$1,063,000 was received from Sweden, Switzerland, Norway, Finland, Denmark, the United Kingdom, Japan and the United States to finance the Mission.

Political Management Project - Guatemala

In the middle of 1998, the UPD formulated a pilot project which began to strengthen political parties in Guatemala. This project was conducted for two years with financing from the Soros Foundation which included the organization and implementation of courses targeted to political party organizers on the municipal and departmental levels as well as members of civic committees (a political party on the local level).

Towards the end of 1999, the OAS expanded the objectives of the program in order to transform it into a program of integral support for political organizations in Guatemala. This transformation implied, among other things, the design of a program that provided spaces for meeting and dialogue among political parties, the institutional strengthening of political organizations and the eventual creation of a national institution that would provide systematic and permanent training to political actors.

The plan of activities conceived was for a period of four years, which would coincide with the pre- inter- and post-electoral periods in the Guatemalan electoral calendar. During these four years, the Project has received the support of the governments of Norway (through the Norwegian Agency for Development - NORAD), Denmark (through the Danish Program for Pro-Human Rights - PRODECA) and the Netherlands (through the Ministry of Development and Cooperation).

During 2001, \$610,639 has been executed for this program.

Technical Cooperation Program in Nicaragua-Phase II

As a result of the completion of the Technical Collaboration Program for Peace and Reintegration in Nicaragua

(PCT Phase I), and to continue its activities, an agreement was signed on July 5, 2001 between the General Secretariat of the OAS and the Government of Sweden, for the second phase of the project (PCT Phase II). The project will end on December 31, 2003, with a contribution of approximately \$2,090,000.

The main objectives of the program are the promotion of democratic participation through assistance to municipal governments and the local population, particularly in rural areas. It also aims to reduce extreme poverty through promotion of health care and education, support the judicial system, strengthen existing mechanisms to diminish legal impunity and encourage conflict resolution.

From the date of inception of this agreement to 31 December 2001, the cost of these activities have totaled \$512,985.

Other Democratic Initiatives

The Unit for the Promotion of Democracy undertook a number of additional activities during 2001 with the contributions of member states and observer states, including electoral observation missions, not previously mentioned in Guyana, Honduras, and St. Vincent and the Grenadines.

SECTION III

**FINANCIAL STATEMENTS
OF THE
INTER-AMERICAN AGENCY FOR
COOPERATION AND DEVELOPMENT
AND
TRUST FOR THE AMERICAS**

RESPONSIBILITY FOR FINANCIAL STATEMENTS

**SECTION III
FINANCIAL STATEMENTS
OF THE INTER-AMERICAN AGENCY
FOR COOPERATION AND DEVELOPMENT
WITH
REPORT OF INDEPENDENT AUDITORS**

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Inter-American Agency for Cooperation and Development (IACD) 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 of American States 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 IACD differ in certain respects from accounting principles generally accepted in the United States customarily applied in the presentation of financial statements. A description of the significant differences from accounting principles generally accepted in the United States is set forth in Note 2 to the financial statements. The IACD internal control environment 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 IACD. 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 IACD. The Board of External Auditors has engaged the services of the independent accounting firm of Arthur Andersen 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 IACD, 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 IACD.

**SECTION III
CHAPTER 1**

**FINANCIAL STATEMENTS
OF THE
INTER-AMERICAN AGENCY FOR
COOPERATION AND DEVELOPMENT**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Board of External Auditors
Inter-American Agency for Cooperation and Development:

We have audited the accompanying financial statements and supplementary schedules of the funds of the Inter-American Agency for Cooperation and Development (the IACD), an entity of the Organization of American States, as of December 31, 2001, and for the year then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the IACD's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the external auditing requirements prescribed in Chapter IX of the General Standards of the Organization of American States. Those standards and requirements 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, these financial statements were prepared on the basis of accounting practices prescribed by the Budgetary and Financial Rules (which include the applicable financially-oriented General Standard adopted by the General Assembly of the Organization of American States), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances for the IACD as of December 31, 2001, and the changes in fund balances for the year then ended on the basis of accounting described in Note 2.

Our audit has been made for the purpose of forming an opinion on the basic financial statements listed in the accompanying table of contents for the IACD referred to in the first paragraph of this report taken as a whole. The accompanying information in Supplementary Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the procedures applied in our audit 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.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

**INTER-AMERICAN AGENCY
FOR COOPERATION AND DEVELOPMENT
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INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

EXHIBIT 1

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
(in thousands)

	December 31, 2001					Combined
	Operations Fund	FEMCID I	Specific Funds	Trust for the Americas	Special Projects	
ASSETS						
Cash	\$ 29	\$ 12,212	\$ 9,865	\$ 117	\$ 7,407	\$ 29,630
Prepaid expenses	-	-	-	24	-	24
Accounts receivable	-	-	348	3	-	351
Interest receivable	-	-	1	-	-	1
Equipment	16	-	-	-	-	16
	<u>\$ 45</u>	<u>\$ 12,212</u>	<u>\$ 10,214</u>	<u>\$ 144</u>	<u>\$ 7,407</u>	<u>\$ 30,022</u>
LIABILITIES AND FUND BALANCES						
Unliquidated obligations/Accounts payable	\$ 25	\$ 1,320	\$ 1,039	\$ 42	\$ 1,564	\$ 3,990
Accounts payable to OAS	-	50	24	-	-	74
Pledges collected in advance	-	57	-	-	-	57
Due to project entities	-	11	-	-	-	11
	<u>25</u>	<u>1,438</u>	<u>1,063</u>	<u>42</u>	<u>1,564</u>	<u>4,132</u>
Fund balances:						
Operating subfund unappropriated	20	10,521	9,151	102	5,843	25,637
Reserve subfund	-	253	-	-	-	253
	<u>\$ 45</u>	<u>\$ 12,212</u>	<u>\$ 10,214</u>	<u>\$ 144</u>	<u>\$ 7,407</u>	<u>\$ 30,022</u>

See accompanying notes

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
(in thousands)

	Year ended December 31, 2001					Combined
	Operations Fund	FEMCIDI	Specific Funds	Trust for the Americas	Special Projects	
INCREASES						
Subsidy from OAS Regular Fund	\$ 759	\$ -	\$ -	\$ -	\$ -	\$ 759
Contributions	-	-	2,780	745	4,465	7,990
Pledge collections	-	8,437	-	-	-	8,437
In-kind contributions	-	-	-	790	-	790
Interest income	-	337	394	-	431	1,162
Transfer of funds	111	-	(111)	-	-	-
Other income, refunds and deobligations	-	308	-	-	-	308
	<u>870</u>	<u>9,082</u>	<u>3,063</u>	<u>1,535</u>	<u>4,896</u>	<u>19,446</u>
DECREASES						
Expenditures and obligations	950	-	-	827	5,491	7,268
Project disbursements and obligations	-	7,284	5,431	-	-	12,715
GS/OAS administrative & technical support	-	1,209	-	-	-	1,209
In-kind expenses	-	-	-	790	-	790
	<u>950</u>	<u>8,493</u>	<u>5,431</u>	<u>1,617</u>	<u>5,491</u>	<u>21,982</u>
Net increase (decrease) during period	(80)	589	(2,368)	(82)	(595)	(2,536)
Fund balances beginning of period, adjusted	100	10,185	10,212	184	6,438	27,119
Fund Balance transferred from OAS	-	-	1,307	-	-	1,307
Fund balances at end of period	<u>\$ 20</u>	<u>\$ 10,774</u>	<u>\$ 9,151</u>	<u>\$ 102</u>	<u>\$ 5,843</u>	<u>\$ 25,890</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

1 ORGANIZATION AND FINANCIAL STATEMENTS

The Inter-American Agency for Cooperation and Development (IACD) was created by General Assembly Resolution AG/RES. 3 (XXVI-E/99) in November 1999 to promote, coordinate, manage and facilitate the planning and execution of programs, projects and technical assistance activities within the scope of the Organization of American States (OAS) Charter and within the framework of the Strategic Plan for Partnership for Development of the Inter-American Council for Integral Development (CIDI). In Executive Order 99-4, the Secretary General established the organizational structure of the IACD and the Executive Secretariat for Integral Development effective January 1, 2000. Executive Order 01-1, dated February 13, 2001, reorganized IACD and the Executive Secretariat for Integral Development into three Departments: Program Development, Information Technology for Human Development, and Operations and Finance, all of which report to the Director General of IACD.

On January 15, 2000, the General Secretariat proceeded to transfer to the administrative control of the IACD the unexecuted resources of the Special Multilateral Fund of the Inter-American Council for Integral Development (FEMCIDI) and the unexecuted resources of various specific funds as requested by their corresponding donors. The fund balance transferred from OAS reflects actual resources received and therefore will not agree to the prior year ending fund balance appearing on OAS financial statements due to certain adjustments related to execution of the transfer.

To ensure observance of limitations and restrictions placed on the use of resources available to the IACD, the accounts of the IACD 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 IACD are grouped in the following categories, according to their source of financing and purpose:

Operations Fund - financed by the OAS Regular Fund and by contributions of overhead, fees and interest from certain Specific Funds. The purpose of this fund is to provide the IACD with general support as well as technical supervision and administrative services to the IACD programs.

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 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 IACD. 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 IACD.

Trust for the Americas (Trust) - the Trust was created in 1997 as a non-profit entity incorporated in the District of Columbia. It serves the OAS and the IACD as an entry point to expand hemispheric cooperation and enhance economic development by providing a channel for information, services, goods and funds. In 2001, the Trust received in-kind contributions, which represent the transfer of noncash assets including services and donated items, from various organizations in support of administrative and program objectives.

Special Projects - are projects financed by grants or bequests to finance activities specified by the donor. The balances presented in the column entitled "Special Projects" consist of funds administered by the IACD through OAS National Offices in member states for projects or initiatives executed in the countries where the funds are expended.

The Statements of Assets, Liabilities, and Fund Balances and Statements of Changes of Fund Balances for the Operations, FEMCIDI, Specific, Special Projects and the Trust are presented in Exhibits 1 and 2, respectively, on a combined basis.

A. Operating Subfund

Subsidies received from the OAS, 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 operating subfund activity.

B. FEMCIDI - Reserve Subfund

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

2 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 presentation, which vary, in certain material respects from generally accepted accounting principles in the United States. The significant deviations from generally accepted accounting principles in the United States are as follows:

A. The IACD deems it impractical to evaluate the collectibility of voluntary pledges outstanding; therefore, 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.

B. Unliquidated obligations in certain funds include amounts related to commitments resulting from agreements entered into by the funds with the member states or other institutions to disburse monies for agreed to purposes. 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 General Assembly of the OAS adopts the consolidated program-budget. In the consolidated budget, the amounts appropriated for substantially all approved (career) personnel costs of the IACD are included in, and financed by, the OAS Regular Fund. In addition, certain other administrative costs benefiting all funds are included in, and financed by, the OAS Regular Fund. A portion of

the OAS allocation to the IACD was withheld for execution of these costs by the General Secretariat.

In lieu of allocating administrative costs to various funds on a services rendered basis, the General Assembly has provided that the other funds pay a contribution to the OAS 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.

D. 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 OAS. With the exception of in-kind contributions to the Trust, no amounts are recorded in the accompanying financial statements relating to the use of such facilities or services inasmuch as the IACD deems their value inestimable.

E. A Cash Flow Statement is not presented as required by generally accepted accounting principles in the United States.

F. FEMCIDI contributions received in a fiscal year are expensed in the next fiscal year. Revenue is recognized in the year it is received and credited to the FEMCIDI sectoral accounts as instructed by the contributing countries until project execution the following fiscal year. This policy reflects the provisions of Article 17 of the FEMCIDI statutes.

Management has not quantified the impact of these differences to the financial statements.

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 INVESTING ACTIVITIES

All United States dollars available for use in carrying out the activities of the various funds of the IACD are consolidated in IACD bank accounts. The Operations Fund, the Specific Funds, FEMCIDI, Special Projects and the Trust for the Americas maintain equity to the extent of their cash balances retained therein and amounts not immediately required for operations are invested. Subject to certain conditions, interest income earned by the IACD is added to the equities of the various funds in proportion to their equity balances. The IACD had invested balances of \$21,626,970 as of December 31, 2001, in United States

banks comprised of demand deposits of which the majority was invested in a daily sweep investment account. IACD also had \$7,407,487 invested in accounts overseas for use with the three Special Projects.

5 FOREIGN CURRENCIES

Certain income and expense transactions in 2001 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. No foreign currency assets are included in the financial statements.

6 EQUIPMENT

The IACD does not own or lease any facilities. Rather, the IACD is assigned a cost by the OAS for the space it occupies in the OAS building. In 2001, the total cost withheld by OAS from the IACD budget allocation for this purpose was \$177,000.

Equipment is restricted to equipment purchased directly by the IACD for the performance of its administrative and project tasks. For Operations Fund, purchased equip-

ment is recorded at cost and depreciated on a straight-line basis over the estimated useful lives in the accounting records. The composition of Operations funded fixed assets as of December 31, 2001, follows:

Asset Type	
Computers & equipment	\$22,903
Less: Accumulated Depreciation	<u>(\$6,869)</u>
Net Book Value as of 12/31/01	<u>\$16,034</u>

For project funded equipment, which is the property of the project, the cost and description of the equipment are recorded in memorandum accounts. As of December 31, 2001, an undepreciated total of \$197,064 in project assets were in custody of IACD.

7 CONTRIBUTIONS AND PLEDGE COLLECTIONS

Contributions to Specific Funds, FEMCID1 and Trust for the Americas during the year ended December 31, 2001 are detailed on the following table.

7 CONTRIBUTIONS AND PLEDGE COLLECTIONS

Contributor	Specific Funds	FEMCID I	Trust
<i>Members:</i>			
Antigua & Barbuda	\$ -	\$ 6,987	\$ -
Argentina	-	85,000	-
Bahamas	-	13,100	-
Barbados	-	16,400	-
Belize	-	7,800	-
Bolivia	-	29,100	-
Brazil	-	426,221	-
Canada	-	1,286,816	-
Chile	-	110,000	-
Colombia	81,259	111,125	-
Costa Rica	-	32,900	-
Dominica	-	5,100	-
Dominican Republic	-	35,000	-
Ecuador	-	16,679	-
El Salvador	20,065	32,100	-
Grenada	-	6,000	-
Guatemala	124,295	24,000	-
Guyana	-	5,100	-
Haiti	-	15,000	-
Honduras	169,153	21,000	-
Jamaica	-	39,800	-
Mexico	1,070,916	750,000	-
Nicaragua	-	18,000	-
Panama	30,617	39,600	-
Paraguay	-	23,857	-
Peru	-	40,000	-
St. Kitts & Nevis	-	5,100	-
St. Vincent and Grenadines	-	5,100	-
St. Lucia	-	7,600	-
Suriname	-	8,500	-
Trinidad & Tobago	-	31,200	-
United States	910,000	5,090,000	488,931
Uruguay	86,335	50,000	-
Venezuela	-	42,938	-
<i>Non Members and Others:</i>			
CIDI Support	20,000	-	-
Cisco Learning	-	-	40,000
Government of the Netherlands	-	-	43,993
Inter-American Development Bank (IDB)	150,000	-	-
Microsoft	-	-	68,000
Prices around the World	-	-	15,000
United Parcel Service	110,000	-	-
World Bank	-	-	20,000
Other	7,456	-	69,323
TOTAL	\$ 2,780,096	\$ 8,437,123	\$745,247

8 USE OF TRUST ACCOUNTS FOR FEMCIDI PROJECTS

In 2000 and 2001, the IACD administered projects funded by member states. Certain projects approved under the FEMCIDI program and statutes use trust accounts administered by the OAS National Offices in member states

to disburse funds to project Executing Agencies. These accounts were not reflected in the financial statements as of December 31, 2000. Below are the balance sheet accounts affected and their adjusted balances as of December 31, 2000, had the trust accounts been reflected in the financial statements.

	FEMCIDI		Combined	
	<u>2000 Balance</u>	<u>As Adjusted</u>	<u>2000 Balance</u>	<u>As Adjusted</u>
	(Unaudited)		(Unaudited)	
Cash	\$ 10,591	\$ 11,461	\$ 21,093	\$ 21,963
Accounts receivable	149	-	196	47
Total assets	<u>\$ 10,655</u>	<u>\$ 11,376</u>	<u>\$ 21,313</u>	<u>\$ 22,034</u>
Fund Balances:				
Operating subfund unappropriated	9,222	9,943	19,718	20,439
Reserve subfund	<u>242</u>	<u>242</u>	<u>242</u>	<u>242</u>
Total fund balance	<u>\$ 9,464</u>	<u>\$ 10,185</u>	<u>\$ 19,960</u>	<u>\$ 20,681</u>

9 TRANSFERS OF ADMINISTRATIVE SUPPORT AND OVERHEAD FUNDS TO OPERATIONS FUNDS

In 2001, IACD received contributions, commissions and interest from certain contributors that included commissions for services as well as an allocation for general overhead and support for technical cooperation support activities. A portion of these available funds, amounting to \$111,262, were transferred to the Operations Fund in 2001.

SUPPLEMENTARY INFORMATION

**INTER-AMERICAN AGENCY
FOR COOPERATION AND DEVELOPMENT
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**INTERAMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD JANUARY 1 THRU DECEMBER 31, 2001**

SCHEDULE 1

<u>Donor and Project</u>	<u>Cash Balance January 1, 2001</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Interest Income</u>	<u>Disbursements</u>	<u>Total Liabilities & Fund Balance December 31, 2001</u>	<u>Unliquidated Obligations</u>	<u>Fund Balance December 31, 2001</u>
Argentina								
Horizontal Cooperation	\$ 2,265,638	\$ -	\$ 3,141	\$ 60,373	\$ (1,056,826)	\$ 1,272,326	\$ 14,000	\$ 1,258,326
Horiz. Coop. Admin. Support	59,500	-	-	1,870	(21,000)	40,370	-	40,370
Whit Helmets, Inteamerican Development Bank	-	150,000	-	893	(70,420)	80,473	-	80,473
White Helmets	62,430	-	30,816	2,432	-	95,678	-	95,678
White Helmets Admin Support	-	-	3,024	32	-	3,056	-	3,056
Brasil								
Horizontal Cooperation	24,341	-	-	1,084	-	25,425	-	25,425
Horiz. Coop. Admin. Support	3,324	-	-	113	-	3,437	-	3,437
Colombia								
Fund 156	-	81,259	-	997	-	82,256	-	82,256
El Salvador								
CONACYT-Project Admin	-	20,065	-	81	-	20,146	-	20,146
Guatemala								
Ministry of Education	-	124,295	(35,250)	2,153	(64,853)	26,346	-	26,346
Honduras								
Mar del Plata Account	5,456	11,200	-	380	-	17,036	-	17,036
Housing	16,178	157,953	(35,000)	1,467	(74,122)	66,476	-	66,476
Israel								
Cooperation Fund	29,504	-	-	998	-	30,501	-	30,501
Tech. & Admin. Support	1,553	-	-	52	-	1,605	-	1,605
Mexico								
Strenghtening of Tech. Cooperation	338,325	-	-	11,441	-	349,767	-	349,767
Horizontal Cooperation Fund								
657 -Technical Cooperation	137,510	-	(29,800)	1,835	(100,000)	9,545	-	9,545
Tech. & Admin. Support	105,404	-	29,800	4,152	(26,329)	113,026	-	113,026
Integral Cooperation Central America	-	612,000	908,287	16,564	(905,287)	631,564	195,000	436,564
Fund 22 - Unprogrammed								
Unprogrammed	750,708	317,546	(428,948)	23,713	-	663,020	-	663,020
Fund 22 - IMEXCI	300,714	-	(304,509)	4,841	-	1,046	-	1,046
Fund 33 -Unprogrammed								
Fund 33 - Education	52,163	141,370	580,351	7,729	(40,000)	741,614	-	741,614
Fund 33 - Exterior Relations	92,982	-	(2,900)	3,137	-	93,219	-	93,219
	-	-	12,636	120	-	12,755	-	12,755

See accompanying notes

INTERAMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT
 SPECIFIC FUNDS
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE PERIOD JANUARY 1 THRU DECEMBER 31, 2001

Donor and Project	Cash Balance January 1, 2001	Contributions	Transfers	Interest Income	Disbursements	Total Liabilities & Fund Balance December 31, 2001	Unliquidated Obligations	Fund Balance December 31, 2001
Panama								
Privatization	\$ 154,043	\$ 30,617	\$ 56,290	\$ 7,171	\$ (17,196)	\$ 230,925	\$ 39,300	\$ 191,625
Privatization Tech. Support	61,712	-	(10,002)	1,090	-	52,800	-	52,800
Peru								
Horizontal Cooperation	24,046	-	87	813	-	24,946	-	24,946
Tech. & Admin. Support	725	-	-	24	-	749	-	749
Spain								
Specific Cooperation Fund	9,961	-	-	302	(1,186)	9,077	-	9,077
Tech. & Admin. Support	2,557	-	-	86	-	2,643	-	2,643
U.N. PNUMA (MERCOSUR-UR)	15,000	2,000	(5)	38	(16,995)	38	-	38
UNITED PARCEL SERVICE								
Tech. & Admin. Support	-	110,000	(10,000)	1,667	(100,000)	1,667	-	1,667
	-	-	10,000	166	(1,327)	8,838	1,667	7,171
Uruguay	-	86,335	-	105	(86,335)	105	-	105
United States								
Counterpart Fund	4,000,000	-	(3,334,000)	4,608	-	670,608	-	670,608
1029 - Accrued Interest	237,548	-	-	43,299	-	280,847	-	280,847
Agency Overhead	-	-	465,000	9,320	(303,948)	170,372	142,486	27,886
Program for Human Develop.	-	-	980,000	24,508	(485,090)	519,418	229,576	289,842
Educational Portal	-	-	790,000	18,337	(444,945)	363,392	178,156	185,236
e-Procurement	-	-	362,000	8,739	(160,056)	210,683	104,161	106,522
Rural Energy/Telecom	-	-	150,000	3,784	(59,498)	94,286	45,000	49,286
Municipal Development	-	-	157,000	3,760	(74,913)	85,848	24,075	61,773
Transparency Prog.- Anticorruption Conferen	-	-	160,000	3,366	(82,225)	81,141	1,500	79,641
Connectivity Program s/NGOs	-	-	220,000	4,370	(159,673)	64,697	49,450	15,247
New Project Dev. Activities	-	-	50,000	764	(12,869)	37,894	6,375	31,519
Technical Cooperation Support	650,000	910,000	-	9,349	-	1,569,349	-	1,569,349
Accrued Interest	102,539	-	-	79,142	-	181,681	-	181,681
Scholarship Fund	670,099	-	-	4,636	-	674,735	-	674,735
Accrued Interest	28,790	-	-	18,998	-	47,789	-	47,789
CIDI Support Fund	57,231	20,425	69,685	2,805	(79,243)	70,903	8,638	62,265
Ports								
Emergency Ports	-	-	82,047	-	-	82,047	-	82,047
	-	-	266,306	-	-	266,306	-	266,306
MISCELLANEOUS	1,024	5,031	5	13	(1,121)	4,951	-	4,951
Unallocated Earned Interest	-	-	-	(3,762)	4,886	1,124	-	1,124
Due to FEMCIDI	154,539	-	-	-	(154,539)	-	-	-
Project Balances Transferred from OAS	-	1,307,322	(1,307,322)	-	-	-	-	-
Due to OAS	23,694	-	-	-	-	23,694	23,694	-
Specific Funds Total	<u>\$ 10,415,545</u>	<u>\$ 4,087,418</u>	<u>\$ (111,261)</u>	<u>\$ 393,956</u>	<u>\$ (4,595,110)</u>	<u>\$ 10,214,241</u>	<u>\$ 1,063,078</u>	<u>\$ 9,151,162</u>

¹ Non cash item

See accompanying notes

INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMICIDI
 SUMMARY OF 2000 APPROPRIATIONS
 YEAR ENDED DECEMBER 31, 2001

	2000 Budget Approved by the General Assembly (a)	Adjustments made in 2001 CEPCIDI	2000 Adjusted Budget at December 31, 2001
Integral Development Account	\$ 7,117,475	\$ (6,821,011)	296,464
Economic Diversification and Integration, Trade Liberalization and Market Access	-	581,389	581,389
Social Development and Creation of Productive Employment	-	1,038,889	1,038,889
Education	-	2,189,377	2,189,377
Culture	-	203,682	203,682
Scientific Development, Exchange and Transfer of Technology	-	1,484,966	1,484,966
Strengthening of Democratic Institutions	-	733,555	733,555
Sustainable Development of Tourism	-	596,182	596,182
Sustainable Development and Environment	-	1,078,469	1,078,469
Contribution to OAS for Administrative and Technical Support	1,256,025	(46,518)	1,209,507
	<u>\$ 8,373,500</u>	<u>\$ 1,038,980</u>	<u>9,412,480</u>
<u>Sources</u>			
Unused Appropriations as of December 31, 2000 Carried Over		\$ 602,162	
1999 and 2000 funds returned from Executing Agencies		(410,610)	
Interest Earned		552,305	
Adjustment by CEPCIDI to Pledges		341,641	
Adjustment by CEPCIDI to the 15% Contribution		(46,518)	
Total		<u>\$ 1,038,980</u>	

(a) AG/doc.18 (XXVII-E-00) rev. 1 dated October 18, 2000

See accompanying notes

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

SUMMARY OF DISPOSITION OF 2000 APPROPRIATIONS
YEAR ENDED DECEMBER 31, 2001

	Adjusted Budget at December 31, 2000	2001 Obligations and Expenditures	Unused Appropriations as of December 31, 2001
Integral Development Account	\$ 296,464	\$ 678	\$ 295,786
Economic Diversification and Integration, Trade Liberalization and Market Access	581,389	581,389	-
Social Development and Creation of Productive Employment	1,038,889	978,189	60,700
Education	2,189,377	1,919,283	270,094
Culture	203,682	191,906	11,776
Scientific Development, Exchange and Transfer of Technology	1,484,966	1,371,091	113,875
Strengthening of Democratic Institutions	733,555	683,661	49,894
Sustainable Development of Tourism	596,182	395,070	201,112
Sustainable Development and Environment	1,078,469	999,408	79,061
Contribution for Administrative and Technical Support	1,209,507	1,209,507	-
	<u>\$ 9,412,480</u>	<u>\$ 8,330,182</u>	<u>\$ 1,082,298</u>

See accompanying notes

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

April 15, 2002

IACD External Audit Board
Organization of American States
1889 F Street NW
Washington, D.C. 20006

Dear Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by General Assembly and management, solely to assist you with respect to compliance with the General Standards of the Organization of American States during 2001. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures performed and results thereof are broken out between director expenditures and general expenditures. The results are as follows:

1. Director Expenditures

For director expenditures, our population consisted of all director expenditures during 2001. The sample size was statistically determined using an 80% confidence level, a 0% expected error rate, and a 10% tolerable error rate. These criteria resulted in a sample of 16 expenditures for testing. The 16 sample units (i.e., the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the General Standards (hereafter referred to as "GS") in four areas. The four areas are:

1. Honoraria
2. Hospitality and Representational Allowances
3. Personnel (Director level)
4. Travel

Testing performed and exceptions are documented below.

Honoraria

We tested to ensure no services were rendered to any government entity or gifts, awards or honors were accepted from any government entity without the approval of the Secretary General. This testing revealed no findings.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented. This testing revealed no findings.

Personnel (Director level)

We tested expenditures related to directors to ensure that personnel at the director level:

- 1) maintain no connections that could involve conflicts of interest with OAS responsibilities
- 2) have proper check signing approval (as applicable)
- 3) are not considered or listed as a Career Service Member
- 4) if terminated during 2001 that the director was given proper notices as defined in GS Chapter II, Articles 20 and 54
- 5) have current statements of personal net worth upon hire date
- 6) have sworn statements of personal associations

We noted the following findings:

- One individual's sworn statement of personal interests and sworn statement of personal associations were not current.
- Three individuals' personnel files do not contain statements of personal net worth.

Travel

We tested expenditures related to travel to ensure the following:

- 1) travel is approved by appropriate supervisor or Chief of Staff
- 2) senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
- 3) supervisors complete a quarterly report of official travel for all authorized travel
- 4) unplanned travel requires approval by Chief of Staff of the Secretary General
- 5) travel expense claims require approval by the supervisor within 15 days of return from travel

We noted the following findings:

- Our testing indicated that Quarterly Official Travel Plans were not prepared in accordance with Administrative Memorandum ("AM") 79 A.3. Through interviews, we determined that as a result of this non-compliance, a memo was issued on July 20, 2001, directing all department directors to authorize their own travel. This memo came from the Office of the Secretary General. Although, this memo is not a General Standard, it was noted per GS 2.12.F. that the Secretary General has authorization to issue administrative provisions as necessary.

- Before the date of the aforementioned memo, we noted eight instances of unplanned travel that were not properly approved in advance.
- We noted eight instances of no supporting documentation for expenditures.

2. General Expenditures

For general expenditures, our population consisted of all expenditures during 2001 (including directors). The sample size was statistically determined using an 80% confidence level, a 0% expected error rate, and a 10% tolerable error rate. These criteria resulted in a sample of 46 expenditures for testing. The 46 sample units (i.e., the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the GS in ten general areas. The ten areas are:

1. Fixed Assets
2. Grants
3. Honoraria
4. Hospitality and Representational Allowances
5. Obligations
6. Performance Contracts (including Personal Service Contracts)
7. Procurement Contracts
8. Travel
9. General

The testing performed and exceptions noted are documented below.

Fixed Assets

We tested expenditures related to fixed assets to ensure the following:

- 1) the acquisitions were properly approved by officials with budgetary expenditure authority
- 2) all related costs to acquire the property are considered for capitalization
- 3) all expenditures greater than \$500 are capitalized
- 4) property is depreciated on a straight line basis
- 5) prenumbered labels are affixed to fixed assets upon receipt with proper records being maintained
- 6) inventories taken at regular intervals
- 7) an accounting of fixed assets is prepared at regular intervals

This testing revealed no findings.

Grants

We tested grants to ensure the following:

- 1) grants are properly approved
- 2) grants related to inventoried equipment have a properly approved Memorandum of Certification

This testing revealed no findings.

Honoraria

Our general expenditure testing scope did not include any honoraria expenditures. See director expenditures above.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented. This testing revealed no findings.

Obligations

We tested the obligations to ensure:

- 1) obligation records are maintained and filed
- 2) appropriate support is obtained by the Department of Financial Services before disbursements are made
- 3) that on a quarterly basis, each dependency of the General Secretariat submit to the Department of Management Analysis and Planning Support Services ("DMAPPS") a report indicating the status of obligations that have not been fully expended in the 180 days since they were made
- 4) appropriations are available to meet the obligations incurred during the year
- 5) all obligations shall be recorded in the accounting system
- 6) all obligations must have a beginning and end date
- 7) obligations during the year do not exceed the estimated income from quotas and other revenues, unless properly approved
- 8) obligations must be based on firm commitments when they are approved and legally binding

We noted the following findings:

- DMAPPS was having trouble getting departments to report quarterly on the outstanding obligations. DMAPPS learned that they could get the same information from the Oracle system themselves. As this is not following the GS but rather the “intent”, this process should be corrected or the GS updated to avoid possible confusion. Although IACD used Quickbooks in 2001, the majority of IACD obligations (fellowships) were recorded on the Oracle system. However, we learned that the status of other obligations was not reviewed by DMAPPS.
- The results of our testing revealed that two of the grants selected for testing were not recorded in the system on the date IACD was legally obligated to the contract Documents indicate that one was recorded 6 months after the contract date and the other was recorded one month late.

Performance Contracts

We tested expenditures related to performance contracts to ensure the following:

- 1) performance contracts are approved by the proper level of authority
- 2) no performance contracts are committed to, signed or executed unless all funds are available and assigned to the contract
- 3) contracts for more than \$50,000 are approved by the director of Legal Services
- 4) performance contracts for FEMCIDI shall not exceed a period of on year and for the specific fund, shall not exceed a period of three years
- 5) within 30 days of signing the contract, an executed copy of the contract should be sent to the Chief Office of Procurement Management Services (“OPMS”)
- 6) contracts greater than \$20,000 should be accompanied by required documentation and financial statements
- 7) performance contracts for greater than \$70,000 funded by the specific fund, operating fund or FEMCIDI require competitive bidding
- 8) payment should be made upon the contractor’s invoice and an authorizing official noting the service has satisfactorily provided
- 9) upon completion of the contract, certification for final payment must be accompanied by an evaluation of the service and signed by the authorizing contract official

We noted the following findings:

- We noted the Director of Legal Services did not approve a contract that was greater than \$50,000. It was indicated that this transaction was “overlooked”.
- We noted that during 2001, copies of executed contracts were kept at the departmental level. The OPMS was receiving some copies, notably Brazil. OMPS further indicated a lack of understanding and general training on this section of the GS.

Procurement Contracts

We tested expenditures related to procurement contracts to ensure the following:

- 1) procurement contracts must be approved by a Director level or above
- 2) procurement contracts greater than \$30,000 require approval by the Contract Awards Committee
- 3) construction greater than \$50,000 and other procurement contracts greater than \$75,000 shall be reviewed by the Department of Legal Services
- 4) construction contracts greater than \$250,000 require contractors to be bonded
- 5) procurement contracts greater than \$999 require competitive bidding
- 6) procurement contracts may not be entered into with entities that are not Member States
- 7) procurement contracts greater than \$10,000 require written justification

We noted the following findings:

- We noted that written justification for a \$12,000 contract could not be obtained.
- We could not obtain evidence of competitive bidding for purchases of a laptop for \$2,880 or computer software for \$12,000.

Travel

We tested expenditures related to travel to ensure the following;

1. travel is approved in advance and in writing
2. senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
3. supervisors complete a quarterly report of official travel for all authorized travel
4. unplanned travel requires approval by Chief of Staff of the Secretary General
5. travel advances require approval and required supporting documents (i.e., itinerary)
6. travel expense claims require approval by the supervisor within 15 days of return from travel

We noted the following findings:

- Our testing revealed two TEC forms were approved more than 15 days after return of travel.
- As explained above under travel for directors, the Quarterly Official Travel Plan was not in compliance with the GS before July 20, 2001.
- Our testing revealed one instance of authorization taking place after the travel date and no supporting documentation for the cost of the airline ticket.

General

We tested all expenditures in our sample to determine if they were in accordance with the instruments establishing them. This testing revealed no findings.

General Assembly

Page 7

April 15 , 2002

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Board of External Audit and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**SECTION III
CHAPTER 2**

**TRUST FOR THE AMERICAS
(2000-2001 FINANCIAL STATEMENTS)**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Board of External Auditors
Inter-American Agency for Cooperation and Development:

We have audited the accompanying statement of financial position of the Trust for the Americas (the Trust) as of December 31, 2001, and the related statement of activities and cash flows for the two years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 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 as of December 31, 2001, and the results of its operations and its cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

TRUST FOR THE AMERICAS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2001

Assets	
Cash	\$ 116,823
Accounts Receivable	2,990
Prepaid Expenses	24,018
Total Assets	<u>\$ 143,831</u>
Liabilities and Net Assets	
Accounts Payable	\$ 24,923
Deferred Revenue	28,400
Total Liabilities	<u>53,323</u>
Unrestricted Net Assets (Note 2)	19,150
Temporarily Restricted Net Assets	71,358
Total Net Assets	<u>90,508</u>
Total Liabilities and Net Assets	<u>\$ 143,831</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

TRUST FOR THE AMERICAS
STATEMENT OF ACTIVITIES
FOR THE TWO YEARS ENDED DECEMBER 31, 2001

Revenue:

Contributions (Note 2)	\$	1,143,758
In-kind Contributions (Note 2)		1,314,703
IACD In-kind Contribution		525,529
		<u>2,983,990</u>

Expenses:

Administrative and Project Expenses		1,102,835
In-kind Expenses		1,314,703
IACD Paid Expenses		525,529
		<u>2,943,067</u>

Excess of Revenue over Expenses 40,923

Change in Net Assets:

Decrease in Unrestricted Net Assets	(30,435)
Increase in temporarily Restricted Net Assets - Contributions	71,358
	<u>40,923</u>

Increase in Net Assets, December 31, 2001 40,923

Net Assets, January 1, 2000 49,585

Net Assets, December 31, 2001 \$ 90,508

See accompanying notes

ORGANIZATION OF AMERICAN STATES
TRUST FOR THE AMERICAS
STATEMENT OF CASH FLOWS
FOR THE TWO YEARS ENDED DECEMBER 31, 2001

Operating Activities

Change in Net Assets	\$ 40,923
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Effect of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(2,990)
Prepaid Expenses	(24,018)
Accounts Payable	24,648
Deferred Revenue	<u>28,400</u>
Net Increase in Cash	<u>66,963</u>
Net Increase in Cash	66,963
Cash, January 1, 2000	49,860
Cash, December 31, 2001	<u>\$ 116,823</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES TRUST FOR THE AMERICAS

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

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 theretofore excluded from the international dialogue.

The operation 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 that strengthen partnerships with private enterprises and foundations. An initial grant of \$250,000 was made by the United States to foster this specific initiative.

The Trust resources have been provided by contributions from corporate donors, the Inter-American Agency for Cooperation and Development (IACD) contributions for staff and office support, and in-kind donations from corporate and other donors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. The statements cover the two year period commencing January 1, 2000 through December 31, 2001.

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to the Trust, the Trust accounts are classified for accounting and reporting into projects established according to their nature and purposes. In the financial statements, projects that have similar characteristics have been combined into two net asset categories: Unrestricted and Temporarily Restricted.

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

Temporarily restricted net assets contain donor-imposed restrictions that permit the Trust to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Trust.

Contributions and Deferred Revenue

Contributions are recorded when earned. The Trust has no unconditional promise to give as of December 31, 2001. The Trust does have a significant ongoing grant as of December 31, 2001 with a United States government agency that is described in Note 4, "Significant Contributions". Deferred revenues are recorded when amounts are received in excess of amounts expended for cost reimbursable United States government grants.

For the two year period, the Trust received in-kind contributions that were donated to the Trust as part of an agreement (the Agreement) with the OAS through the IACD. Under the Agreement, the OAS through the IACD, will support the Trust with the provision of financial, material and staff support to enable the Trust to accomplish its objectives. In-kind contributions and expenses include staff and other expenses funded from the IACD budget valued at cost of approximately \$525,529.

The Trust received in-kind contributions from corporations and other entities for carrying out its program in the amount of \$1,314,703 during the two year period which were valued at fair market value on the date of the contribution.

Federal Income Tax

The Trust is a non profit organization under Section 170(b)(1)(h)(VI) of the Internal Revenue Code and, as such, is exempt from Federal income tax.

3 USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4 SIGNIFICANT CONTRIBUTIONS

The Trust has a significant grant agreement with the United States Department of Labor for activities in El Salvador.

The agreement is for a total of \$799,048 of which \$468,116 was received and \$439,716 expended as of December 31, 2001. The excess \$28,400 contribution was advanced to the El Salvador field office for January 2002 expenditures. Since the grant contributions are allowed only for the amount expended for approved project purposes, the excess contribution of \$28,400 not expended is recorded as deferred revenue. It is expected that the grant will continue in 2002 until fully disbursed.

5 SUBSEQUENT EVENTS

In January 2002 an internal agreement was signed between the OAS and the Trust whereby the accounting and financial management duties were transferred to the OAS. Overall management of the Trust falls under the purview of the IACD.

SECTION IV

**FINANCIAL STATEMENTS
OF OTHER AGENCIES, ENTITIES RELATED
TO THE
ORGANIZATION OF AMERICAN STATES**

**SECTION IV
CHAPTER 1**

**FINANCIAL STATEMENTS
OF THE
INTER-AMERICAN DEFENSE BOARD**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Board of External Auditors of the
Inter-American Defense Board:

We have audited the accompanying statement of financial position of the Inter-American Defense Board (the Board), as of December 31, 2001, and the related statements of activities and cash flows for the year 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 audit. The financial statements of the Board as of December 31, 2000, were audited by other auditors whose report dated February 23, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 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 Board as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
INTER-AMERICAN DEFENSE BOARD**

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2001	2000
Assets		
Current assets		
Cash and cash equivalents	\$ 188,428	\$ 307,270
Prepaid expenses and other assets	60,234	40,889
	248,662	348,158
Property and equipment, at cost		
Equipment	660,531	620,965
Furniture	133,593	133,593
Less: Accumulated depreciation -	643,758	568,120
	150,366	186,438
Total assets	\$ 399,028	\$ 534,596
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 25,178	\$ 62,170
Accrued leave	140,683	160,490
	165,861	222,660
Unrestricted net assets	233,167	311,936
Total liabilities and net assets	\$ 399,028	\$ 534,596

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
INTER-AMERICAN DEFENSE BOARD**

STATEMENTS OF ACTIVITIES

	<u>Year ended December 31,</u>	
	<u>2001</u>	<u>2000</u>
Revenue:		
Funding received from the Organization of American States (Note 5)	\$ 1,948,694	\$ 2,113,636
Interest and other income	<u>19,490</u>	<u>31,672</u>
Total revenue	1,968,184	2,145,308
Expenses:		
Personnel	1,140,966	1,225,520
Building and maintenance	75,848	101,452
Equipment and supplies	259,653	196,986
Other general and administrative	102,330	108,072
Travel	39,760	44,297
Depreciation	75,638	111,453
Documents	104,940	97,280
Contracts	<u>247,818</u>	<u>286,376</u>
Total expenses	<u>2,046,953</u>	<u>2,171,436</u>
Change in net assets	(78,769)	(26,128)
Unrestricted net assets at beginning of year	<u>311,936</u>	<u>338,064</u>
Unrestricted net assets at end of year	<u>\$ 233,167</u>	<u>\$ 311,936</u>

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
INTER-AMERICAN DEFENSE BOARD**

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2001	2000
Operating activities		
Change in net assets	\$ (78,769)	\$ (26,128)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	75,638	111,453
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses and other assets	(19,345)	8,815
(Decrease) increase in accounts payable	(36,992)	30,403
Decrease in accrued leave	(19,807)	(15,510)
Net cash (used in) provided by operating activities	(79,275)	109,033
Investing activities		
Purchase of property and equipment	(39,566)	(153,121)
Net cash used in investing activities	(39,566)	(153,121)
Net decrease in cash and cash equivalents	(118,842)	(44,088)
Cash and cash equivalents at beginning of year	307,270	351,358
Cash and cash equivalents at end of year	\$ 188,428	\$ 307,270

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES INTER-AMERICAN DEFENSE BOARD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

1 ORGANIZATION

The Inter-American Defense Board (the Board) was established on March 30, 1942 and was designed, 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 nation's defense establishments. The 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.

The Board is an affiliated agency of the Organization of American States (OAS) and receives a substantial portion of its operating budget from the OAS; however, the two organizations maintain separate management structures. The Board has experienced a continuous decrease in its budget due to decreases in funding provided by the OAS. In response to the lower budgets, the Board has had to drastically reduce its civilian work force from 87 civilian personnel in 1987 to 16 civilian personnel at the end of fiscal year 2001. This reduction has been achieved primarily through a heavy investment in technology and automation of operations; however, the lack of personnel remains a management concern since the civilian force represents the continuity of the organization.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities

as of the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

Financial Instruments

Financial instruments as of December 31, 2001 and 2000 consist of cash and cash equivalents, accounts receivable (included in prepaids and other assets) and accounts payable.

Cash and cash Equivalents

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

Prepaids and other assets

Prepaids and other assets as of December 31, 2001 and 2000, consists primarily of amounts owed to the Board for expenses that they have incurred on behalf of the other entities.

Accrued Expense

Accrued expense as of December 31, 2001 and 2000, relates primarily to accrued leave.

Equipment and Furniture

Equipment and furniture are stated at cost. Depreciation expense is recognized using straight-line method over the estimated useful life of the assets. The useful life of furniture and printing equipment is estimated at ten years; the estimated life of other equipment, including computer equipment, is three years.

In kind Contributions

Significant contributions are received by the Board from the OAS and member countries in the form of facilities, services of military personnel and 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 employees receive terminal pay, merit awards and special leave. The payments made during 2001 and 2000 for these benefits amounted to approximately \$123,000 and \$7,000, respectively. The Council of Delegates of the Board modified the civilian regulation during fiscal 2001. This modification resulted in reducing the benefits of new employees to reduce future personnel costs.

3 INCOME TAXES

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

4 PENSIONS PLAN

Substantially all of the employees of the Board participate in a contributory multi-employer pension plan administered by the Retirement and Pension plan Committee of the OAS. Contributions to the plan by the Board and employees are based on fixed percentages of annual pensionable salaries in accordance with United Nations tables and approximated \$177,000 and \$156,000 in fiscal year 2001 and 2000, respectively.

5 FUNDING

Funding received from the OAS in the form of direct cash contributions decreased from \$2,113,636 in 2000 to \$1,948,694 in 2001. The OAS has currently appropriated \$1,822,800 for 2002. The Board relies upon the OAS for funding all its operating activities and is depending upon the continued financial support of the OAS.

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

6 PROGRAM EXPENSES

The Board's expenses are divided in to four primary functions: the Council of Delegates, the Inter American defense College, the International Staff and Administrative. The expenses incurred during 2001 were as follows:

- Interamerican Defense College \$1,456,456.
- Council of Delegates \$190,913.
- International Staff \$153,518.
- Administrative \$246,066

7 COMMITMENTS AND CONTINGENCIES

The Board is not subject to any lawsuits which management believes will have a material adverse effect on the Board's financial condition.

**SECTION IV
CHAPTER 2**

**FINANCIAL STATEMENTS
OF THE PROJECT FOR
ADAPTATION TO GLOBAL CLIMATE CHANGE**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Permanent Council of the
Organization of American States:

We have audited the accompanying statement of assets, liabilities and fund balances of the Organization of American States Special Account for the Caribbean: Planning for Adaptation to Global Climate Change Project (the Project), pursuant to the agreements between the Organization of American States (OAS) and the International Bank for Reconstruction and Development (the Agreements), as of December 31, 2001, and the related statements of activity and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Project as of December 31, 2000 were audited by other auditors whose report dated March 26, 2001, expressed an unqualified opinion on those statements. The accompanying statement of activity and changes in fund balance for the period August 30, 1995 (inception) to December 31, 2001, was derived by combining the audited statement for the year ended December 31, 2001, which was audited by us, with the statements for the period August 30, 1995 (inception) to December 30, 2000, which were audited by other auditors whose report dated March 26, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and 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 audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statements of the Project have been prepared on the basis of accounting principles 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 Organization of American States), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the Organization of American States Special Account for the Caribbean: Planning for Adaptation to Global Climate Change Project as of December 31, 2001, and the results of its activities and changes in fund balance and its cash flows for the year then ended on the basis of accounting described in Note 2.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

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

Assets	December 31,	
	2001	2000
Equity in OAS Treasury Fund (Note 4)	\$ 83,047	\$ 365,059
Other assets	768	-
Total assets	83,815	365,059
 Liabilities and Fund Balance		
Other liabilities	4,097	-
Unliquidated obligations (Note 2 and 6)	54,274	125,003
Fund balance	25,444	240,056
Total liabilities and fund balance	\$ 83,815	\$ 365,059

See accompanying notes

ORGANIZATION OF AMERICAN STATES

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

	<u>Year ended December 31, 2001</u>	<u>Year ended December 31, 2000</u>	<u>August 30, 1995 (inception) to December 31, 2001</u>
Increases			
Contributions (Note 5)	\$ 1,166,964	\$ 1,780,559	\$ 6,519,999
Other income and deobligations	<u>-</u>	<u>-</u>	<u>19,178</u>
	1,166,964	1,780,559	6,539,177
Decreases			
Expenditures and obligations (Note 6)	1,381,576	1,694,995	6,487,412
Return to donors	<u>-</u>	<u>-</u>	<u>26,321</u>
	<u>1,381,576</u>	<u>1,694,995</u>	<u>6,513,733</u>
Net change during period	(214,612)	85,564	25,444
Fund balance, beginning of period	<u>240,056</u>	<u>154,492</u>	<u>-</u>
Fund balance, end of period	<u>\$ 25,444</u>	<u>\$ 240,056</u>	<u>\$ 25,444</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES
SPECIAL ACCOUNT FOR THE CARIBBEAN:
PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE PROJECT
STATEMENTS OF CASH FLOWS

Operating activities	Year ended December 31,	
	2001	2000
Change in fund balance	\$ (214,612)	\$ 85,564
Adjustments to reconcile change in fund balance to net cash (used in) provided by operating activities:		
Increase in other assets	(768)	
(Decrease) / increase in unliquidated obligations	(70,729)	65,943
Increase in other liabilities	<u>4,097</u>	<u>-</u>
 Net cash (used in) provided by operating activities	 <u>(282,012)</u>	 <u>151,507</u>
 Net (decrease) / increase in cash	 (282,012)	 151,507
 Equity in OAS Treasury Fund, beginning of the period	 <u>365,059</u>	 <u>213,552</u>
 Equity in OAS Treasury Fund, end of the period	 \$ <u>83,047</u>	 \$ <u>365,059</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
SPECIAL ACCOUNT FOR THE CARIBBEAN: PLANNING FOR ADAPTION TO GLOBAL
CLIMATE CHANGE PROJECT**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1 ORGANIZATION

In June 1995, the Global Environment Facility (GEF) approved a grant of \$305,000 to the Organization of American States (OAS), on behalf of the Caribbean Community (CARICOM) countries, 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.

In April 1997, the Caribbean: Planning for Adaptation to Global Climate Change (CPACC) project proposal was approved and an agreement was executed between the International Bank for Reconstruction and Development, as Implementing Agency of the Global Environment Facility Trust Fund (GEF Trust Fund) and the General Secretariat of the Organization of American States (GS/OAS), as recipient. Under the terms of the agreement, GS/OAS acts as executing agency, and is eligible for a grant of 4.4 million Special Drawing Rights (SDR) to finance the cost of goods and services that are required to carry out the project.

In July 1998, the initial grant was increased by an additional 260,000 of SDR, to incorporate a twelfth participating country, St. Vincent and the Grenadines. The budgeted cost of the project, based on the approved grant funds, amounted to \$6,649,500 as of December 1998. Funds available from the grant must have been utilized by December 2001.

The project's overall objective is to support Caribbean countries in preparing to cope with the adverse effects of global climate change (GCC), particularly sea level rise, in coastal and marine areas through vulnerability assessment, adaptation planning, and capacity building linked to adaptation planning. More specifically, the project is designed to assist national governments and the University of the West Indies Centre for Environment and Development (UWICED) to:

- Strengthen the regional capability for monitoring and analyzing climate and sea level dynamics and trends, seeking to determine the immediate and potential impacts of GCC;

- Identify areas particularly vulnerable to the adverse effects of climate change and sea level rise;
- Develop an integrated management and planning framework for cost-effective response and adaptation to the impacts of GCC on coastal and marine areas;
- Enhance regional and national capabilities for preparing for the advent of GCC through institutional strengthening and human resource development; and
- Identify and assess policy options and instruments that may help initiate the implementation of a long-term program of adaptation to GCC in vulnerable coastal areas.

CPACC is being executed between 1998 and 2001 by the participating countries and institutions through a combination of national pilot projects and four regional components.

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 Implementation Unit (RPIU). The RPIU was established as part of UWICED, and is responsible for coordinating and managing project activities at the regional level.

CPACC is not a separate legal entity, but a fund administered by the GS/OAS. Activity for the project is accounted for in a special fund under the Special Multilateral Fund of the Inter-American Council for Integral Development.

The Caribbean Institute for Meteorology and Hydrology (CIMH) 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 accounting principles generally accepted in the United States as noted below.

Unliquidated obligations include amounts related to approved purchase orders issued by the Executing Agency with respect to the procurement of goods or services that will be supplied in future periods. These amounts do not represent liabilities to unrelated third parties as of December 31, 2001.

3 USE OF ESTIMATES

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets in liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

4 EQUITY IN OAS TREASURY FUND

All US 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 FUNDING

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

	US Dollars
First Phase	\$ 305,000
Second Phase	1,809,640
Third Phase	1,457,836
Fourth Phase	1,780,559
Fifth Phase	1,166,964
	<hr/>
	\$ 6,519,999

6 EXPENDITURES AND OBLIGATIONS

During the current year, the OAS incurred expenditures related to the project totaling \$1,452,305 of which \$125,003 related to obligations from the prior year. These expenditures represent transactions processed by the Executing Agency as well as the RPIU.

When funds are advanced from the Executing Agency to the RPIU and other project partners, they are considered expenditures of the OAS and reflected in the account. In accordance with the agreement between International Bank for Reconstruction and Development and GS/OAS, all expenditures financed out of proceeds of the GEF Trust Fund must be allocated to specific categories. This allocation is based on actual expenditures incurred and claimed for reimbursement. As a result, the excess of the amounts advanced over expenditures incurred and claimed, is disclosed as accountable advances. As of December 31, 2001, the RPIU and other project partners did not maintain any accountable advances pending recording. As of December 31, 2000, the RPIU and other project partners maintained bank balances of \$131,786 representing these unallocated advances.

The detail of expenditures and unliquidated obligations, for the year end December 31, 2001, is as follows:

Category	Expenditures	Unliquidated Obligations	Total
Goods	\$ 16,194	\$ -	\$ 16,194
Consultants' services and training	1,219,204	42,251	1,261,455
CIMH sub-grant	75,719	-	75,719
RPIU operating costs	53,358	-	53,358
Executing Agency operating costs	<u>87,830</u>	<u>12,023</u>	<u>99,853</u>
	<u>1,452,305</u>	<u>54,274</u>	<u>1,506,579</u>
Less prior year unliquidated obligations			125,003
Total current year expenditures and obligations			<u><u>\$ 1,381,576</u></u>

**SECTION IV
CHAPTER 3**

**FINANCIAL STATEMENTS
OF THE
RETIREMENT AND PENSION FUND**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Board of External Auditors of the
Organization of American States:

We have audited the accompanying statement of net assets available for benefits of the Organization of American States Retirement and Pension Fund (the Fund), as of December 31, 2001, and the related statement of changes in net assets available for benefits for the year 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 audit. The financial statements of the Fund as of December 31, 2000, were audited by other auditors whose report dated March 2, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 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 Fund as of December 31, 2001, and the changes in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States.

Baltimore, Maryland
March 20, 2002

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
RETIREMENT AND PENSION FUND**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2001	2000
Assets		
Investments at market:		
Short-term investments	\$ 31,371,121	\$ 26,157,864
U.S. government and agency issues	64,652,270	73,397,510
Corporate bonds	41,678,436	41,701,498
Miscellaneous bonds	11,516,943	8,783,200
Equity index funds/common stock	190,103,406	229,977,505
	339,322,176	380,017,577
Receivables, principally accrued dividends and interest	1,570,184	1,973,322
Total assets	340,892,360	381,990,899
Liabilities		
Due to broker for securities purchased	19,968,785	11,105,638
Provident Plan participants accounts	690,940	790,601
Miscellaneous payables	134,301	197,962
Total liabilities	20,794,026	12,094,201
Net assets available for benefits	\$320,098,334	\$369,896,698

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
RETIREMENT AND PENSION FUND**

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	<u>Years ended December 31,</u>	
	<u>2001</u>	<u>2000</u>
Additions		
Net investment loss:		
Net unrealized loss		
in fair value of investments	\$ (36,912,259)	\$ (39,618,968)
Net realized gains on sale of investments	2,533,947	13,606,754
Interest	8,378,038	9,999,689
Other losses net	(897,682)	-
	<u>(26,897,956)</u>	<u>(16,012,525)</u>
Less investment expenses	597,937	720,578
	<u>(27,495,893)</u>	<u>(16,733,103)</u>
Contributions:		
Institutions	7,454,508	7,711,372
Participants	3,754,793	3,846,553
Total losses	<u>(16,286,592)</u>	<u>(5,175,178)</u>
Deductions		
Payments to pensioners	4,008,348	3,712,111
Liquidations paid to participants (or their beneficiaries)	28,884,896	43,244,044
Interest credited to Provident Plan accounts	8,788	47,138
	<u>32,902,032</u>	<u>47,003,293</u>
Administrative expenses	609,740	572,014
Total deductions	<u>33,511,772</u>	<u>47,575,307</u>
Net decrease	(49,798,364)	(52,750,485)
Net assets available for benefits		
Beginning of year	<u>369,896,698</u>	<u>422,647,183</u>
End of year	<u>\$320,098,334</u>	<u>\$369,896,698</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES RETIREMENT AND PENSION FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

1 DESCRIPTION OF FUND

The activity of the Organization of American States Retirement and Pension Fund (the Fund) includes both the Retirement and Pension Plan (the 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 and Provident 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 by the institution and one-third by the staff member.

The Provident Plan is a contributory savings plan established for the benefit of employees under short-term contracts (i.e. less than one year). Compulsory contributions by the employer and the participant are made in equal amounts of 5 percent, 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. Forfeitures during the year ended December 31, 2001, were \$364,088.

Minimum conditions for retirement are fifty-five years of age and fifteen 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 preceding benefit, a life annuity based on the total sum standing to their credit in their accounts.

Alternatively, at their request, the Retirement and Pension Committee (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, with not less than fifteen years of participation in the Plan, is an annual amount equal to 2% of the average annual pensionable remuneration for the thirty-six consecutive months of highest pensionable remuneration within the last five years of remunerated participation, multiplied by the number of years of participation up to a maximum of thirty, and 1 2/3% additional for every year of participation in excess of thirty but no more than forty. 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 years of age or older but less than sixty five whose years of participation and age, when added, total not less than eighty-five. Certain reductions are made for retirement at an age less than sixty or participation of less than thirty years if the participant doesn't satisfy the rule of 85. Cost-of-living adjustments to pensions are contemplated in the Plan.

Death Benefits of the Plan

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 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 of the Plan

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 BASIS OF ACCOUNTING

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Benefit payments are recorded when paid.

3 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 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.

5 FUNDING POLICY

The Plan and the Provident Plan 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 Plan and Provident Plan participants' accounts at rates determined by the Committee. The remaining portion, if any, is retained in the Fund's General Reserve for operational costs and to ensure continued Fund stability. Interest credited to participants' accounts as determined by the Committee was 1.5% and 9.5% in 2001 and 2000, respectively. All minimum funding requirements of the Plan have been met.

6 INVESTMENTS

The Fund's investment portfolio is managed by the State Street Bank, The Northern Trust Company, Barclays Glo-

bal Investors, Scudder Trust Company and effective July 2001, Lord, Abnett and Co., within the investment policy guidelines established by the Committee. The Committee also retains the firm Buck Consultants as financial advisors.

State Street Bank manages the domestic equity and bond portfolios and acts as custodian for two equity index funds. Approximately 40% of the total portfolio is invested in U.S. large cap equity with State Street Global Advisors as managers for the commingled funds. State Street retains about 1% of the commingled equity funds in stock index futures. The market value of the State Street U.S. equity portfolio was approximately \$127 million and \$137 million as of December 31, 2001 and December 31, 2000, respectively. At a maximum, the representative derivatives exposure for the OAS portfolio at December 31, 2001 and 2000 would stand at \$2.5 million and \$3.4 million, respectively, if the manager adheres to the limits. State Street Global Advisors also manages the long-term fixed income portfolio that comprises about 27% of the total portfolio as a private account. No freestanding derivatives are held in the long term fixed income portfolio. However, the securities being held at any time may have embedded options in them (e.g., callable bonds, ABS tranches, etc.) based upon the description of the guidelines for State Street.

Lord Abnett and Co. manages the small cap value domestic equity portfolio. 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. Derivatives, and more specifically market index futures contracts, are used to "equitize" the cash component of the Fund from a liquidity perspective.

Scudder Trust Company acts as custodian for a small portion of the international equity portfolio. The Fund benefits from securities lending activities in the international equity portfolio through the commingled accounts with Barclays and Zurich Scudder in addition to the domestic fixed income portfolio, of which Northern Trust Company is the custodian. The objective of the securities lending transactions are to produce, under tight risk control conditions, additional income to reduce portfolio management expenses. These transactions are adequately collateralized to minimize credit risk. The Northern Trust Company is the custodian of all remaining investments of the Fund.

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

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

	<u>December 31.</u>	
	<u>2001</u>	<u>2000</u>
State Street Russell 1000 Fund	\$127,268,214	\$137,670,658
EAFE (excluding Japan) Equity Index Fund	30,196,057	38,273,044

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

<u>Portfolios 2001</u>					
<u>Financial Categories</u>	<u>Short-term</u>	<u>Fixed-term</u>	<u>Domestic Equities</u>	<u>Intl. Equity</u>	<u>Total</u>
Short-term investments	\$ 7,666,161	\$ 23,236,447	\$ 468,513	\$ -	\$31,371,121
U.S. Government and agency issues	10,844,848	53,807,422	-	-	64,652,270
Corporate bonds	7,968,463	33,709,973	-	-	41,678,436
Miscellaneous bonds	1,433,179	10,083,764	-	-	11,516,943
Equity index funds /common stock	-	-	140,623,337	49,480,069	190,103,406
Total	\$27,912,651	\$120,837,606	\$141,091,850	\$49,480,069	\$339,322,176

<u>Portfolios 2000</u>					
<u>Financial Categories</u>	<u>Short-term</u>	<u>Fixed-term</u>	<u>Domestic Equities</u>	<u>Intl. Equity</u>	<u>Total</u>
Short-term investments	\$10,608,871	\$ 14,793,020	\$ 755,973	\$ -	\$ 26,157,864
U.S. Government and agency issues	12,077,031	61,320,479	-	-	73,397,510
Corporate bonds	6,522,640	35,178,858	-	-	41,701,498
Miscellaneous bonds	3,632,017	5,151,183	-	-	8,783,200
Equity index funds /common stock	-	-	165,352,125	64,625,380	229,977,505
Total	\$32,840,559	\$116,443,540	\$166,108,098	\$64,625,380	\$380,017,577

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 accompanying Statements of Net Assets available for Benefits follows the classification by financial instruments in full compliance with accounting principles generally accepted in the United States.

7 INVESTMENT VALUATION

Common stocks, bonds and U.S government and agency issues 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. Short-term investments are reported at cost, which approximates fair value.

Any asset not traded on an active market such as equity index funds and 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.

The change in the difference between the fair value and

the cost of investments during the year is reflected as net unrealized appreciation (depreciation) in fair value of investments. The net realized gains on sale of investments is the difference between the proceeds received and the cost of investments sold.

Net realized and unrealized loss appreciation for the years ended December 31, is as follows:

	2001	2000
United States government and agency obligations	\$ 1,432,587	\$ 5,474,011
Corporate bonds	87,518	(1,822,487)
Miscellaneous bonds	1,037,756	127,164
Equity index funds/common stocks	(36,936,173)	(29,790,902)
	<u>\$(34,378,312)</u>	<u>\$ (26,012,214)</u>

8 MARKET RISK

The Plan and Provident Plan provides for investments in various investments and investment securities and, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Further, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

9 FUND TERMINATION

If the Fund 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 Plan 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.

10 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 Plan receives a complete actuarial study and valuation once every two years. The actuarial present value of accumulated Plan benefits of \$277,521 as of December 31, 2000, was calculated based on projections applied to the the Plan's December 31, 1998, actuarial study and valuation. An adjustment was included in the 2001 rollforward to adjust the beginning balance to reflect the results of the Plan's actuarial study related to December 31, 2000. In order to calculate the actuarial present value of accumulated Plan benefits as of December 31, 2001, projections were applied to the Plan's December 31, 2000, complete actuarial study and valuation.

The significant assumptions used in the valuation as of December 31, 2001 and 2000, were (a) life expectancy of participants (United Nations Mortality Tables - males 1990 table and females 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 adjustments granted to prospective pensioners will be funded by the Plan, and (f) operational costs of 0.4%.

terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to

The actuarial present value of accumulated Plan benefits, and benefit information for December 31, 2001 and 2000 are shown in the following table:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
	(in thousands)	
Actuarial present value of accumulated plan benefits		
Vested benefits:		
Participants	\$242,449	\$217,230
Pensioners	40,699	38,515
Total vested benefits	283,148	255,745
Non-vested benefits	27,014	21,776
Total actuarial present value of accumulated plan benefits	<u>\$310,162</u>	<u>\$277,521</u>

The reconciliation shown below sets forth the reasons for the increase in the total actuarial present value of accumulated Plan benefits between 2001 and 2000.

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
	(in thousands)	
Total actuarial present value of accumulated Plan benefits at beginning of the year	\$277,521	\$250,384
Adjustment for December 31, 2000, actuarial study	(123)	-
	277,398	250,384
Increase (decrease) attributable to:		
Interest earned on accumulated Plan benefits	22,181	19,289
Benefits paid	(32,893)	(46,956)
Benefits accumulated	43,476	54,804
Total actuarial present value of accumulated Plan benefits at end of the year	<u>\$310,162</u>	<u>\$277,521</u>

11 MONEY MARKET ACCOUNT

The 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 Committee. Money market account balances of \$5,578,597 and

\$6,988,613 at December 31, 2001 and 2000, respectively, have been included in short-term investments in the accompanying financial statements.

12 COMMITMENTS AND CONTINGENCIES: LITIGATION

The Fund is not subject to any lawsuits which management believes will have a material adverse effect on the fund's financial condition.

**SECTION IV
CHAPTER 4**

**FINANCIAL STATEMENTS
OF THE
MEDICAL BENEFITS TRUST FUND**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent public accountants

To the Board of Trustees of the
General Secretariat of the Organization of American States
Medical Benefits Trust Fund:

We have audited the accompanying statement of financial position of the General Secretariat of the Organization of American States Medical Benefits Trust Fund (the Trust), as of December 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 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 condition of the Trust as of December 31, 2001, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States.

Baltimore, Maryland
March 20 2002

FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

**OAS MEDICAL BENEFITS TRUST
STATEMENT OF FINANCIAL POSITION**

As of December 31, 2001

Assets

Equity in OAS Treasury Fund and equivalents	\$	20,095
Dividend Receivable		13,443
Contribution Receivable		22,340
Investments at Market Value		
Mutual funds invested in equity investments		6,599,111
Mutual funds invested in fixed income securities		<u>2,767,783</u>
Total Assets	\$	<u>9,422,772</u>

Liabilities and Net Assets

Accounts payable	\$	59,651
Deferred Income		<u>244,261</u>
Total Liabilities		303,912
Unrestricted Net Assets		
Designated for unpaid claims	\$	963,800
Available for future cost increase and for catastrophic cases		<u>8,155,060</u>
Total liabilities and net assets	\$	<u>9,422,772</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

OAS MEDICAL BENEFITS TRUST
STATEMENT OF ACTIVITIES
For the year ending December 31, 2001

Income

Contributions	\$ 5,406,338
Dividend and other income	<u>729,508</u>
Total income:	<u>6,135,846</u>

Expenses

Claims paid	5,342,663
Unrealized loss on investments	<u>1,073,801</u>
Administrative expenses:	
BCBSNCA services GHI Inc	439,225
Utilization -Case Management	14,027
Stop Loss Insurance premiums	<u>86,812</u>
Total Administrative expenses	540,064
Other Expenses not related to BCBS/ASB	<u>95,312</u>
Total expenses:	<u>7,051,840</u>
Change in net assets	(915,994)
Net assets at beginning of year	<u>10,034,854</u>
Net assets at end of year	<u>\$ 9,118,860</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

**OAS MEDICAL BENEFITS TRUST
STATEMENT OF CASH FLOWS**

For the year ending December 31, 2001

Operating Activities

Change in net assets	\$ (915,994)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized loss on investments	1,073,801
Changes in operating assets and liabilities:	
Decrease in miscellaneous receivables	9,868
Decrease in miscellaneous payables	(308,661)
Net cash used in operating activities	<u>(140,986)</u>

Investing Activities

Proceeds from sale of investments	450,000
Dividends and capital gains reinvested	<u>(512,260)</u>
Net cash provided by investing activities	<u>(62,260)</u>
Net decrease in cash equivalents	(203,246)
Equity in OAS Treasury Fund and equivalents at beginning of year	223,341
Equity in OAS Treasury Fund and equivalents at end of year	<u>\$ 20,095</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES MEDICAL BENEFITS TRUST FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001

1 SUMMARY OF ACCOUNTING POLICIES

Valuation of Investments

The General Secretariat of the Organization of American States Medical Benefits Trust Fund's (Trust) investments are stated at fair value. The shares of mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the Trust at year-end. The short-term investments are carried at cost, which approximates fair value.

Cash and Cash Equivalents

Cash and cash equivalents include amounts invested in accounts, which are readily convertible to cash. Investments with contractual maturities of ninety days or less from the date of original purchase are classified as cash and cash equivalents. In accordance with the Trust's cash management policy of maximizing the amounts of funds invested in income-earning assets, the Trust routinely anticipates the timing and amount of future cash flows.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, contributions receivable, accounts payable and deferred income approximate fair value given the short term nature of these financial instruments.

Use of Estimates

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Market Risk

The Trust's investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Further, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

2 DESCRIPTION OF THE TRUST

General

The Trust is a not-for-profit trust established by the General Secretariat of the Organization of American States (GS/OAS) in April 1982 to carry out the provisions of GS/OAS Medical Benefits Plan (Plan). Pursuant to the provisions of the trust agreement dated July 1, 2000, the sole Trustee of the Trust is the Organization of American States General Secretariat (Secretary General). The Trust's assets are held by the Bank of America.

Eligibility and Benefits

The Plan provides health benefits, including medical, dental and prescription drugs to GS/OAS employees and their beneficiaries and covered dependents. Retired employees are entitled to the extended insurance coverage on a case-by-case basis as determined by certain criteria.

Current health claims of active and retired Plan participants and their dependents and beneficiaries are provided under a group insurance contract with Carefirst Blue Cross Blue Shield (Carefirst), which are experience rated after the anniversary date of the policy.

Contributions

Employees and retirees participating in the Plan contribute specified amounts to the Trust, determined periodically by Carefirst, for coverage for themselves and eligible dependents.

Contribution revenues are recognized and earned on a monthly basis for the period the health care coverage is in effect. Deferred income represents prepayments of premiums for future health care coverage.

Claims Payments

Claims payment expense is recognized in the period in which the claims are received by the third-party administration of the Plan and billed to the Trust. Claims billed to the Trust, by the third-party administrator, but not paid as of December 31, 2001, are included in claims payable on the accompanying statement of financial position.

Trust Termination

Although it has not expressed any intention to do so, the Secretary General, as the Trustee, has the right under the Trust to modify the benefits provided to active and retired employees, to discontinue its contributions and to terminate the Trust at any time.

3 INVESTMENTS

During 2001, the Trust's investments (including investments purchased, sold as well as held during the year) depreciated in fair value as determined by quoted market prices as follows: Net Realized and Unrealized Depreciation in Fair Value of Investments of \$1,073,801 million in mutual funds.

The fair value of individual investments of the Trust's total net assets are as follows:

	<u>December 31, 2001</u>
Baron Asset Fund – SBI	\$1,161,629
Nations Fund Inc. International Value Fund	1,485,050
Pimco Total Return Fund	2,202,649
Pimco High Yield Fund	565,134
Vanguard Index Trust 500 Portfolio	<u>3,952,432</u>
Total	<u><u>\$9,366,894</u></u>

4 NET ASSETS DESIGNATED FOR MEDICAL CLAIMS PAYABLE

As of December 31, 2001, \$963,800 of net assets have been designated for medical claims payable. This amount is computed based upon past claims payment experience and, in management's opinion, is a reasonable estimate of claims incurred but not reported as of December 31, 2001.

5 TAX STATUS

As an international organization, the OAS is exempt from U.S. federal income taxes and such exemption applies to the Trust.

6 BENEFIT OBLIGATIONS

Health costs incurred by participants and their beneficiaries and dependents are covered by insurance contracts maintained by the Trust. It is the present intention of the GS/OAS and the Trust to continue obtaining insurance coverage for benefits. Insurance premiums for the Trust's future postretirement benefit obligation will be funded by GS/OAS contributions to the Trust in those later years.

7 RISK AND UNCERTAINTIES

Management continually evaluates contingencies based on the best available evidence and provides loss allowances where necessary. The principal contingency includes medical claims liability risks. Management believes

that allowances for losses have been provided to the extent necessary and that its assessment of contingencies is reasonable. Management believes that the resolution of contingencies will not materially affect the Trust's financial position or results of operations.

8 COMMITMENTS AND CONTINGENCIES: LITIGATION

The Trust is not subject to litigation which management believes will have a material adverse effect on the Trust's financial condition.