

**U.S. Department of Labor
Office of Inspector General
Office of Audit**

BRIEFLY...

Highlights of Report Number: 21-08-002-01-070, *Internal Controls Over Commission for Labor Cooperation Secretariat Activities Need Strengthening*, to the Secretary of Labor, dated April 7, 2008.

WHY READ THE REPORT

The Commission for Labor Cooperation (CLC) is a tri-national, not-for-profit organization created under the North American Agreement on Labor Cooperation. The CLC promotes cooperative activities and research in the areas of labor standards, labor law and human resource development. A Ministerial Council, consisting of the Minister of Labor from Canada and the Secretaries of Labor from Mexico and the United States, oversees the activities of the CLC. These activities are carried out by a 15-person Secretariat. The CLC is funded through equal contributions from the three participating countries.

WHY OIG CONDUCTED THE AUDIT

The Executive Director of the CLC Secretariat resigned in October 2006 after an internal review identified issues relative to CLC Secretariat leadership, staff practices, and the inappropriate use of funds. In response to the internal review and Congressional concerns that followed, we conducted a performance audit of the CLC's Secretariat's expenditures to determine (1) whether CLC internal controls were adequate to ensure that CLC Secretariat activities and expenditures supported its mission and (2) what contributed to the decline in the CLC General Fund balance. Our audit covered the period 2004 through 2006.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2008/21-08-002-01-070.pdf>

April 2008

WHAT OIG FOUND

CLC internal controls over its activities and expenditures were not always followed or sufficient. The CLC Secretariat:

- could not demonstrate that contracts and vendor payments totaling about \$1 million were used to support the CLC mission or that it actually received the goods or services for which it paid;
- could not demonstrate that travel expenditures of \$9,930, hospitality and representation expenditures totaling \$18,020, or employee relocation expenditures totaling \$12,669, were appropriate uses of CLC funds; and
- did not regularly submit required financial reports to the Ministerial Council, and reports that were submitted provided only summary financial data that did not include sufficient details for an adequate Ministerial Council review of Secretariat activities.

We found that the CLC General Fund balance declined primarily as a result of assessment credits granted to the funding countries.

WHAT OIG RECOMMENDED

We recommended that the Secretary of Labor ask the Ministerial Council to take ten specific actions to improve internal controls at the CLC.

Key actions we recommended include:

- ensuring all procurement actions are adequately documented and approved;
- enforcing the existing requirements for approving travel and designating responsibilities for approval of the Executive Director's travel;
- revising policies and procedures for hospitality/representational activities and reimbursement of employee relocation expenses; and
- requiring the Secretariat to submit detailed quarterly interim financial reports on a timely basis.

In response to our draft report, the Deputy Under Secretary for International Affairs stated that she will work closely with her counterparts in Canada and Mexico to undertake our recommended actions.