Office of Inspector General

U.S. Department of Labor

**FOLLOWUP OF PRIOR
AUDIT AND EVALUATION OF
THE BUREAU OF
INTERNATIONAL LABOR AFFAIRS**

Fiscal Years Ended September 30, 2001 and September 30, 2002

Report Number: 21-03-002-01-070

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ACRONYMS

ATS   Activity Tracking System

CFR   Code of Federal Regulation

CL   Child Labor

CSEC   Commercial Sexual Exploitation of Children

DOL   U.S. Department of Labor

DOLAR$ Department of Labor Accounting and Reporting Systems

DUS   Office of the Deputy Under Secretary

EI   Child Labor Education Initiative

GPRA   Government Performance and Results Act of 1993

ICLP   International Child Labor Program

ILAB   Bureau of International Labor Affairs

IPEC   International Program on the Elimination of Child Labor

ILO   International Labor Organization

OFR   Office of Foreign Relations

OIG   Office of Inspector General, U.S. Department of Labor

SPIF   Strategic Program Impact Framework

EXECUTIVE SUMMARY

This report presents the results of our followup audit of the implementation of recommendations in prior OIG audit and evaluation reports (OIG Report No. 17-00-008-01-070, Review of the Bureau of International Labor Affairs, issued March 20, 2000, and Report No. 2E-01-070-0001, Evaluation of Program Implementation of ILAB's Child Labor Projects FYs 1995-2000, issued September 28, 2000). As summarized in the OIG's semiannual report to the Congress for the period April 1, 2001 to September 30, 2001:

> The OIG's evaluation and audit work raised concerns over ILAB's management structure, managerial controls over grant programs, program results, evaluation methods, and the roles and responsibilities of individual staff to account for this increased level of funding adequately.

The objective of our current audit was to determine whether ILAB satisfactorily implemented recommendations made in prior OIG audit and evaluation reports.

We found ILAB, in response to prior OIG audit and evaluation recommendations, had: (1) established and was following written procedures regarding project management; (2) established managerial controls over its projects; and (3) implemented improvements to project planning, project sustainability, and the process for inspecting project allegations. As a result, with two exceptions, the recommendations from our prior audit and evaluation reports are **closed**. Our followup audit also identified three additional areas needing ILAB management's attention.

TWO RECOMMENDATIONS REMAIN OPEN

Our prior audit recommended that ILAB's mission statement and strategic and performance plans be revised. Shortly after the issuance of our report, the Secretary of Labor announced that ILAB's mission would change and the President's FY 2003 budget proposed reducing ILAB's budget by $93 million and 40 FTE. The budget proposes returning ILAB to formulating U.S. international policies, with few or no technical assistance responsibilities. Since ILAB's mission may change significantly, the recommendations that ILAB revise its (1) mission statement to focus on outcomes, and (2) strategic and performance plans to include goals and measures that better represent its responsibilities, will remain **open** until ILAB makes changes to these documents if necessary based on the mission as it exists after passage of the FY 2003 budget.

Agency Response and Auditor Conclusion

ILAB agreed with our determination. To close the finding, ILAB needs to provide OIG with its new mission statement and strategic and performance plans after the passage of the FY 2003 budget

<u>THREE ADDITIONAL AREAS NEED ATTENTION</u>

We identified three additional areas that ILAB and the Department need to address.

1. ILAB's new automated Activity Tracking System lacks basic internal controls.

According to ILAB, the Department's core financial management system (DOLAR$) did not have the flexibility to meet ILAB's needs. ILAB developed an automated Activity Tracking System (ATS) to assist in project management. However, we found that ILAB's ATS lacked basic internal controls necessary for financial management information systems. While ILAB has made many improvements in controls, the development of an automated system has added the need for additional controls not originally discussed in our prior reports.

Recommendation

We recommend the Deputy Under Secretary ensure the new system is periodically (e.g., monthly) reconciled to DOLAR$ and internal controls and system security are addressed.

Agency Response

ILAB has had initial discussions with the contractor and plans to have these internal controls in place within the next year.

Auditor Conclusion

We agree with the ILAB's response and consider the finding **resolved**. To close the finding, ILAB needs to provide OIG with proof that the new controls have been implemented.

2. Current controls over ILAB's budget monitoring and reporting need improvement.

ILAB and the Office of Assistant Secretary for Administration and Management (OASAM) currently share ILAB's monthly budget management process. The current process does not provide adequate controls to ensure ILAB obligations are within available resource limits. The lack of adequate controls and communication between OASAM and ILAB over the budget information led to a potential budget over obligation not being identified until late in September 2002. If this situation had not been caught, the Department could have been in violation of the Anti-Deficiency Act.

Recommendations

We recommend that OASAM and ILAB: define the responsibilities and expectations for each agency in relation to recording and reporting ILAB budget activity; incorporate that understanding in the MOU; ensure all ILAB personnel responsible for budget execution and monitoring are trained in Federal budgetary functions and terminology; and meet regularly to review budget reports.

Agency Response

ILAB has met with OASAM to establish a regular meeting schedule and develop procedures that will provide the detailed information needed to track budgetary and other financial information throughout the year.

Auditor Conclusion

We agree with the ILAB's response and consider the finding **resolved**. To close the finding, ILAB needs to provide OIG with proof that the new procedures have been implemented.

3. Two-year funding authority for the Child Labor and Office of Foreign Relations programs would provide for better control.

Except for the Education Initiative appropriation within the Child Labor Program, which has 2-year obligational authority, all other ILAB programs have 1-year obligational authority. However, due to a lengthy project planning and coordination process, ILAB had not obligated the majority of its FY 2002 Child Labor appropriation or its Office of Foreign Relations appropriation as of July 2002.

Recommendation

We recommend that ILAB seek 2-year funding authority for all technical assistance programs.

Agency Response

ILAB agreed with the need for 2-year funding and intends to address this issue in the coming year.

Auditor Conclusion

We agree with the ILAB's response and consider the finding **resolved**. To close the finding, ILAB needs to provide OIG with proof that 2-year funding authority has been implemented.

INTRODUCTION AND BACKGROUND

The Bureau of International Labor Affairs (ILAB) carries out the Secretary of Labor's international responsibilities, develops departmental policies and programs related to international labor activities, and coordinates departmental international activities involving other U.S. Government agencies, intergovernmental organizations, and nongovernmental organizations.

ILAB received funding of $148 million in both FY 2001 and 2002, which was more than double the $70 million received in FY 2000. In addition, staffing levels were increased from 85 to 125, although only 96 positions were filled for FYs 2001 and 2002. Much of the increase had been appropriated for a program to combat exploitative child labor. In FY 2003, DOL proposed ILAB's budget at $54.6 million and 85 FTE.

The International Child Labor Program (ICLP) and the Office of Foreign Relations (OFR) are the only two ILAB offices with funding and management responsibilities for technical assistance projects.

In FY 2000, the OIG conducted an audit and an evaluation and reported the results in:

- Review of The Bureau Of International Labor Affairs, OIG Report No. 17-00-008-01-070

- Evaluation of Program Implementation of ILAB's Child Labor Projects FYs 1995-2000, OIG Report No. 2E-01-070-0001

The OIG expressed concern that ILAB did not have adequate program management systems in place to ensure accountability for the increase in funding. The audit report and the evaluation report contained four and five recommendations, respectively.

This report discusses the action taken by ILAB to address the recommendations and to ensure that ILAB programs are effectively managed.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of our audit was to determine whether ILAB had satisfactorily implemented recommendations in prior OIG audit and evaluation reports.

Scope and Methodology

Our audit period encompassed activity that occurred during FYs 2001 and 2002. Our fieldwork was conducted during the period November 2001 and November 2002.

The scope included (1) review of prior audit and evaluation reports; (2) review of ILAB's reports to Congress on Child Labor (CL); (3) review of International Labor Organization (ILO) reports on CL; (4) interviews of ILAB managers and staff; (5) interviews of OASAM personnel (6); analysis of documentation supporting ILAB's general management, grant and contract management, and financial management control procedures; (7) analysis of the Activity Tracking System controls; and (8) analysis of documentation supporting ILAB's efforts to comply with the Government Performance and Results Act of 1993 (GPRA).

We analyzed documentation that supported five ICLP projects and a recent project approved by ILAB's ICLP, and four projects and one supporting contract managed by the OFR. We judgmentally selected the projects to view the various stages of implementation and examples of management controls being used.

Our audit included consideration of management controls related to ILAB's grant and contract approval and implementation and the financial management of grants and contracts. We also considered controls over the budget monitoring process. Our audit did not include consideration of controls over the general operations of ILAB, such as payroll and other administrative policies and procedures.

We conducted our followup audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

FOLLOWUP ON PRIOR AUDIT AND EVALUATION RECOMMENDATIONS

STATUS OF AUDIT RECOMMENDATIONS

ILAB has addressed the four recommendations, one each on the mission statement and strategic and performance plans, and two on managerial controls, in OIG Report No. 17-00-008-01-070, Review of the Bureau of International Labor Affairs, issued March 24, 2000.

Our prior audit recommended that ILAB's mission statement and strategic and performance plans be revised. Shortly after the issuance of our report, the Secretary announced that ILAB's mission would change and the President's FY 2003 budget would propose reducing ILAB's budget by $93 million and 40 FTE. The budget proposed returning ILAB to formulating U.S. international policies, with few or no technical assistance responsibilities. The prior audit further noted that ILAB's management structure, managerial controls, evaluation methods, and the roles and responsibilities of individual staff were not designed to provide adequate accountability for an increased funding level

1.   Mission Statement

According to the prior audit report, the existing mission statement for ILAB was process-oriented and did not focus, on the intended and expected outcomes resulting from ILAB operations. *The auditors recommended that the existing mission statement be revised to focus on the outcomes expected to result from ILAB operations.*

2.   Strategic and Performance Plans

According to the prior audit report, the goals and measures contained in ILAB's strategic and performance plans did not adequately represent the many functions that ILAB performed or the full complement of responsibilities that ILAB had. *The auditors recommended that ILAB's strategic and performance plans be revised to include additional goals and measures that better represent the wide variety of responsibilities that ILAB has and the many functions that it performs.*

We found that only minor revisions had been made to ILAB's mission statement, strategic and performance plans, and performance measures. However, shortly after our report was issued, the Secretary of Labor announced that ILAB's mission would change. The President's FY 2003 budget request proposes "..… returning ILAB to its core mission to assist in formulating the U.S. international policies and programs of concern to American workers."

If ILAB is to function as a policy organization, with few or no technical assistance responsibilities, its mission will change significantly. Therefore, any revisions to ILAB's

mission statement, strategic and performance plans and performance measures should not be made until after the FY 2003 budget is finalized.

Conclusion

These recommendations remain **open**, pending our review of changes made to ILAB's mission statement and strategic and performance plans in response to the FY 2003 budget provisions.

Agency Response and Auditor Conclusion

ILAB agreed with our determination. To close the finding, ILAB needs to provide OIG with its new mission statement and strategic and performance plans after the passage of the FY 2003 budget

3.   Managerial Controls

According to the prior audit report, appropriations for ILAB activities increased almost sevenfold during the last 2 fiscal years. ILAB was now responsible for administering substantially larger amounts of grant/contract funds and for managing additional new grant activities. ILAB's management structure, managerial controls, evaluation methods, and the roles and responsibilities of individual staff were not designed to provide adequate accountability for the current level of funding. In the report the auditors recommended that:

> *ILAB management determine how the increased grant and contracting activities will be accomplished and, specifically, who in ILAB will accomplish each aspect of the process. The revised policies, procedures, methods and individual responsibilities, when determined, should be put in writing and distributed to all applicable staff.*

> *ILAB review, revise and strengthen its managerial controls over grant/ contracting activities.*

We found ILAB had implemented a number of managerial controls. Both ICLP and OFR have developed procedures and operations manuals, and conducted training in grant and contract management. In addition, ILAB has entered into Memorandum of Understanding with DOL's Office of the Assistant Secretary for Administration and Management to obtain assistance with accounting and procurement responsibilities.

ILAB management told us that the Department's core financial management system, DOLAR$, did not have the flexibility to meet their needs. In the absence of an automated system that consolidates all of ILAB's project costs, the Office of the Deputy Under Secretary developed and implemented a centralized manual system for financial management of ILAB projects. According to ILAB management, this approach has resulted in reduced travel costs, as well as better communication, coordination and cross-training.

During our review of five ICLP projects and a recent project approved by ICLP, and four projects and one supporting contract managed by the OFR, we found ILAB followed its procedures manual. Therefore, the two recommendations on managerial controls in the prior audit are considered closed.

ADDITIONAL AREAS IDENTIFIED DURING OUR FOLLOWUP AUDIT

1. ILAB's New Automated Activity Tracking System Lacks Basic Internal Controls

In September 2000, ILAB contracted with International Consulting Solutions and NCI Systems Inc., to develop an automated Activity Tracking System (ATS) to assist in project management.

During our audit, we were told by the Office of the Deputy Under Secretary and OFR management personnel that the OCFO and OASAM could not provide needed management information from DOLAR$ that would be reliable, timely, and at the detail level needed by managers in their day-to-day operations. ATS was designed to provide program managers a more effective tool to track expenditures against obligations and result in more real time information on account balances. OFR began using this system in July 2002, and ICLP plans to use this system in the future.

However, we found that ILAB's ATS lacked basic internal controls necessary for financial management information systems. For example:

- Although financial data must be extracted and manually input into the system from project and contract files and DOLAR$, reconciliation procedures had not been developed to ensure the transactions in this system match transactions in DOLAR$.

- Input of transactions and modifications or changes are not tracked in such a way that the person entering data is identified. The system's logging access feature, which had not been activated, would provide needed audit trails to those entering or changing data in the system.

- Subsequent reviews of system data by other ILAB personnel, that would identify errors, are not performed.

- The invoice logs allow for recording the date received, project manager approval, date sent to financial services, and date invoices were paid, but this information is considered optional and not normally completed.

- Use of the ATS is not mandatory. By not requiring all managers to use the system, its usefulness to ILAB's overall management process is diminished.

- User IDs and passwords are not sufficiently complex (e.g., requiring a combination of letters and numbers, or a minimum password length) and there is no requirement to periodically change a user's password.

- System backup is maintained at the host facility (International Consulting Solutions) with no off-site storage requirements.

ILAB management stated that before the development of the system, the OCFO told them that the system should not be considered a financial management system. Therefore, they concluded the system would not be subject to review and certification by the Office of the Chief Information Officer (OCIO) or require controls associated with a Federal financial management system. However, in our opinion, since ILAB's managers may use the information contained in this system to make project management decisions, the system should contain adequate controls and conform to sound business practices.

The ATS includes information that is outdated, and several projects included in the system have incomplete data that results in expenditures in excess of obligations. Until the system is required to be used by all managers, and consistently and timely updated, it cannot provide the management assurance needed by ILAB to ensure managers' decisions are always based on valid and current data.

Conclusion

While ILAB has made many improvements in management controls since our last audit and evaluation, the development of an automated system has created the need for additional controls not originally discussed in our prior reports. Therefore, the recommendations in the prior audit are considered closed and we are providing the following recommendations.

Recommendation

We recommend that ILAB's Deputy Under Secretary ensure that:

- Reconciliation with the DOLAR$ is accomplished and maintained on a continuing basis.

- The ATS is updated to include appropriate internal controls and system security.

- The system is reviewed by the Department's OCFO for financial management information system requirements and by the OCIO to determine compliance with the Department's system implementation requirements

- The system is designated a mandatory system for all ILAB managers.

Agency Response

ILAB has had initial discussions with the contractor and plans to have these internal controls in place within the next year.

Auditor Conclusion

We agree with the ILAB's response and consider the finding **resolved**. To close the finding, ILAB needs to provide OIG with proof that the new controls have been implemented.

2. Current Controls Over ILAB's Budget Monitoring and Reporting Need Improvement

The Bureau of International Labor Affairs' (ILAB) and Office of Assistant Secretary for Administration and Management's (OASAM) monthly budget management process does not provide adequate controls and procedures to ensure agency obligations are within available resource limits. Specifically:

- The Memorandum of Understanding between the OASAM and ILAB dated April 25, 2000, provides responsibilities each agency has related to grant and contract program management and technical assistance, but does not specifically address the responsibilities each has in relation to a timely budget monitoring process.

- An informal agreement reached by OASAM and ILAB in the early 1990s included understandings of how various budget line items were to be considered in the reports provided by OASAM; however, ILAB's current management was not aware of this understanding.

- The reports generated by OASAM on actual ILAB obligations and expenditures do not provide ILAB's management needed details of expenditures and obligations to effectively evaluate its budget status. In addition, monthly communications between OASAM budget personnel and ILAB management related to estimations of total obligations is not sufficient to overcome the report deficiencies.

- Potential over obligations against ILAB's budget were not discovered by OASAM or ILAB personnel until late in the fiscal year, and resulted in ILAB management having to reduce program funding for five OFR grants in September 2002, in order to avoid an Anti-Deficiency Act violation.

ILAB management's understanding of the relationship between ILAB and OASAM was that the responsibility for providing official reporting/monitoring of ILAB budgets, obligations, and balances was transferred to OASAM in the early1990s, through the dissolution of ILAB's administrative function and the integration of those functions into OASAM. OASAM personnel concurred that the responsibility for developing annual budget estimates, monitoring spending throughout the fiscal year, and providing ILAB advice on whether funding is available, is an OASAM responsibility. However, due to changes in the two agencies' leadership and staffing over the years, there is no longer a common understanding of ILAB's needs and the level of information OASAM provides, such as the level of detail needed for effective project and budget management. In addition, because of the extended time frame needed for ILAB's program and project development and obligations, information that would be useful for OASAM's budget estimates and projections is not available until late in the fiscal year.

The delay in obligations related to ILAB programs, along with a lack of adequate communication of budget information between OASAM and ILAB, led to a potential budget over obligation not being identified until late in September 2002. The information included in OASAM's preliminary report for August 2002, titled "Departmental Management FY 2002 Projections 10/1/01 – 09/30/02," shows ILAB programs with a projected $1.9 million deficit. However, the report also projects a $2.0 million surplus for administrative costs, capital improvements, supplies, and materials. This was the basis for ILAB management's conclusion that program costs would be covered. For the same month, OASAM's report titled "FY 2002 Obligations by Program" shows administrative costs projections with a $1.8 million deficit.

If this over obligation had not been caught, the Department could have been in violation of the Anti-Deficiency Act. This condition, along with information not being available from the core financial system on a time frame and at a detail level needed by ILAB program personnel, has resulted in ILAB management losing confidence in the reports and information provided by OASAM.

Conclusion

Monthly budget monitoring and reporting of ILAB activity does not provide ILAB management with information needed to effectively manage its budget. Since the responsibility for this process is shared by OASAM and ILAB, we are making the following recommendations related to each agency's role in the process.

Recommendations

We recommend that the Assistant Secretary for Administration and Management ensure that the Departmental Budget Center:

-   Works with ILAB management to define the responsibilities and expectation for each agency in relation to recording and reporting ILAB budget activity and incorporate that understanding into the Memorandum of Understanding between the two agencies.

-   Develops an estimation and projection methodology that is approved by ILAB management.

-   Ensures that monthly reports provided to ILAB are consistent between reports and sufficiently explained through additional narratives that highlight unusual budget balances and budget projections.

-   Continues to work with ILAB and OCFO to develop object classes that will provide coding at a level needed by ILAB to properly manage program and projects within programs.

-   Ensures personnel responsible for recording and reporting ILAB transactions review the nine special reports developed by the OCFO for ILAB transaction reporting and include relevant reports in the monthly report development process.

-   Works with ILAB management to reconcile information in DOLAR$ to the information included in ATS on a regular basis.

We also recommend that the Deputy Under Secretary for the Bureau of International Labor Affairs:

-   Develops and documents procedures that will ensure all ILAB personnel responsible for budget execution and monitoring are trained in Federal budgetary functions and terminology and meet regularly with OASAM budget personnel to review budget reports.

-   Ensures ILAB personnel work with OASAM and OCFO personnel to define ILAB object class details needed in program and project management.

-   Ensures ILAB personnel are familiar with and consistently include proper coding on all obligations, invoices and other documentation used by OASAM in their data input.
-   Ensures appropriate ILAB personnel work with OASAM budget personnel to update the Memorandum of Understanding between the two agencies in regard to the roles and responsibilities for budget activity recording and reporting.

Agency Response

ILAB has met with OASAM to establish a regular meeting schedule and develop procedures that will provide the detailed information needed to track budgetary and other financial information throughout the year.

Auditor Conclusion

We agree with the ILAB's response and consider the finding **resolved**. To close the finding, ILAB needs to provide OIG with proof that the new procedures have been implemented.

3. Two-Year Funding Authority For The Child Labor And Office Of Foreign Relations Program Would Provide For Better Control

As of July 2002, 2 months before the end of the fiscal year, ICLP had not obligated: (1) $39 million of its FY 2002 CL appropriation, which is earmarked for the ILO (these funds have a 1-year obligation authority ending September 30, 2002), and (2) $11 million of its FY 2001 Child Labor Education Initiative appropriation, and any of its $37 million FY 2002 Child Labor Education Initiative appropriation (these funds have a 2-year obligation authority expiring September 30, 2002, and 2003, respectively). At the same time, for its FY 2002 appropriation, OFR had not obligated: (1) $27 million of its bilateral and multilateral funds, (2) $4.9 million of its monitoring funds, and (3) $9.9 million of its HIV-AIDS funds (these funds have a 1-year obligation authority ending September 30, 2002). The following schedule illustrates the funds available:

ICLP Budget
(In Thousands)

Child Labor Program	Budgeted	Obligated	2001 To Be Obligated	Budgeted	Obligated	2002 To Be Obligated
ILO/IPEC	$45,000	$45,000	$ 0	$45,000	$5,861	$39,139 2/
EI 1/	37,000	26,000	11,000 2/	37,000	0	37,000
Total	**$82,000**	**$71,000**	**$11,000**	**$82,000**	**$5,861**	**$76,139**
OFR Programs						
Multilateral	$20,000	$20,000	$0	$20,000	$386	$19,614
Bilateral	17,000,	17,000	$0	17,000	9,029	7,971
Monitoring	4,500	4,500	$0	5,000	100	4,900
HIV – AIDS	10,000	10,000	$0	10,000	100	9,900
Total	$51,500	$51,500	$0	$52,000	$9,615	$42,385

1/ - 2 year obligation authority
2/ - Provided a plan by project to obligate funds by September 30, 2002.

We found that ILAB's FY 2002 appropriation was not available until January 2002, and the amount was more than double the request in the President's budget. In order to adequately plan and fund their programs, ICLP and OFR need to coordinate with other groups, such as officials of foreign countries, other U.S. government agencies, and DOL's Procurement and Accounting Offices. In addition, ICLP leverages its resources by consulting with other U.S. government agencies with expertise in operating aid programs in other countries. Consideration must also be given as to how well the U.S. embassies in countries being targeted will support the initiative.

Currently, EI has 2-year obligation authority, and IPEC and OFR have 1-year obligation authority. DOL/ICLP and ILO/IPEC and OFR's process for designing and funding quality projects has been a time-consuming effort of performing needs assessments, baseline surveys and consultations with interested parties.

In FY 2002 ICLP and IPEC improved the design process by requiring that a Strategic Program Impact Framework (SPIF) be developed for all new projects to further ensure that projects are properly planned and developed. This process maps out the cause and effect links of interventions to the anticipated results. For example, interventions such as awareness raising, education and vocational training, income generation, and monitoring are linked to the prevention and elimination of child labor. The process allows IPEC to build relationships with other international organizations to accomplish the project's objective. This should result in a cost savings and avoid duplication of efforts, but it is a lengthy process.

OFR's timeline for selecting a project, designing the project and obligating the funds can take up to 12 months. OFR must first consult extensively with U.S. Government partners and foreign stakeholders on how to best program its technical assistance funds. Once the countries are selected OFR travels to each country to verify the need for the assistance and to design the project in partnership with the country. OFR must then compete the project and award the contract before the project activities begin. These phases contain three to four steps each, such as performing research and needs assessments, consulting and designing the project, negotiating and gaining the host countries acceptance, developing the statement of work, announcing the competition, and awarding the contract. Designing quality projects and obligating the funds within a fiscal year can be extremely difficult.

OFR is also required to send International Specialists overseas to monitor ILAB resources and projects. This process of obtaining State Department approval for the position, recruiting the personnel, obtaining medical and security clearances, and moving the individual(s) is a lengthy one.

Considering the additional work undertaken by ILO and ILAB (ICLP and OFR), and the coordination required with other international aid agencies, 2-year obligational authority would facilitate ILAB's planning and procurement process.

Recommendation

We recommend that ILAB seek 2-year funding authority for all technical assistance programs.

Agency Response

ILAB agreed with the need for 2-year funding and intends to address this issue in the coming year.

Auditor Conclusion

We agree with the ILAB's response and consider the finding **resolved**. To close the finding, ILAB needs to provide OIG with proof that 2-year funding authority has been implemented

II.   STATUS OF EVALUATION RECOMMENDATIONS

ILAB has addressed the five recommendations in Evaluation Report No. 2E-01-070-0001, Evaluation of Program Implementation of ILAB's Child Labor Projects FYs 1995-2000, issued September 28, 2000.

All five recommendations are **closed**.

1.   **Project Planning**

According to the evaluation report, ICLP funded and implemented child labor elimination projects without first identifying the specific needs and requirements of the target populations.

The evaluators recommend that ICLP adopt a two-stage funding process, and

>   *1.   Fund and conduct a needs and requirements assessment of the target population.*
>
>   *2.   Use the information from the needs and requirements assessment to determine appropriate funding for implementation of the child labor elimination project.*

We found that ICLP and the IPEC are continually gathering data from research and baseline studies on child labor issues throughout the world. These studies have produced a significant amount of information about CL abuses and the information is used for determining which countries to target and what industries to educate. We found that the five CL projects in our sample were adequately planned using a multistage process. Some examples follow.

The need for a $3,795,285 IPEC CL project, which was approved by ICLP in June 2002, "Stop the Exploitation" Contribution to the Prevention and Elimination of Commercial Sexual Exploitation of Children (CSEC) in Central America, Panama and the Dominican Republic, was established by studies conducted in 2001.

Annually ILAB consolidates the data it has gathered on child labor and issues a report to Congress. The most recent report, consisting of 386 pages, was issued in July 2002. This report described the nature and extent of child labor in 143 countries and territories, the laws and enforcement policies that exist to protect children, and efforts that have been made by governments to meet international commitments to eliminate the worst forms of child labor. The information in this report is used for developing projects.

In addition, in April 2002 ICLP approved $1.5 million for preparatory work, such as surveys and studies, in six countries in which ICLP planned to fund projects in FY 2003. In April 2002, ILO/IPEC published, "Every Child Counts: New Global Estimates on Child Labour," which provided updated statistical information on CL from several different perspectives.

ICLP's operations manual requires that before project consideration a needs assessment must be performed to collect information and determine the socio-economic situation of the country and the problems and needs to be addressed by the project. It is this information ILAB relies upon to determine which projects should be funded by ICLP each year. When baseline data on the target population is not already available, the information is collected before the project is fully funded.

Conclusion

Since the five CL projects in our sample were adequately planned using a multistage process, the recommendation is **closed**.

2.   Project Goals, Objectives and Indicators

According to the evaluation report, the review of a sample of ICLP's projects implemented during the period FYs 1995 through 1999 disclosed that, in many instances, the goals, objectives and indicators were not specific nor were they adequately defined. As a result, it was difficult to comprehensively assess the benefits or outcomes.

> *The evaluators recommend that ICLP ensure that specific, well-defined outcome-oriented goals, objectives and indicators are developed and included for each project proposal.*

Based on analysis of the five CL projects in our sample, we determined that the project goals, objectives, and indicators developed by ICLP are outcome-based and in compliance with GPRA. The project planning documents for the five CL projects contained a matrix that laid out development objectives, immediate objectives, outputs, indicators, and activities. The development objective for each project was to contribute to the prevention and elimination of child labor. The development objectives corresponded to the overall goal in DOL's strategic plan, which was to reduce exploitative child labor.

For example, the development objective in the project planning document for a recent ICLP project was, "To contribute to the prevention and eradication of commercial sexual exploitation of children in Central America, Panama and the Dominican Republic." The objective was to assist seven countries in developing systems, on a regional basis, that would prevent and eradicate CL. The immediate objectives were to develop:

Regional cooperation and shared knowledge to prevent and eradicate CSEC in the region.

National legislation policies and programs and ensure they are in effect in selected countries.

Increased community and individual action to prevent commercial sexual exploitation of children and assist victims of CSEC throughout the region.

The project planning document also listed outputs and indicators that would assist the seven countries in establishing the needed systems. In addition, the agreements for all ICLP projects contain a provision for a mid-term evaluation and a final evaluation of the project.

Conclusion

Based on our determination that the project goals, objectives, and indicators developed by ICLP are outcome-based and in compliance with GPRA, the recommendation is **closed**.

3.   Project Inspection Allegations

According to the evaluation report, there was little information in the project files documenting the steps taken by ICLP in response to the allegations.

The evaluators recommended that ICLP:

(a)   Thoroughly investigate and Followup on all serious allegations.

(b)   Implement any appropriate correction actions.

(c)   Adequately document steps taken.

We found that ICLP has developed a sound methodology for handling any observations/ reports/allegations made about abusive child labor, as well as written procedures for responding to allegations about specific projects.

Some of the observations/reports/allegations are about a specific project, and some are not. Allegations received about specific projects funded by ICLP are processed in accordance with the written procedures. ICLP determines if they are credible, and how they should be handled. According to ICLP management, allegations about specific projects are not common.

ICLP receives observations/reports/allegations about abusive child labor from various sources (e.g., from media reports, U.S. embassy reports, non-governmental organizations, etc.). For those observations /reports/ allegations that are considered significant, and are not related to a specific project, ICLP will either (1) include the information provided as part of the research ICLP does for its yearly report on child labor; (2) followup in accordance with Presidential Executive Order 13126, if the report is about forced or indentured child labor relating to a specific country and product; or (3) use the information as a basis for funding future child labor projects.

Conclusion

Since allegations are processed in accordance with written procedures, the recommendation is **closed.**

4.   Project Sustainability

According to the evaluation report, ICLP does a good job in delineating the roles of its partners in attempting to achieve project sustainability. However, ICLP can go a step further by obtaining written agreements from its project partners, which would only enhance the probability that the partners will uphold their responsibilities.

> *The evaluators recommended that ICLP obtain written agreements from project partners, which clearly delineate each partner's role incapacity building and project sustainability.*

Sustainability is addressed in ICLP's operations manual. The manual states, "The ILO and its project implementing partners sign an Agreement that clearly delineates each partner's role in capacity building and project sustainability." In addition, ICLP's operations manual states that sustainability will be addressed in the design phase of projects and in evaluations. We found that CL projects now contain written agreements describing each partner's role in capacity building and project sustainability.

The project planning document for one of ICLP's more recent projects, "Preventing and Eliminating Child Labor in Identified Hazardous Sectors," a project which was funded for $7 million in FY 2001 in India, contained procedures and measures to put into place policies, legal frameworks, and anti-poverty programs to be undertaken by the government independent of the project.

Sustainability was also a major focus in a recent $3,795,285 CL project approved by ICLP in June 2002 ("'Stop the Exploitation' Contribution to the Prevention and Elimination of Commercial Sexual Exploitation of Children in Central America, Panama and the Dominican Republic.").

Conclusion

Based on our determination that CL projects now contain written agreements describing each partner's role in capacity building and project sustainability, the recommendation is **closed**.

5.   Review of Project Documents

According to the evaluation report, ICLP officials provided a copy of draft General Guidelines for Review of Project Documents. The purpose was to provide criteria for ICLP staff use in their review of project documents.

> *The evaluators recommended that ICLP expand and strengthen the draft General Guidelines into an operations manual for staff use.*

ICLP has developed an operations manual based on the Draft Guidelines for staff use that the audit team found to be a very useful guide while becoming familiar with documentation of CL projects. The guide is specific, thorough, logical, and easy to follow.

Conclusion

Based on ILAB's issuance of an effective operations manual, the recommendation is **closed**.

**ILAB'S BUDGET
FY 2000 TO FY 2003**

Budget	2000	2001	2002	Proposed 2003
International Child Labor Program (ICLP)				
Child Labor (ILO)	$30,000,000	$45,000,000	$45,000,000	$30,000,00
Education Initiative (Bilateral)	0	37,000,000	37,000,000	0.00
Sub-total	$30,000,000	$82,000,000	$82,000,000	$30,000,000
Office of Foreign Relations (OFR)				
Labor Standard (Multilateral)	$20,000,000	$20,000,000	$20,000,000	$ 0.00
(Bilateral)	10,000,000	17,000,000	17,000,000	10,000,000
Sub-total	$30,000,000	$37,000,000	$37,000,000	$10,000,000
ILAB Monitoring (OFR)	$1,000,000	$4,500,000	$5,000,000	$0.00
HIV-AIDS (OFR)	$0	$10,000,000	$10,000,000	$0.00
University of Iowa	$0	$900,000	$300,000	$0.00
Association of Farmworker Opportunities Program	$0	$250,000	$0	$0.00
Salaries and Misc.	$9,000,000	$13,332,000	$13,982,000	$14,600,000
Total	$70,000,000	$147,982,000	$148,282,000	$54,600,000

ILAB AUTHORIZED STAFFING LEVELS

Fiscal Year	FTE Authorized	Employed	Over/ Under Ceiling
2000	85	90	5
2001	125	96	<29>
2002	125	96	<29>
2003 Proposed	85	-	-

U.S. Department of Labor Deputy Under Secretary for   JAN 2 2 2003
International Affairs
Washington, D.C. 20210

Memorandum for: Elliot P. Lewis
Assistant Inspector General for Audit

From: Thomas Moorhead
Deputy Under Secretary

Subject: DRAFT IG REPORT- FOLLOW UP OF PRIOR AUDIT AND
EVALUATION OF BUREAU OF INTERNATIONAL LABOR
AFFAIRS

Thank you for forwarding the draft IG follow up of a prior audit and evaluation of the
Bureau of International Labor Affairs. The objective of the audit was to determine
whether ILAB satisfactorily implemented recommendations made in prior OIG audit and
evaluation reports. We are pleased that the OIG has determined that with two exceptions
all recommendations from prior audit and evaluation reports are closed. The audit
recognizes the steps ILAB has taken to ensure necessary management controls and
procedures are in place to obtain fiscal and performance accountability. The audit leaves
open recommendations that ILAB's mission statement and strategic performance plans be
revised. These have been left open because of the possibility that the FY 2003 budget
may redefine ILAB's current mission. We concur with that determination.

The OIG has also identified three additional areas which need attention. These include:
establishing a system of internal controls over the ILAB Activity Tracking System;
developing an improved system for controls and communication between OASAM and
ILAB over budget monitoring and reporting; and two year funding authority for the Child
Labor and Office of Foreign Relations Programs. We fully intend to address all of these
areas in the coming year.

We have initiated discussions with the contractor who helped develop the Activity
Tracking system and have been assured that the internal controls can easily be put into
place in the coming year. Also, we have held initial discussions with OASAM aimed at
establishing a regular meeting schedule and putting in place procedures that will provide
ILAB with the detailed information it needs in order to track budgetary and other
financial information throughout the year. We intend to train ILAB employees
responsible for budget execution in controls and procedures for financial tracking which
result from discussions between ILAB and OASAM. With respect to the two-year
funding authority issue, we believe the report would be strengthened if it referred to
seeking two-year authority for all of ILAB's technical assistance programs instead of
seeking two-year authority, "where appropriate." The "where appropriate" language is
not specific enough in our judgment.

Finally, we appreciate the candor with which the audit follow up was conducted and look
forward to working closely with the OIG in the coming year to continue efforts to
upgrade our systems of management controls to assure accountability for all ILAB
programs.