

Response to Draft Report

U.S. Department of Labor

Deputy Under Secretary for
International Affairs
Washington, D.C. 20210



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INFORMATION

MEMORANDUM FOR ELLIOT P. LEWIS

Assistant Inspector General for Audit

FROM:

CHARLOTTE M. PONTICELLI *cm Ponticelli*
Deputy Under Secretary for International Affairs

SUBJECT:

Response to Draft Audit Report No. 21-08-002-01-070,
“Internal Controls Over Commission for Labor
Cooperation Secretariat Activities Need Strengthening”

Thank you for the opportunity to comment on your draft audit report. The Bureau of International Labor Affairs (ILAB) fully concurs with the audit findings and corresponding recommendations for improving the internal controls over the Secretariat of the Commission for Labor Cooperation (CLC), which was established in 1994 by the North American Agreement on Labor Cooperation (NAALC) between Mexico, Canada, and the United States. As recommended in your report, ILAB will work closely with its counterparts in Canada and Mexico to undertake the actions recommended in your report to improve internal controls at the CLC.

As noted in your report, questions about Secretariat staff activities and use of Department of Labor appropriated funds were first raised in August 2006. Since that time, the CLC Council has taken several steps to address the issues of Secretariat management, accountability, and oversight. I would like to highlight just a few of these activities below:

- On August 24, 2006, the Council requested an independent report on the Secretariat’s internal control procedures to be prepared in conjunction with the audit of 2006 finances. This examination of internal controls—conducted by Williams, Adley & Company—was completed in October 2007. The implementation of recommendations contained in that report, which in many cases mirror those in your report, have been identified by the Council as priority performance objectives for the new Executive Director

who took office in March 2008. Additionally, the Executive Director has been provided with copies of ethics rules and standards of professional conduct from the three NAALC countries, with adherence to these standards stipulated as an ongoing requirement of his employment.

- In September 2006, the Council formally notified Secretariat management that budgetary expenditures and staffing actions—including negotiation of employment and consulting contracts and spending for hospitality or travel—were to be frozen pending further notification from the Council. Since 2006, limited budgetary and staffing actions have been allowed, with increased oversight by the Council.
- In August, 2007, the Council approved the appointment of a new Director of Administration at the Secretariat. As directed by the Council, his primary focus thus far has been reviewing and improving the financial and administrative controls of the organization.
- As designee to represent the United States on the CLC's trilateral governing Council, I have worked closely with my Mexican and Canadian counterparts to address the issues raised in your report. In addition to scheduled meetings and teleconferences of the Council Designees, we have taken advantage of other international sessions—such as meetings of the International Labor Organization and the Inter-American Conference of Ministers of Labor—to discuss improvements to Secretariat management and internal controls. The October 2007 meeting of the Council Designees focused almost exclusively on addressing Secretariat financial and administrative matters.

The findings and recommendations contained in your report were discussed at the March 31, 2008 meeting of the Council Designees in Washington, DC, and the parties agreed to consider an action plan to implement the recommendations by the OIG and the independent auditors at their next meeting. It is important to all three NAALC countries to have a well-managed Secretariat that is able to effectively and efficiently support the Council's efforts to promote cooperative activities and research in the areas of labor standards, labor law, and human resource development in North America. In that context, ILAB is in full agreement with the findings and recommendations contained in your report—as well as those found in the 2007 report of the external auditors—and will work with our counterparts in Canada and Mexico to implement them.

Finally, although ILAB concurs with the report's findings, the suggestion on pages 2 and 6 that CLC ignored the OIG's request for a waiver of Mr. Knouse's diplomatic immunity fails to mention critical information that we had relayed previously to your office. The report should make it clear that my office and the CLC have cooperated fully with the OIG's investigation. As you know, the Department of Labor's Office of the Solicitor consulted with the State Department's Legal Adviser's Office of Diplomatic Law and Litigation, which oversees waiver of immunity requests involving U.S. officers and employees of international organizations in the United States. Pursuant to the advice received from that office, on September 28, 2007, we referred your request for a waiver to the State Department, and requested advice and recommendations on how to properly handle the request consistent with broader U.S. interests. On October 1, 2007, your office was informed of the referral in a letter from Carol De Deo, Deputy Solicitor for National Operations; that letter provided a contact in the Legal Adviser's office in case your office wanted to discuss the waiver request with the State Department.

If you have any questions, please feel free to contact Gregory Schoepfle, Director of the Office of Trade and Labor Affairs, at (202) 693-4887.