

AGENCY RESPONSE TO DRAFT REPORT

U.S. Department of Labor

Bureau of International Labor Affairs  
Washington, D.C. 20210



August 9, 2005

MEMORANDUM FOR ELLIOT P. LEWIS

Assistant Inspector General for Audit

FROM:

Martha Newton

Acting Deputy Under Secretary

SUBJECT:

Response to Draft Audit Report: Jesus Cares Ministries  
Report Number: 03-05-001-01-070

I would first like to note my appreciation to the Office of the Inspector General (OIG) for agreeing to undertake this audit and for the thoroughness and professionalism of the audit team that developed the Jesus Cares Ministries (JCM) audit report.

The Bureau of International Labor Affairs (ILAB) is committed to ensuring that all recipients of contracts, grants and cooperative agreements awarded by the Bureau adhere to U.S. Government regulations. ILAB has made it a priority to award cooperative agreements through competitive procurement processes. We have sought to encourage a broad range of organizations to participate in our procurement competitions, including local and faith-based organizations in the countries where our projects are to be implemented. To ensure that organizations less familiar with U.S. Government regulations adhere to these requirements, ILAB provides various forms of technical assistance to the organizations implementing DOL-funded cooperative agreements to build their capacity. ILAB also monitors its grantees closely throughout the life of the project. It was this commitment to proper oversight that led us to seek the assistance of the OIG to investigate various areas of concern we had with respect to this grantee.

In response to the audit team's recommendations, ILAB intends to work with the Grant Officer and grantee in the following ways:

Recommendation # 1:

- Recovery of \$5,753 in construction costs for which JCM should have obtained prior approval from ILAB and costs not adequately documented: ILAB's Grants Officer's Technical Representative (GOTR) has reviewed the nature of the \$2,020 in construction costs incurred by JCM as explained in the audit report and assessed the likelihood that ILAB would have approved or not approved such costs had JCM sought prior approval. Based on the information provided to date by the auditors, ILAB would have approved these costs, but we will consider JCM's response to the audit report and OIG's conclusions in the final audit report in finalizing our position in conjunction with the Grant Officer. The construction was necessary to expand JCM's

capacity to serve additional children in Nsanjika where the Zambian Ministry of Education's building currently used by the grantee can no longer accommodate both organizations' programs. With respect to the \$3,733 in costs not adequately supported by documentation, the Grant Officer will request that JCM submit invoices, receipts or other documentation to resolve the questions raised by the auditors and will reiterate to JCM the requirements for documenting all expenses charged to the grant. ILAB will review any additional documentation submitted by the grantee for acceptability and DOL will seek to recover any costs that cannot be adequately supported.

- Recovery of any administrative costs that JCM overcharged the cooperative agreement: ILAB is working with DOL's Division of Cost Determination and JCM to determine appropriate indirect cost rates for fiscal years 2002, 2003 and 2004. Once these indirect cost rates are determined, DOL will seek to recover from JCM any costs overcharged to the cooperative agreement.

Recommendation # 2:

- Recovery of \$741 of unallowable religious activity costs: ILAB has recommended to the Grant Officer that DOL seek to recover these costs.

Recommendation # 3:

- Revision of video tape: As recommended by the audit team, ILAB has worked with JCM to ensure that the video tapes in question are revised to remove any reference to USDOL. In its July 6, 2005 comments on the preliminary draft audit report, JCM advised that the video has been edited to remove the religious statements, and ILAB will request a copy to verify the revisions by August 12, 2005. When the new cooperative agreement is transmitted to the grantee, ILAB will remind JCM of the requirement, as stipulated in ICLP's Management and Procedures Guidelines, to seek USDOL's approval prior to the release of awareness raising materials produced with USDOL funds.

Recommendation # 4:

- Ensuring JCM's understanding of OMB Circular A-122: Guidance concerning compliance with OMB Circular A-122, including those requirements related to obtaining prior approval for construction costs, ensuring adequate support for costs, and allocating costs appropriately to benefiting programs, will be repeated in writing when the new cooperative agreement is transmitted to JCM.

Recommendation # 5:

- Develop and Implement Procedures Ensuring USDOL funds are not used for religious activities: The Management Procedures and Guidelines (MPG) for ILAB Cooperative Grant Agreements updated and reissued to all non-ILO grantees in June 2005, includes the following restrictions with respect to Inherently Religious Activities: "The U.S. Government is generally

prohibited from providing direct financial assistance for inherently religious activities. Federal funds provided under a USDOL-awarded Cooperative Agreement may not be used for religious instruction, worship, prayer, proselytizing or other inherently religious activities.” (See page 21 of attached copy of MPGs.) ILAB has also worked closely with JCM, in particular, to ensure that its staff is fully aware of restrictions related to the use of USDOL funds to support religious activities. ILAB has received assurances from JCM that it has taken steps to ensure that JCM adheres fully to U.S. Government regulations in this area in the future.

Recommendation # 6:

- Budgeting for administrative costs and factoring in Zambia’s inflation rates: ILAB has been actively working with JCM to ensure it understands and takes fully into account its administrative costs and the Zambian inflation rate when developing project budgets. We have requested additional information from JCM regarding the budget for the new cooperative agreement to ensure that the grantee has included a 5 percent contingency for inflation and the costs associated with Zambia’s Value Added Tax (VAT) in the development of the new project budget.

Recommendation # 7:

- Complying with limits on drawdowns of project funds: ILAB has discussed this issue with JCM and sent JCM written communications explaining ILAB’s expectations with respect to projects drawing down DOL-allocated funds at a pace in keeping with the overall strategy outlined in a grantee’s project document. This guidance will be repeated in writing when the new cooperative agreement is transmitted to JCM.

Recommendation # 8:

- Providing ILAB with detailed quarterly expenditure reports: ILAB intends to maintain close monitoring of JCM financial and technical reports to ensure JCM expends DOL-allocated funds in an appropriate way, in keeping with its cooperative agreement and U.S. government regulations. We will include a requirement for detailed quarterly expenditure reporting by budget line item as a special condition in the new JCM cooperative agreement. We have also requested OIG’s assistance in persuading OMB officials to increase the flexibility available to ILAB and other grantor agencies to obtain information to strengthen accountability for all grantees.

I would again like to note my appreciation to the OIG for its work on this audit of JCM. In terms of performance, ILAB has been impressed by the success that JCM has had in achieving its goal of providing assistance and educational opportunities to over 2,000 children engaged in or at-risk of involvement in the worst forms of child labor. Nevertheless, the findings and recommendations of the audit team reflect some

significant issues that need to be addressed. ILAB is committed to working with the grantee, the Grant Officer and the OIG to reach an appropriate resolution on each of these issues.

cc: V. Veatch (OASAM)  
L. Harvey (OASAM)  
M. Eugenio (ILAB)

Attachment (USDOL's Grantees' Management Procedures and Guidelines)

**Use of DOL Funds for Religious Activities.**

It is true that JCM was aware of the prohibition of using DOL funds for religious activities. However, JCM's understanding was narrow and erroneously limited the definition of religious activities to include evangelism, religious worship and prayer only. JCM did not know that religious education which is part of the education curriculum for Primary education was also forbidden. We would like #2 under results on page 4 to reflect this truth of lack of full understanding. As for the rest of the audit report we do agree to it.

JCM.

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JCM RESPONSE TO DRAFT REPORT

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August 16, 2005

Dear Mr. M. Elliott,

REF: - USE OF DEPARTMENT OF LABOR FUNDS FOR RELIGIOUS ACTIVITIES.

We wish to confirm that JCM was aware of the prohibition of using DOL funds for religious activities. However, JCM's understanding was narrow and erroneously limited on the definition of religious activities to include evangelism, religious worship and prayer only. JCM did not know that religious education which is part of the education curriculum for Primary education was also forbidden. We would like number 2 under results on page 4 to reflect this truth of lack of full understanding. As for the rest of the audit report we do agree to it.

Yours faithfully  
JESUS CARES MINISTRIES

  
Godfrida Sumali (Mrs)  
PROGRAMME DIRECTOR