

March 24, 2000

MEMORANDUM FOR:                   ANDREW J. SAMET  
  Deputy Under Secretary

FROM:                                 JOHN J. GETEK  
  Assistant Inspector General  
  For Audit

SUBJECT:                             Final Letter Report No. 17-00-008-01-070  
  Review of the Bureau of International Labor Affairs

This is to provide you with the final report on the review of the Bureau of International Labor Affairs (ILAB) by the Office of Inspector General's (OIG's) Office of Audit.

The review included areas such as agency mission, strategic and performance planning, budgeting, organization and staffing, agency functions and activities, performance measurement, working relationships/communication, and managerial controls. This review was performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Overall, we found that ILAB has a highly professional, qualified and dedicated staff and performs a wide variety of functions related to international labor policies and issues of importance to workers worldwide.

Based on our review, we recommended in the draft report that you take action to improve ILAB's mission statement, strategic and performance plans, performance measures, and managerial controls, especially over grants.

On March 15<sup>th</sup>, we received ILAB's response to the draft report which included information concerning steps ILAB has taken and is planning to take to address the recommendations made. The issues identified and recommendations made in the draft report, ILAB's comments, and our conclusions based on the analysis of ILAB's comments are presented below. ILAB's comments, in their entirety, are attached to this report.

## **ILAB's Mission Statement**

### OIG Concern

The existing mission statement for ILAB is process-oriented and does not focus, as it should, on the intended and expected outcomes resulting from ILAB operations.

### Recommendation

We recommended that the existing mission statement be revised to focus on the outcomes expected to result from ILAB operations.

### ILAB Comments

ILAB provided a revised mission statement in its response which now includes two goals.

### OIG Conclusion

The revised mission statement remains process-oriented and does not yet include and emphasize the outcomes expected to result from ILAB operations. Therefore, we continue to recommend that ILAB's mission statement be further improved to be less process-oriented and to focus on the outcomes expected to result from ILAB operations.

## **ILAB's Strategic and Performance Plans and Performance Measures**

### OIG Concern

The goals and measures contained in ILAB's current strategic and performance plans do not adequately represent the many functions that ILAB currently performs or the full compliment of responsibilities that ILAB currently has.

### Recommendation

We 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.

## ILAB Comments

ILAB noted that it held meetings to incorporate additional goals and measures to better represent the responsibilities it has and functions it performs. However, these meetings resulted in the development of plans containing only two broad goal statements reflecting the Secretary's two ILAB priorities.

## OIG Conclusion

We agree that it is appropriate, within the overall Departmental Strategic and Performance Plans, to include only goals and measures that focus on the Secretary's two ILAB priorities. However, in ILAB's strategic and performance plans, the goals and measures need to represent the responsibilities, activities and work products of all four ILAB offices as well as the Child Labor Group.

Within ILAB's FY 2000 plans, we recognize that the activities and work products of the Office of Foreign Relations, the National Administrative Office and the International Child Labor Group are included. However, we are unable to detect representation of the activities and work products of the Office of International Economic Affairs and the Office of International Organizations within these plans. Therefore, we continue to recommend these plans be improved to include these two important components of ILAB.

## **ILAB's Managerial Controls**

### OIG Concern

Appropriations for ILAB activities have increased almost sevenfold during the last 2 fiscal years. ILAB is 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.

The quality and effectiveness of an organization's managerial controls determine the level of risk associated with its activities and operations. They also determine the reliability of information published on the organization's financial and performance statements.

It is also important to note that ILAB cannot delegate its ultimate responsibility to account for the quality and effectiveness of policies and procedures for the solicitations for proposals, proposal review, proper award, distribution, control, evaluation and closeout of its grants and contracts.

### Recommendation 1

Therefore, we believe it is important, at this time, for ILAB management to 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 Comments

ILAB has been proactively working with OASAM to strengthen its managerial controls. OASAM's Business Operations Center conducted grant/contract orientation for ILAB program managers and employees. A memorandum of understanding (MOU) has been drafted between ILAB and OASAM to manage the award and administration of ILAB grants and contracts. ILAB plans to further develop management controls and to identify individual responsibility for carrying out its procurement processes. A proposed cooperative agreement between the USDOL and the ILO has been drafted which specifies management controls designed to ensure that program objectives are timely met and funds are expended cost-effectively. Special emphasis is now being placed on IPEC to capture performance and financial information. ILAB plans to hire grants management specialists and to provide GOTR (Grant Officer Technical Representative) and COTR (Contracting Officer Technical Representative) training.

### OIG Conclusion

We appreciate ILAB's proactive efforts with OASAM to strengthen managerial controls over grant and contract activities and the development of the draft MOU. After reviewing the draft MOU, we do have some concerns regarding its content and have forwarded these concerns to both parties. We would appreciate the opportunity to review the proposed cooperative agreement between the USDOL and the ILO.

We encourage ILAB's further development of internal management controls that clearly identify individual responsibility for executing each phase of the grant and contract processes, and would appreciate receiving a copy of these control policies and

procedures when completed. We would appreciate receiving, when completed, copies of the final MOU with OASAM, the final cooperative agreement between the USDOL and the ILO, the specific management controls to be established over the new \$20 million Core Labor Standards Program, and the specific controls now in place over ILAB's grants in support of the IPEC (International Program for the Elimination of Child Labor).

We appreciate ILAB's decision to hire grant and contract management specialists and to provide GOTR and COTR training for appropriate ILAB staff. At the completion of the GOTR and COTR training, we would appreciate receiving an after action report on the training and the names and positions of the participants.

### Recommendation 2

As discussed at our meeting on February 14, we recommend that ILAB review, revise and strengthen its managerial controls over grant/contracting activities, using the attachments to the draft report for guidance. By stepping back now, and rethinking its management structure, managerial expectations, managerial controls, evaluation methods, and the roles and responsibilities of individual staff, ILAB can ensure that the accountability issues inherent in the above-mentioned funding increases are properly addressed.

### ILAB Comments

ILAB, in cooperation with OASAM, is in the process of conducting a comprehensive review of its internal/external managerial controls and needed action will be taken to establish proper controls at the completion of this review. ILO officials responsible for financial and grants management, auditing, budget, and procurement will meet with their DOL counterparts in Washington next month to better align ILO grants management systems with DOL grant requirements.

### OIG Conclusion

We appreciate ILAB's comprehensive review of its internal and external management controls and its discussions with the ILO to improve the alignment of ILO grant management procedures and systems with DOL grant management requirements.

This review should be conducted with care and allow sufficient time to thoroughly analyze ILAB's risks and vulnerabilities. The review of ILAB-ILO relationships and

coordination mechanisms should be made with the same care and timeliness. We would appreciate receiving copies of the final report, including the conclusions reached, on the comprehensive review of ILAB's internal and external management controls, as well as the final report, with conclusions, on the review of the ILAB-ILO relationships and the alignment of ILO grant management processes and systems with DOL grant requirements.

Because we provided current guidance regarding general management controls as well as management controls over grant and contracting activities as attachments to the draft report, we are not forwarding these guidelines again with this final report. The guidance provided with the draft report is summarized below.

Attachment 1 provided an outline of the Revised Standards for Internal Control in the Federal Government issued by the General Accounting Office (GAO). These standards represent the basic and fundamental general managerial controls that should be in place in each Federal entity. The actual standards were provided in Attachment 2. Attachment 3 provided a summary of the Department of Labor (DOL) Manual Series chapters that relate to contract and grant management. Attachment 4 provided an outline of the draft Grant Financial System Requirements to be issued shortly by the Joint Financial Management Improvement Program (JFMIP). The JFMIP has determined that all grant financial systems must meet, as a minimum, the requirements contained in that publication. The draft system requirements were provided in Attachment 5.

Since these are the types of managerial controls that we would look for in an audit, we trust that these attachments were helpful to you in making improvements to ILAB's management controls over grant and contract activities.

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We appreciate the assistance and cooperation of you and your staff during this review. We are ready and available to assist you in taking any additional steps you deem necessary to ensure the integrity of ILAB's grant and contract processes.

[Click here to get Attachment](#)