

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

## **BRIEFLY...**

Highlights of Report Number: 03-05-001-01-070, to the Acting Deputy Under Secretary for International Labor Affairs.

### **WHY READ THE REPORT**

The Bureau of International Labor Affairs (ILAB) administers U.S. Department of Labor grants and cooperative agreements for projects worldwide that remove and prevent thousands of vulnerable children from exploitation or hazardous work, and makes basic education accessible and relevant in order to meet their needs. In August 2002, ILAB awarded a cooperative agreement to Jesus Cares Ministries (JCM) located in Zambia, Africa. The cooperative agreement obligated \$652,000 for the period September 1, 2002, through August 27, 2006. The objective of the cooperative agreement was to support combating child labor through education. JCM's goal in the cooperative agreement was to serve 2,040 children and, as of November 2004, JCM reported to ILAB that they served 2,747 children.

### **WHY OIG DID THE AUDIT**

The purpose of our audit was to obtain answers to concerns ILAB had regarding JCM's administration of the cooperative agreement. Specifically, our objectives were: (1) Did JCM obtain approval from ILAB for program funds used for building construction? (2) Did JCM use program funds for religious activities? and (3) Does JCM have adequate funding to sustain the program through the cooperative agreement period?

In addition to ILAB's concerns, we also reviewed costs to determine if JCM used program funds in accordance with Office of Management and Budget (OMB) Circular A-122 cost principles.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency and JCM responses, go to:  
<http://www.oig.dol.gov/public/reports/oa/2005/03-05-001-01-070>.

## **August 2005**

### **Jesus Cares Ministries Reducing Child Labor Through Education Period September 1, 2002 to August 31, 2004**

### **WHAT OIG FOUND**

The OIG found JCM did not obtain approval for using DOL funds for building construction and did not expend DOL funds in accordance with cost principles; as a result, we questioned \$5,753 of costs. JCM used DOL funds for religious activities and inappropriately cited DOL in religious material; as a result, we question \$741 of unallowable religious activity costs. Finally, JCM does not have adequate DOL funds to sustain its Child Labor Education Initiative program through the remaining 2 years of the cooperative agreement. JCM reported that it spent most of its funds and exceeded its goal of removing over 2,040 children from the labor force and putting them into education due to the overwhelming needs of the children. At the time of our fieldwork, JCM had expended 86 percent of the DOL funds awarded even though there were 2 years remaining on the 4-year cooperative agreement. We also noted funding shortages because JCM had not budgeted for all its administrative costs and did not take into account Zambia's high inflation rate.

### **WHAT OIG RECOMMENDED**

We recommended that the Acting Deputy Under Secretary for International Labor Affairs recover \$5,753 in questioned costs and direct JCM to obtain an approved indirect cost rate, recover \$741 of unallowable religious costs.

ILAB should require JCM to (1) become knowledgeable of OMB Circular A-122, (2) develop and implement procedures regarding religious activity costs, (3) budget for administrative costs and inflation, (4) comply with drawdown limits, and (5) provide detailed quarterly expenditure reports.

ILAB and JCM agreed with and plan to implement our recommendations.