

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE BUREAU OF INTERNATIONAL LABOR AFFAIRS



ILAB PROPERLY PERFORMED OVERSIGHT IN COMPLIANCE WITH THE USAID MEMORANDUM OF AGREEMENT AND ENSURED CATHOLIC RELIEF SERVICES WAS IN COMPLIANCE WITH THE COOPERATIVE AGREEMENT REQUIREMENTS

This report was prepared by Castro & Company, LLC, under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

A handwritten signature in cursive script that reads "Carolyn R. Hantz".

Carolyn R. Hantz
Assistant Inspector General for Audit

DATE ISSUED: SEPTEMBER 23, 2021
REPORT NUMBER: 17-21-003-01-070



BRIEFLY...

ILAB PROPERLY PERFORMED OVERSIGHT IN COMPLIANCE WITH THE USAID MEMORANDUM OF AGREEMENT AND ENSURED CATHOLIC RELIEF SERVICES WAS IN COMPLIANCE WITH THE COOPERATIVE AGREEMENT REQUIREMENTS

September 23, 2021

WHY OIG CONDUCTED THE REVIEW

The Bureau of International Labor Affairs (ILAB) awarded \$3,478,000 received from the United States Agency for International Development (USAID) through a Memorandum of Agreement (MOA) to Catholic Relief Services (CRS). Public Law 114-113, Division K, Title VII, General Provisions, requires the Inspector General for the agency receiving the transfer or allocation of such [USAID] funds shall perform periodic audits of the use of the funds.

WHAT OIG DID

The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Castro & Company, LLC (Castro) to conduct a performance audit and answer the following questions:

Did ILAB ensure CRS performed in accordance with the cooperative agreement requirements?

Did ILAB ensure costs claimed under the MOA were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement?

Did ILAB properly perform oversight over CRS in compliance with the MOA and its policies and procedures?

To answer these questions, Castro reviewed policies, procedures, and documents; interviewed officials; and reviewed selected costs claimed by CRS.

WHAT OIG FOUND

ILAB ensured CRS performed in accordance with the cooperative agreement requirements; ensured costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement; and properly performed oversight over CRS in compliance with the MOA and its policies and procedures.

Although ILAB properly performed oversight over CRS in compliance with the MOA and its policies and procedures, Castro identified one instance where ILAB did not perform a thorough review of CRS' Inventory Listing, which resulted in a vehicle purchase that deviated from the approved budget justification. However, the purchased vehicle cost less than what was approved and achieved the purpose for which the original vehicle was approved.

In addition, CRS did not meet three performance indicators; however, this did not impact CRS achieving the overall goals of the project.

WHAT WAS RECOMMENDED

Castro made two recommendations to ILAB to update its Management Procedures and Guidelines to improve its oversight procedures for inventory management. In response to the draft report, ILAB concurred with one of the two recommendations to improve its oversight procedures for inventory management.

READ THE FULL REPORT:

<https://www.oig.dol.gov/public/reports/oa/2021/17-21-003-01-070.pdf>

TABLE OF CONTENTS

INSPECTOR GENERAL’S REPORT 1

PERFORMANCE AUDIT REPORT 3

RESULTS 6

 ILAB Ensured CRS Generally Performed in Accordance with the
 Cooperative Agreement Requirements 6

 ILAB Ensured CRS’ Claimed Costs were Allowable, Supported, and
 in Accordance with Applicable Laws, Regulations, and Guidelines..... 8

 ILAB Did Not Provide Prior Approval for a Vehicle Purchased by
 CRS that Deviated from the Approved Budget Justification 9

RECOMMENDATIONS..... 11

 Summary of ILAB’s Response 11

 Auditor’s Response 11

APPENDIX A: SCOPE, METHODOLOGY, & CRITERIA..... 13

APPENDIX B: ILAB’S RESPONSE TO THE REPORT..... 15

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



INSPECTOR GENERAL'S REPORT

Thea Lee
Deputy Undersecretary
for International Affairs
U.S. Department of Labor
200 Constitution Ave, NW
Washington, DC 20210

The United States Department of Labor (DOL) Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Castro & Company, LLC (Castro) to conduct a performance audit of the Bureau of International Labor Affairs, Office of Child Labor, Forced Labor, and Human Trafficking's (herein referred to as ILAB) Memorandum of Agreement (MOA) with the United States Agency for International Development (USAID).

OIG monitored Castro's work to ensure it met professional standards and contractual requirements. Castro's independent audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Castro was responsible for the auditors' evaluation and the conclusions expressed in the report, while we reviewed Castro's report and supporting documentation.

Purpose

On July 29, 2015, the ILAB awarded Cooperative Agreement No. IL-27584-15-75-K-24 to the Catholic Relief Services (CRS) for a total amount of \$13 million in support of providing services for at-risk youth in El Salvador and Honduras. On September 29 and 30, 2017, ILAB awarded additional funding to CRS in the amount of \$3,250,000 and \$228,000, respectively, for a total of \$3,478,000 through issuance of modifications based on the USAID MOA. On April 27, 2021, the period of performance was extended through September 30, 2021.

This audit focused on the funding administered to CRS under the modification. The scope covers the period of October 1, 2017, through July 31, 2020.

Castro conducted this performance audit to answer the following questions:

- Did ILAB ensure CRS performed in accordance with the cooperative agreement requirements?
- Did ILAB ensure costs claimed under the cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement?
- Did ILAB properly perform oversight over CRS in compliance with the MOA and its policies and procedures?

To answer these questions, Castro obtained an understanding of ILAB's and CRS's internal controls through interviews and reviews of the policies and procedures. Castro also selected samples to ensure costs claimed by CRS under the cooperative agreement were allowable, supported and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement.

Results

Castro concluded ILAB properly performed oversight in compliance with the USAID MOA and its policies and procedures and ensured CRS was in compliance with the cooperative agreement requirements. While Castro noted that CRS purchased a vehicle that deviated from the approved budget justification, the costs incurred were less than the approved costs, and the alternative vehicle still achieved the intended purpose.



Carolyn R. Hantz
Assistant Inspector General for Audit



PERFORMANCE AUDIT REPORT

Thea Lee
Deputy Undersecretary
for International Affairs
U.S. Department of Labor
200 Constitution Ave, NW
Washington, DC 20210

This report presents the results of our independent performance audit of the Department of Labor (DOL) Bureau of International Labor Affairs, Office of Child Labor, Forced Labor, and Human Trafficking's (herein referred to as ILAB) Memorandum of Agreement (MOA) with the United States Agency for International Development (USAID).

On July 29, 2015, the DOL ILAB awarded Cooperative Agreement No. IL-27584-15-75-K-24 to the Catholic Relief Services (CRS), founded by the United States Conference of Catholic Bishops, for a total amount of \$13 million in support of providing services for at-risk youth in El Salvador and Honduras. ILAB's mission is to promote a fair global playing field for workers in the United States and around the world by enforcing trade commitments, strengthening labor standards, and combating international child labor, forced labor, and human trafficking.

On August 4, 2017, USAID agreed to transfer to ILAB \$3,478,000 under the MOA for the project titled Youth Pathways-Central America: Building Pathways to Learning, Leadership, and Livelihood Opportunities for At-risk Youth in El Salvador and Honduras. On September 29 and 30, 2017, ILAB awarded additional funding to CRS in the amount of \$3,250,000 and \$228,000, respectively, for a total of \$3,478,000 through issuance of modifications of the USAID MOA. On April 27, 2021, the period of performance was extended through September 30, 2021. The project's goal is to improve livelihood outcomes among at-risk youth to prevent their engagement in the worst forms of child labor. This goal is to be achieved through project efforts under four objectives:

- At-risk youth acquire skills and education directly related to labor market needs, in a safe learning environment;
- At-risk youth secure and retain employment;

ILAB ADEQUATELY MONITORED THE USAID MOA FUNDED COOPERATIVE AGREEMENT

- Business partnerships promote youth employment; and
- Government and community organizations strengthen capacity to support relevant vocational training and employment opportunities for youth.

Public Law 114-113, Division K, Title VII, General Provisions, requires the Inspector General for the agency receiving the transfer or allocation of such funds shall perform periodic program and financial audits of the use of such funds and report to the Department of State or USAID as appropriate upon completion of such audits.

DOL Office of Inspector General (OIG) contracted with Castro & Company, LLC (Castro) to perform a performance audit on ILAB's MOA with the USAID for the period covering October 1, 2017, through July 31, 2020. We conducted the audit to address the objectives below:

- Did ILAB ensure CRS performed in accordance with the cooperative agreement requirements?
- Did ILAB ensure costs claimed under the cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement?
- Did ILAB properly perform oversight over CRS in compliance with the MOA and its policies and procedures?

As part of our audit, we reviewed policies, procedures, and documents concerning ILAB's monitoring of cooperative agreements and CRS' compliance with cooperative agreement terms and conditions; interviewed relevant personnel from ILAB and CRS; and selected samples to ensure costs claimed by CRS under the cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement.

Based on the results of this audit work, we found ILAB ensured CRS performed in accordance with the cooperative agreement requirements; ensured costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement; and properly performed oversight over CRS in compliance with the MOA and its policies and procedures.

Although ILAB properly performed oversight over CRS in compliance with the MOA and its policies and procedures, we determined one instance where ILAB did not perform a thorough review of CRS' Inventory Listing, which resulted in a vehicle purchase that deviated from the approved budget justification.

Additionally, CRS did not meet three of their performance indicator targets. Castro did not think this issue should be elevated to the level of a finding as it did not impact CRS achieving the overall project goals or ILAB's monitoring of project performance. However, for future project(s) Castro suggested that ILAB perform periodic assessments throughout the life of the project to ensure established performance indicators are measurable so ILAB and CRS can appropriately track progress against the intended results.

Castro also identified a best practice used by ILAB that enabled CRS to achieve the majority of the performance objectives. ILAB has developed and implemented Management Procedures and Guidelines (MPG) specific to cooperative agreements that outlines the monitoring procedures in place over the cooperative agreements. To ensure performance compliance, ILAB uses this procedure to perform periodic site visits to project locations, review prior audit reports on the awardees and any partners to identify potential weaknesses in internal controls or areas of noncompliance, perform multiple reviews over project deliverables, and hire external, independent consultants to perform mid-term and final performance evaluations over the awardees. Castro determined that these controls contributed to greater success in CRS achieving the performance objectives.

This audit did not constitute an audit of financial statements, or an attestation-level report as defined under Generally Accepted Government Auditing Standards (GAGAS) or American Institute of Certified Public Accountants (AICPA) professional standards.

This report is intended solely for the use of the U.S. Department of Labor, Office of Inspector General; Bureau of International Labor Affairs Office of Child Labor, Forced Labor, and Human Trafficking; and the Catholic Relief Services. It is not intended to be, and should not be relied upon, by anyone other than these specified parties.



Castro & Company, LLC
Alexandria, VA
September 23, 2021

RESULTS

Based on the results of our work, we determined ILAB generally ensured CRS performed in accordance with the cooperative agreement; ensured CRS' claimed costs were allowable, supported, and in accordance with laws, regulations, and guidance; and properly performed oversight over CRS in compliance with the MOA and its policies and procedures. Castro noted two issues related to the achievement of three performance indicators and the purchase of one vehicle that deviated from the approved budget justification.

ILAB ENSURED CRS GENERALLY PERFORMED IN ACCORDANCE WITH THE COOPERATIVE AGREEMENT REQUIREMENTS

ILAB ensured that CRS performed in accordance with the cooperative agreement requirements. As part of our procedures, Castro reviewed semi-annual technical progress reports submitted by CRS to ILAB, the mid-term and final performance evaluations performed by an independent consultant on behalf of ILAB, and notes taken during site visits to the project locations. Therefore, we determined ILAB established appropriate monitoring procedures to ensure performance indicators were on track to be met.

Castro also obtained and reviewed ILAB's Final Evaluation, *Final Performance Evaluation of the Youth Pathways Central America (YCPA) Project Cooperative Agreement No. IL-27584-15-75-K-24*, issued July of 2020, produced by DevTech Systems, Inc., which noted that YCPA established 24 performance (outcome and output) indicator targets. Castro performed alternate procedures and compared the Final Evaluation report against CRS' Technical Progress Report results reported for 2020 as well as reports generated by CRS from Power BI.¹ Our results mirrored ILAB's Final Evaluation.

Overall, CRS was effective in achieving the 24 numeric targets as reflected in the data provided by CRS. Of the 24 performance indicators, 17 were met or exceeded the target, four were achieved with 90 to 99 percent of execution, and three were below 90 percent of execution.

¹ Power BI is a business analytics service by Microsoft. It aims to provide interactive visualizations and business intelligence capabilities with an interface simple enough for end users to create their own reports and dashboards. It is part of the Microsoft Power Platform.

For the four performance indicators that were almost met, Castro noted that CRS has through September 2021 to complete the project, which was extended through modification six of the cooperative agreement. Inquiries with CRS and ILAB representatives revealed no reason that these four performance indicators would not be met by the project deadline.

Further, for the three performance indicators that were not met, Castro noted the following:

- The methodology to measure two of the three indicators does not provide a single estimated number to be compared to the targets, but instead results in three figures (on resilience, depression, and the ability to solve problems). This makes it difficult to track progress toward an intended result.
- One of the three indicators, related to emergency assistance, is demand-driven, and out of the program's control. In addition, achievement of these emergency cases was limited by the short response time required to support youths under imminent threat, which does not fit CRS's expenditure policies, and the limited availability of specialized service providers.

Our approach for determining if ILAB ensured CRS performed in accordance with the cooperative agreement requirements consisted of Castro reviewing the performance indicators and assessing if CRS met these performance indicators. For the indicators CRS did not meet, Castro determined if ILAB followed up with CRS to address issues for these performance indicators.

Throughout the project period of performance, we found ILAB monitored and followed up on CRS' achievement of meeting performance indicators through their detailed review of semi-annual technical progress reports, performance evaluation reports, and other deliverables submitted by CRS to ILAB. Although CRS did not meet three of the performance indicators as of the issuance date of this report, Castro does not consider this to rise to a level of a finding, as it did not impact CRS achieving the overall goals of the project or ILAB's monitoring of the project performance. Due to these observations, Castro reported this as an Other Matter and suggested ILAB perform periodic assessments of the project performance indicators throughout the life of the project to ensure established performance indicators are measurable and CRS can appropriately track progress against the intended results.

Castro also identified a best practice used by ILAB that enabled CRS to achieve the majority of the performance objectives. ILAB has developed and implemented Management Procedures and Guidelines (MPG) specific to cooperative agreements that outline the monitoring procedures in place over the

cooperative agreements. To ensure performance compliance, ILAB uses this procedure to perform periodic site visits to project locations, review prior audit reports on the awardees and any partners to identify potential weaknesses in internal controls or areas of noncompliance, perform multiple reviews over project deliverables, and hire external, independent consultants to perform mid-term and final performance evaluations over the awardees. Castro suggests ILAB expand the use of these best practices across all ILAB projects to ensure the achievement of project objectives.

ILAB ENSURED CRS' CLAIMED COSTS WERE ALLOWABLE, SUPPORTED, AND IN ACCORDANCE WITH APPLICABLE LAWS, REGULATIONS, AND GUIDELINES

ILAB ensured that costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement. To evaluate CRS's claimed costs, Castro selected a random sample of 237 transactions charged to the cooperative agreement budget categories. For transactions tested by budget category, we designed our test of the transactions to determine if the costs were:

- For allowable project expenditures,
- Incurred during the project period of performance,
- Categorized to the correct budget category,
- Correctly allocated as administrative or indirect, and
- Reasonable and allowable under the cooperative agreement or federal statute.

In addition, Castro performed recalculations of the applied indirect costs to ensure they were applied in accordance with the executed Negotiated Indirect Cost Rate Agreements (NICRA). As a result of our procedures, we found that costs claimed were in accordance with the cooperative agreement, and those costs were reasonable, allowable, and allocable.

**ILAB DID NOT PROVIDE PRIOR APPROVAL
FOR A VEHICLE PURCHASED BY CRS THAT
DEVIATED FROM THE APPROVED BUDGET
JUSTIFICATION**

Except for the one instance noted below, ILAB properly performed oversight over CRS in compliance with the MOA and its policies and procedures. Castro verified ILAB properly performed oversight over CRS in accordance with the cooperative agreement requirements through interviews with ILAB and CRS management; reviews of ILAB and CRS policies and procedures; and test work related to budgetary compliance, cash management, inventory management, sub-recipient monitoring, and performance compliance.

As a result of our procedures, we noted ILAB:

- Performed site visits to CRS' field offices in El Salvador and Honduras,
- Obtained audits performed over CRS and its three partners,
- Obtained and reviewed all deliverables required to be submitted during the period of performance,
- Provided prior approval over budget revisions and key personnel changes, and
- Obtained independent consulting firms to perform mid-term and final performance evaluations to evaluate CRS' achievement of the outlined project outcomes and objectives.

However, we noted one instance in which ILAB did not perform thorough oversight. During our testing of four inventory items related to vehicles CRS purchased under this cooperative agreement, we reviewed approvals from ILAB for the purchase of each vehicle to verify if approval was obtained prior to purchase in accordance with 2 Code of Federal Regulation (CFR) § 200.439 and the MPG for cooperative agreements issued by the DOL ILAB.

We found CRS purchased a Ford Escape in the amount of \$30,700, which deviated from the approved budget justification allowing for the purchase of a 4X4 double-cab pickup truck for an amount not to exceed \$32,000. We did note that by purchasing the Ford Escape, CRS incurred less costs compared to the approved item and achieved the purpose for which the vehicle was approved, as demonstrated in the criteria below.

CRS's Cost Proposal, *Honduras Budget Narrative*, states:

4. Equipment – CRS will purchase one vehicle for program purposes (4x4 double-cab pickup truck), to be based at the project office in San Pedro Sula, given that CRS currently has no vehicles based in the San Pedro Sula area. The cost of the vehicle [\$32,000] includes the purchase of spare parts and radio/safety upgrades as required by CRS policy. The vehicle will be used to support field activities and monitoring in Choloma, El Progreso, and San Pedro Sula. Analysis conducted by CRS determined that purchasing a new vehicle would be more cost efficient over the life of the project than repairing and transferring an existing vehicle to San Pedro Sula, renting, or using public transport.

2 CFR § 200.439, *Equipment and other capital expenditures*, states:

(b) The following rules of allowability must apply to equipment and other capital expenditures:

...(2) Capital expenditures for special equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.

The MPG for Cooperative Agreements issued by the DOL ILAB on February 14, 2019, *XII. Restrictions, Unallowable Activities, and Specific Prohibitions*, states:

8. Vehicle Costs – If a vehicle is necessary for a particular project and/or meets the definition of equipment, then recipients are required to get prior approval from US DOL prior to purchase.

Castro determined the cause of this agreement deviation was due to ILAB not performing a thorough analysis of the Inventory Listing provided by CRS. ILAB also waited every two years to receive the Inventory Listing to ensure purchased inventory items were in accordance with the approved budget justification, as outlined within the cost proposal approved through execution of the cooperative agreement. Additionally, ILAB did not request notifications from grantees when purchased inventory items deviated from the approved budget justification. By not taking these actions, ILAB did not timely identify grantees purchasing inventory items that deviated from the approved budget justification, resulting in an unapproved capital expenditure.

Although ILAB did not provide approval for the purchased vehicle, no questions regarding the costs were derived. This was due to the cost of the purchased vehicle

being less than the amount requested in the approved cooperative agreement budget justification. The purchased vehicle also achieved the purpose for which the original vehicle was approved.

RECOMMENDATIONS

We recommend the Deputy Undersecretary of International Labor Affairs take the following actions:

1. Update its Management Procedures and Guidelines (MPG) to require grantees to submit the Inventory Listing at least annually to allow for a more timely review of inventory items being purchased by grantees.
2. Update its MPG to require grantees to notify ILAB via written notification when purchased inventory items deviate from the approved budget justification.

SUMMARY OF ILAB'S RESPONSE

The Deputy Undersecretary for International Affairs agreed to take corrective actions for one of the two recommendations to improve its oversight procedures for inventory management. The Deputy Undersecretary disagreed with the recommendation to update its MPGs to require grantees to submit the Inventory Listing at least annually to allow for a more timely review of inventory items being purchased by grantees.

AUDITOR'S RESPONSE

While Castro acknowledges the requirements of 2 CFR 200 Subpart D (Post Federal Award Requirements) and recognizes that ILAB made updates to its MPG, effective December 31, 2020, to include the requirements of 2 CFR 200 Subpart D (having recipients provide a copy of their inventory list upon request), Castro disagrees that the recommendation goes beyond the requirements in 2 CFR 200 Subpart D and that requiring annual submission of the inventory list is not an effective means for ensuring proper monitoring of inventory.

Castro believes that the requirements of 2 CFR 200 Subpart D do not preclude ILAB from obtaining regular Inventory Listings. As demonstrated by our audit, ILAB waited two years to receive the Inventory Listing to ensure that the grantee's purchased inventory items were in accordance with the approved

budget justification, as outlined within the cost proposal approved through execution of the cooperative agreement. Requiring an annual inventory submission is an effective means for ILAB to timely monitor the grantee to ensure purchased inventory meets the requirements. In addition, ILAB has offered no alternative processes to ensure that its recipients of Federal Awards adhere to inventory requirements.

Management's response to the draft report is included in its entirety in Appendix B. We appreciate the cooperation and courtesies ILAB extended us during this audit.

Castro & Company, LLC

Castro and Company, LLC
September 23, 2021

APPENDIX A: SCOPE, METHODOLOGY, & CRITERIA

SCOPE

Castro was engaged by the DOL OIG’s Office of Audit to conduct a performance audit of the USAID MOA funding administered to ILAB, which was then funded to CRS under a modification to an existing cooperative agreement (Cooperative Agreement IL-27584-15-75-K-24). Our audit scope covers the period of October 1, 2017, through July 31, 2020.

METHODOLOGY

Castro conducted this performance audit from June 2020 to September 2021 in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted structured interviews with ILAB program officials and staff from CRS, who were responsible for monitoring and oversight over CRS Cooperative Agreement No. IL-27584-15-75-K-24, which was funded through the USAID MOA. We also reviewed the cooperative agreement and related modifications, including the USAID MOA, ILAB’s MPG, and relevant CRS policies and procedures. We also conducted analyses of and assessments on budgetary compliance, cash management, subrecipient monitoring, inventory management, and performance compliance to ensure CRS complied with cooperative agreement terms and conditions. Castro selected a random sample of 237 transactions charged to the cooperative agreement budget categories. For transactions tested by budget category, we designed our test to determine if the costs were:

- For allowable project expenditures,
- Incurred during the project period of performance,
- Categorized to the correct budget category,
- Correctly allocated as administrative or indirect, and
- Reasonable and allowable under the cooperative agreement or federal statute.

Additionally, Castro recalculated the applied indirect costs to ensure they were applied in accordance with the executed NICRA. As a result of our procedures,

we found that costs claimed were in accordance with the cooperative agreement, and those costs were reasonable, allowable, and allocable.

INTERNAL CONTROLS

In planning and performing the audit, Castro obtained an understanding of ILAB's and CRS' internal controls considered relevant to our audit objectives. However, the testing of these controls was not determined to be significant to our audit objectives. We considered the internal controls relevant to our audit objectives by obtaining an understanding of those controls through interviews and reviews of ILAB's and CRS' policies and procedures. The objective of our audit was not to provide assurance on internal controls; therefore, we did not express an opinion on these internal controls. Other consideration of internal controls relevant to our audit objectives would not necessarily disclose all matters that might be material weaknesses or significant deficiencies. Due to inherent limitations in internal controls, noncompliance may nevertheless occur and not be detected.

Castro considered if the information obtained during our audit resulted in either known or likely fraudulent and illegal acts, significant violations, and significant abuses, which would be relevant to our audit objectives. Our audit did not identify evidence of such issues.

DATA RELIABILITY

We gained an understanding of internal control processes within the context of the audit objectives by reviewing the documentation for evidence of controls. We did not rely on computer-processed data to complete this audit. Finally, our work found no instances of illegal acts. From these efforts, the information we obtained is sufficiently reliable for this report.

CRITERIA

- ILAB's Management Procedures & Guidelines for Cooperative Agreements, February 14, 2019
- Memorandum of Agreement between the United States Agency for International Development and the Department of Labor to Transfer Economic Support Funds, August 4, 2017
- Title 2 CFR, Grants and Agreements (Chapters II)
- Cooperative Agreement No. IL-27584-15-75-K-24

APPENDIX B: ILAB'S RESPONSE TO THE REPORT

U.S. Department of Labor

Deputy Undersecretary
for International Affairs
Washington, D.C. 20210



September 9, 2021

MEMORANDUM FOR CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM: Thea Mei Lee *Thea Mei Lee*

SUBJECT: ILAB Management Response on OIG Draft Report No.
17-21-003-01-070: ILAB Properly Performed Oversight in
Compliance with the USAID Memorandum of Agreement and
Ensured that Catholic Relief Services was in Compliance with the
Cooperative Agreement Requirements

ILAB appreciates the opportunity to respond to the Office of the Inspector General's (OIG) draft audit report concerning the Bureau of International Labor Affairs' (ILAB's) oversight of the Youth Pathways Central America project implemented by Catholic Relief Services (CRS). ILAB is pleased with the findings that ILAB properly performed oversight of CRS in compliance with the Memorandum of Agreement and the cooperative agreement requirements. ILAB also enjoyed working with the OIG's audit subcontractor, Castro & Company, LLC, and thanks them for the professional and congenial nature in which they conducted the audit.

ILAB's specific comments and corrective actions with respect to the draft report's recommendations pertaining to the monitoring of equipment procured by grantees for ILAB grant awards follow:

Recommendation 1: Update its Management Procedures and Guidelines (MPG) to require grantees to submit the inventory listing at least annually to allow for a more timely review of inventory items purchased by grantees.

ILAB believes the recommendation as written goes beyond the requirements in 2 CFR 200 Subpart D – Post Federal Award Requirements and that requiring annual submission of the inventory list is not the most effective means for ensuring proper monitoring of inventory. We note that the latest version of our Management Procedures and Guidelines (MPG) (please refer to [ILAB's Grantee Resources page](#) for a copy of the December 2021 MPG), which is applicable to all active projects, contains the following language on page 15: "The recipient must maintain an inventory list of all equipment and real property consistent with the regulations applicable to "Property Standards" at 2 CFR 200, Subpart D – Post Federal Award Requirements. The recipient must provide a copy of their inventory list to USDOL upon request." This language is consistent with 2 CFR 200 in requiring the maintenance of an inventory list by the grantee. ILAB reserves the right to request a copy of the inventory list at any time.

Recommendation 2: Update its MPG to require grantees to notify ILAB via written notification when purchased inventory items deviate from the approved budget justification.

ILAB agrees with this recommendation and will work with the Grant Officer to add language in the upcoming MPG revision that requires the grantee to provide written notification when the purchase of equipment with a per-unit cost of \$5,000 or more and a useful life of more than one year deviates from the approved budget justification.

We hope that these comments and actions are useful in providing further context for the work that ILAB has taken or is in the process of undertaking in response to the OIG draft report.

Please do not hesitate to contact us if you have any questions or need additional information.

**REPORT FRAUD, WASTE, OR ABUSE
TO THE DEPARTMENT OF LABOR**

Online

<http://www.oig.dol.gov/hotline.htm>

Telephone

(800) 347-3756 or (202) 693-6999

Fax

(202) 693-7020

Address

Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue, NW
Room S-5506
Washington, DC 20210