

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 IMPAQ INTERNATIONAL, LLC 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: FEBRUARY 11, 2022
REPORT NUMBER: 17-22-001-01-070**



BRIEFLY...

ILAB PROPERLY PERFORMED OVERSIGHT IN COMPLIANCE WITH THE USAID MEMORANDUM OF AGREEMENT AND ENSURED IMPAQ INTERNATIONAL, LLC WAS IN COMPLIANCE WITH THE COOPERATIVE AGREEMENT REQUIREMENTS

February 11, 2022

WHY OIG CONDUCTED THE REVIEW

On September 26, 2017, the Bureau of International Labor Affairs (ILAB) awarded \$4 million received from the United States Agency for International Development (USAID) through a Memorandum of Agreement (MOA) to IMPAQ International, LLC (IMPAQ). Public Law 114-113, Division K, Title VII, General Provisions, requires that 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 to answer the following questions:

Did ILAB ensure IMPAQ 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 IMPAQ 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 IMPAQ.

WHAT OIG FOUND

ILAB ensured IMPAQ 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 IMPAQ in compliance with the MOA and its policies and procedures.

IMPAQ did not meet five of their original performance indicator targets. IMPAQ and ILAB made adjustments to allow better monitoring of the indicators, and we determined this issue did not affect IMPAQ's ability to meet the overall project goals.

WHAT WAS RECOMMENDED

ILAB properly performed oversight in compliance with the USAID MOA and ensured IMPAQ was in compliance with the cooperative agreement requirements. Therefore, our audit report does not include recommendations to ILAB. ILAB agreed with the results of our report.

READ THE FULL REPORT:

<https://www.oig.dol.gov/public/reports/oa/2022/17-22-001-01-070.pdf>

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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 Trade and Labor Affairs (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 the OIG reviewed Castro's report and supporting documentation.

Purpose

On July 25, 2017, USAID agreed to transfer a sum of \$4 million to DOL. On September 26, 2017, ILAB transferred this USAID MOA funding of \$4 million to IMPAQ International, LLC (IMPAQ) through Cooperative Agreement No. IL-31147-17-75-K-24 in support of the "Labor Market Supply and Demand in the Northern Triangle: Leveraging Data to Build an Efficient Labor Market" project with a period of performance of October 1, 2017, through September 30, 2021. On June 4, 2020, ILAB awarded additional funding to IMPAQ in the amount of \$345,000 through issuance of a modification. This increased the total funding to \$4,345,000.

This audit focused on the MOA funding administered to IMPAQ. The scope covers the period of October 1, 2017, through December 31, 2020. Castro conducted this performance audit to answer the following questions:

- Did ILAB ensure IMPAQ 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 IMPAQ in compliance with the MOA and its policies and procedures?

To answer these questions, Castro obtained an understanding of ILAB's and IMPAQ's internal controls through interviews and reviews of the policies and procedures. Castro also selected samples to ensure costs claimed by IMPAQ 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 IMPAQ was in compliance with the cooperative agreement requirements.



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 Trade and Labor Affairs (herein referred to as ILAB) Memorandum of Agreement (MOA) with the United States Agency for International Development (USAID).

On July 25, 2017, USAID agreed to transfer \$4 million to ILAB under the MOA for the project titled “Labor Market Supply and Demand in the Northern Triangle: Leveraging Data to Build an Efficient Labor Market in Central America” (the Northern Triangle project), which focuses on El Salvador, Guatemala, 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 September 26, 2017, ILAB transferred the USAID MOA funding of \$4 million to IMPAQ International, LLC (IMPAQ) through Cooperative Agreement No. IL-31147-17-75-K-24 in support of the Northern Triangle project with a period of performance of October 1, 2017, through September 30, 2021. On June 4, 2020, ILAB awarded additional funding to IMPAQ in the amount of \$345,000 for a total funded amount of \$4,345,000.

The Northern Triangle project focuses on increasing the efficiency of El Salvador, Guatemala, and Honduras labor markets by strengthening their information systems to create useful labor market intelligence. To achieve the Northern Triangle project objective of improving labor market efficiency and performance in the region, IMPAQ implemented five outcomes as summarized below:

- Assist the government in publishing reliable, comprehensive, and current labor market information (LMI) in user-friendly formats for the general public and professional audiences;
- Support increased employability of jobseekers and youth;
- Allow employers to more easily identify and hire qualified workers;
- Ensure government labor market policies are effective; and
- Support increased skill and knowledge of education and workforce development programs, employers, and policy makers on how to use LMI.

Public Law 114-113, Division K, Title VII, General Provisions, requires that 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 of ILAB's MOA with the USAID for the period covering October 1, 2017, through December 31, 2020. We conducted the audit to address the below objectives:

- Did ILAB ensure IMPAQ 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 IMPAQ 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 IMPAQ's compliance with cooperative agreement terms and conditions; interviewed relevant personnel from ILAB and IMPAQ; and selected samples to ensure costs claimed by IMPAQ 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 IMPAQ 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 IMPAQ in compliance with the MOA and its policies and procedures.

IMPAQ did not meet five of their original performance indicator targets. As a result, IMPAQ and ILAB made adjustments to the indicators to allow better performance monitoring. We did not believe this issue should be elevated to the level of a finding as it did not affect IMPAQ's ability to meet the overall project goals or ILAB's monitoring of project performance.

We also identified a best practice used by ILAB that enabled IMPAQ 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 those 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 midterm performance evaluations over the awardees. We determined that these controls contributed to greater success in IMPAQ 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 Trade and Labor Affairs; and IMPAQ International, LLC. It is not intended to be, and should not be relied upon, by anyone other than these specified parties.



Castro & Company, LLC
Alexandria, VA
February 11, 2022

RESULTS

Based on the results of our work, we determined ILAB ensured IMPAQ performed in accordance with the cooperative agreement; ensured IMPAQ's claimed costs were allowable, supported, and in accordance with laws, regulations, and guidance; and properly performed oversight over IMPAQ in compliance with the MOA and its policies and procedures.

ILAB ENSURED IMPAQ PERFORMED IN ACCORDANCE WITH THE COOPERATIVE AGREEMENT REQUIREMENTS

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

We obtained and reviewed ILAB's midterm evaluation, "Multi-Country Interim Performance Evaluation of the Leveraging Data to Build an Efficient Labor Market in the Northern Triangle (NTLMI) Project" (issued March 31, 2020), produced by Mathematica, which noted 10 performance indicators to monitor if the project was on track to reach its targets and objectives. Overall, IMPAQ exceeded its targets for engaging businesses in pilot-testing the establishment survey. Of the 10 performance indicators, five were exceeding/achieving the expected target, three experienced manageable problems, and two experienced other problems.

Three performance indicators experienced manageable problems due to the following reasons:

- **Number of Procedures, Manuals, and/or Guidelines for Conducting Surveys and Documenting the Proper Usage Institutionalized** – IMPAQ expects to exceed the target; however, due to not having control over what the stakeholders do with the developed procedures, manuals, and guidelines, IMPAQ proposed updating the indicator to track the proper usage transferred to

stakeholder institutions. As of April 2021, IMPAQ has developed three of the targeted six procedures, manuals, and/or guidelines and is at a 50 percent achievement level.

- **Number of Individuals with New or Better Employment Following Completion of United States Government (USG)-Assisted Workforce Development Programs** – IMPAQ realized that, while technical staff are gaining skill, tools, and experience, these benefits do not necessarily lead directly to new employment, promotions, or a pay increase due to the bureaucratic structures and limited budgets within institutions. As a result, IMPAQ proposed updating the description of the indicator to include language focusing on individuals gaining new skills that increase their success in undertaking job responsibilities. This is a year four indicator, and the goal is to reach 159 individuals who report, in a survey, that they have increased success in undertaking their job responsibilities as a result of project-funded training. As of April 2021, IMPAQ is at a 0 percent achievement level and performance is not required to be reported until the end of year four.
- **Number of Individuals Who Completed USG-Assisted Workforce Development Programs** – IMPAQ is exceeding targets for numbers of individuals trained; however, due to high turnover levels among stakeholder institution staff, even the project’s most consistent workshop attendees have still not participated in most of the training. As a result, IMPAQ proposed re-defining this year four indicator to individuals who complete at least 50 percent of workshops offered by the project. This is reported as a year four indicator and the goal is set to 45 individuals to complete at least 50 percent of workshops offered by the project. As of April 2021, IMPAQ is at a 44 percent achievement level.

IMPAQ learned throughout the development of the Northern Triangle project that these performance indicators needed to be updated to measure results more effectively. We obtained the most recent Project Management Plan (PMP) Indicator Table submitted and approved by ILAB in April 2021 and noted the above three performance indicators that experienced manageable problems were updated based on the results of the September 2020 Technical Progress Report.

The two performance indicators that experienced other problems (“Number of Governments Administering Establishment Survey on a Regular Basis” and “Number of Electronic LMI Data Repository Systems Developed”) are related to year four indicators. At the time of our audit, IMPAQ was currently in year three

of the project. IMPAQ began work related to these activities; however, IMPAQ learned these indicators needed to be updated to better reflect the inputs used to measure the results. As a result, we obtained the most recent PMP Indicator Table submitted and approved by ILAB in April 2021 and noted these two performance indicators were updated based on the results of the September 2020 Technical Progress Report.

For these five performance indicators that experienced manageable or other problems, IMPAQ documented their explanation for the rating along with the proposed solutions taken. Based on communications and in accordance with ILAB's MPG, ILAB has accepted and revised the PMP Indicator Table based on the results of the semiannual Technical Progress Report prepared by IMPAQ to reflect the proposed solutions and actions taken for those five performance indicators. We also performed inquiries with ILAB and IMPAQ representatives, and nothing came to our attention that would indicate the remaining performance indicators would not be met. Although IMPAQ did not meet these five original performance indicators, ILAB worked with IMPAQ and promptly adjusted the indicators to measure future project performance more effectively. As a result, we do not consider this issue rises to a level of a finding as it did not affect IMPAQ's ability to meet the overall project goal or ILAB's monitoring of the project performance.

We also identified a best practice used by ILAB that enabled IMPAQ to achieve the majority of the performance objectives. ILAB has developed and implemented an 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 midterm performance evaluations over the awardees. We suggest ILAB expand the use of these best practices across all ILAB projects to ensure the achievement of project objectives.

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

ILAB 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. We selected a random sample of 221

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, we 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 PROPERLY PERFORMED OVERSIGHT OVER IMPAQ IN COMPLIANCE WITH THE MOA AND ITS POLICIES AND PROCEDURES

We verified ILAB properly performed oversight over IMPAQ in accordance with the cooperative agreement requirements through interviews with ILAB and IMPAQ management; reviews of ILAB and IMPAQ policies and procedures; and test work related to budgetary compliance, cash management, inventory management, subrecipient monitoring, and performance compliance.

As a result of our procedures, we noted ILAB:

- Performed site visits to IMPAQ’s field offices in Guatemala,
- Obtained audits performed over IMPAQ,
- 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
- Hired an independent consulting firm to perform the midterm performance evaluation to assess IMPAQ’s achievement of the outlined project outcomes and objectives.

RECOMMENDATIONS

ILAB properly performed oversight in compliance with the USAID MOA and ensured IMPAQ was in compliance with the cooperative agreement requirements. Therefore, our audit report does not include recommendations to ILAB.

SUMMARY OF ILAB'S RESPONSE

The Deputy Undersecretary for International Affairs agreed with the result of the performance audit.

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
February 11, 2022

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 IMPAQ under Cooperative Agreement No. IL-31147-17-75-K-24. Our audit scope covers the period of October 1, 2017, through December 31, 2020.

METHODOLOGY

Castro conducted this performance audit from June 2020 to October 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 IMPAQ, who were responsible for monitoring and oversight over IMPAQ Cooperative Agreement No. IL-31147-17-75-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 IMPAQ policies and procedures. We also conducted analyses of and assessments on budgetary compliance, cash management, subrecipient monitoring, inventory management, and performance compliance to ensure IMPAQ complied with cooperative agreement terms and conditions. We selected a random sample of 221 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.

INTERNAL CONTROLS

In planning and performing the audit, Castro obtained an understanding of ILAB's and IMPAQ's 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 IMPAQ's 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

- Cooperative Agreement No. IL-31147-17-75-K-24
- Government Auditing Standards 2018 Version, Chapter 8-9
- ILAB's Management Procedures & Guidelines for Cooperative Agreements, February 14, 2019
- IMPAQ Negotiated Indirect Cost Rate Agreement
- IMPAQ's Policies and Procedures
- 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 of the Code of Federal Regulations, Grants and Agreements (Chapters II)

APPENDIX B: ILAB'S RESPONSE TO THE REPORT

U.S. Department of Labor

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



January 13, 2022

MEMORANDUM FOR CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM: Thea M. Lee *Thea Mei Lee*
Deputy Undersecretary for International Affairs

SUBJECT: ILAB Management Response on OIG Draft Report No.
17-22-001-01-070: ILAB Properly Performed Oversight in
Compliance with the USAID Memorandum of Agreement and
Ensured that IMPAQ International, LLC was in compliance with
the Cooperative Agreement Requirements

ILAB appreciates the opportunity to respond to the Office of the Inspector General (OIG)'s draft audit report concerning the Bureau of International Labor Affairs (ILAB)' oversight of the "Labor Market Supply and Demand in the Northern Triangle: Leveraging Data to Build an Efficient Labor Market" project implemented by IMPAQ International, LLC. ILAB is pleased that the finding was ILAB properly performed oversight of IMPAQ International, LLC, in compliance with the Memorandum of Agreement and the cooperative agreement requirements and there were no recommendations in the report. ILAB does not have any specific comments with respect to the draft report.

ILAB would like to thank the OIG and the OIG's audit subcontractor, Castro & Company, LLC, for the professional nature in which they conducted the audit. It was a pleasure working with both the OIG and Castro & Company.

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