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INTERNATIONAL LABOR AFFAIRS



ILAB COULD IMPROVE OVERSIGHT OF CHILD LABOR AND FORCED LABOR GRANTS

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BRIEFLY...

ILAB COULD IMPROVE OVERSIGHT OF CHILD LABOR AND FORCED LABOR GRANTS

September 25, 2020

WHY OIG CONDUCTED THE AUDIT

The Bureau of International Labor Affairs' (ILAB) Office of Child Labor, Forced Labor, and Human Trafficking (OCFT) battles child and forced labor practices in other countries — including slavery, child prostitution, pornography, and trafficking — by funding projects that provide services to vulnerable children and advocate for reforms. OCFT has spent over \$1.2 billion in approximately 100 countries since 1995 to fund projects in efforts to reduce child and forced labor. Additionally, the President and Congress have required OCFT to publish reports on child and forced labor.

Because child and forced labor practices continue to present dire consequences for children and other workers, it is critical that OCFT meets its reporting obligations and effectively monitors its grant-funded projects to ensure they achieve their objectives.

WHAT OIG DID

We conducted a performance audit to determine the following:

Did OCFT implement its reporting requirements and provide effective oversight of its grant-funded projects related to combatting child and forced labor?

To answer this question, we reviewed child labor and forced labor reports issued by OCFT, as well as projects with activity between 2013 and 2018.

READ THE FULL REPORT

<http://www.oig.dol.gov/public/reports/oa/2020/17-20-003-01-070.pdf>

WHAT OIG FOUND

OCFT implemented its reporting requirements, but could improve oversight of its grant-funded projects related to combatting child and forced labor. Oversight of projects is vital if OCFT is to ensure grantees use funds to serve and protect vulnerable individuals at risk of child or forced labor practices.

To meet its reporting requirements, OCFT issued — and updated — reports detailing countries with the worst forms of child labor and listings identifying goods and products made by child or forced labor. According to OCFT, Congress and the Executive Branch have used OCFT's report on the worst forms of child labor to formulate labor and trade policies. The product listings were used to raise public awareness of child and forced labor and to ensure federal agencies did not procure goods made by child laborers.

As part of its oversight responsibilities, OCFT conducted audits of high-risk projects. In carrying out these audits, OCFT could have formally notified grantees sooner of the corrective actions necessary to address findings so that the grantees might implement those corrective actions promptly and during the projects' period of performance. We found it took at least a year on average for OCFT to issue corrective action notices to grantees. Inadequate oversight of the audit resolution process and lack of coordination with the grant officer resulted in delays.

OCFT also conducted third-party evaluations of each project twice during the project's period of performance. However, we found OCFT did not adequately document follow-up actions taken by grantees in response to evaluation recommendations. Specifically, OCFT did not ensure grantees reported on the status of all recommendations from project evaluations. When grantees did report on follow-up actions, the reporting was insufficient to determine if the actions taken were consistent with agreed-upon plans.

WHAT OIG RECOMMENDED

We made recommendations to the Associate Deputy Undersecretary for International Labor Affairs to improve oversight of the audit and evaluation processes to ensure grantees receive corrective action notices timely and to track and document follow-up actions to evaluation recommendations. Management concurred with the recommendations.

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INSPECTOR GENERAL'S REPORT

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This report presents the results of the Office of Inspector General's (OIG) audit of the Bureau of International Labor Affairs' (ILAB) Child Labor, Forced Labor, and Human Trafficking program. ILAB's Office of Child Labor, Forced Labor, and Human Trafficking (OCFT) battles child labor and forced labor practices – such as slavery, child prostitution, pornography, and trafficking – in other countries. OCFT provides funding and expertise through grant-funded projects, whose purposes range from providing services to vulnerable children to advocating for reforms. OCFT has spent over \$1.2 billion since 1995 to fund projects with grantees in approximately 100 countries.

As an additional tool to combat child labor and forced labor, the President and Congress have required OCFT to publish reports about countries with the worst forms of child labor, and listings of products made by child and forced labor. The reports inform government, corporations, and the public. Given the critical nature of OCFT's work and the amount of money spent, we conducted an audit to answer the following question:

Did OCFT implement its reporting requirements and provide effective oversight of its grant-funded projects related to combatting child labor and forced labor?

To answer this question, we reviewed documentation for projects started prior to January 1, 2014, with activity between Fiscal Years (FY) 2013 and 2018, as well as child and forced labor reports/listings that OCFT issued between 2013 and 2019.

We found OCFT effectively implemented its reporting requirements, but did not issue corrective action notices for audits in a timely manner. Furthermore, OCFT lacked sufficient evidence to demonstrate whether grantees took appropriate follow-up actions in response to recommendations from project evaluations.

OCFT'S REPORTING REQUIREMENTS

OCFT was required to report on child and forced labor issues under the Trade Development Act of 2000 (TDA), the Trafficking Victims Protection Reauthorization Act of 2005 (TVPR), and Executive Order 13126 (EO 13126).

OCFT'S OVERSIGHT OF GRANT-FUNDED PROJECTS

To fight child labor and forced labor practices throughout the world, OCFT awarded grants to a variety of organizations, including the International Labour Organization (ILO), non-governmental organizations, local organizations, international development firms, and universities. Grant periods of performance were usually four to five years, with most of the first year dedicated to project planning and the development of a detailed monitoring plan. Every six months, grantees were required to report to OCFT on each project's performance via Technical Progress Reports (TPR). The TPR included detailed information on each project's progress in meeting established project goals.

As part of OCFT's oversight responsibilities, it reviewed TPRs and financial reports, and conducted site visits. In addition, OCFT conducted independent audits and project evaluations of projects.

AUDITS

Although OCFT could not afford to audit every project, it developed a risk assessment process to focus its resources on auditing projects most at risk of not complying with the terms of their grant agreement or not submitting reliable financial and performance reports. OCFT engaged the ILO's External Auditor¹ to conduct audits of selected projects administered by the ILO or a certified public accounting firm for non-ILO projects. In both cases, the results were summarized in an audit report that included the details of the auditor's findings,

¹ The External Auditor is the Auditor-General (or equivalent) of a member State or another person of high competence, as appointed by the Governing Body of the ILO. The Auditor General of Canada performed the five ILO audits covered in this report.

recommendations for improvements, and funds that should be recovered from the grantee, if any.

OCFT developed an audit resolution process to ensure timely resolution and closure of audit findings. Because OCFT did not administer its own grants, it worked with a grant officer from the Employment and Training Administration² to issue audit resolution documents to grantees. Corrective action notices – such as Corrective Action Papers and Initial Determinations – formally notified the grantee of the actions it needed to take to resolve and close findings, and provided detailed information on the status of each finding. The audit resolution procedures used for projects administered by the ILO differed from the procedures used for projects administered by non-ILO grantees.³

EVALUATIONS

Additionally, OCFT contracted with external evaluators to conduct evaluations of every project⁴ at the mid-point (interim) and the end (final) of the project's performance period. The purpose of these evaluations was to provide OCFT with in-depth analyses on overall project progress and effectiveness. For each evaluation, the evaluator provided a report to OCFT with recommendations to help the grantee meet the project objectives (accountability), enhance the performance of the project (process improvement), and promote learning and/or assist OCFT in future projects (learning). OCFT's project managers were then supposed to work with grantees to ensure projects addressed the recommendations by developing plans and timetables for appropriate follow-up actions.

RESULTS

OCFT effectively implemented its reporting requirements, but could strengthen oversight of its grant-funded projects related to combatting child and forced labor. Oversight of projects is vital if OCFT is to ensure that grantees use funds to serve and protect vulnerable individuals at risk of child or forced labor practices.

² Prior to August 2014, ILAB's Grant Officer was from DOL's Office of Administrative Services and Management.

³ ILAB's Staff Operations Manual outlined the specific procedures, timeframes, actions, and required deliverables of the audit resolution process. ILAB and the ILO negotiated procedures that were compatible with both federal regulations and ILO's procedures to correct audit findings because the ILO, as a United Nations (UN) agency, was subject to oversight by an External Auditor, with whom the ILO had an established process for resolving audits.

⁴ Certain research projects were exempt from this requirement.

To meet its reporting requirements, OCFT issued annual findings on countries' efforts to eliminate the worst forms of child labor. OCFT also published a list of goods produced by forced or child labor, which it has been updating every two years. Finally, OCFT published a country-specific list of products made with forced or indentured child labor, which it has been updating on an as-needed basis.

However, we found OCFT could improve processes related to resolving audit findings. Inadequate oversight of the audit resolution process and lack of coordination with the grant officer resulted in OCFT not issuing corrective action notices in a timely manner. We found that it took at least a year on average for OCFT to issue initial corrective action notices to grantees. Significant delays in addressing audit findings can lead to uncorrected compliance issues and unreliable performance data, which could ultimately impact a grantee's ability to meet project goals and objectives in a timely manner.

Furthermore, OCFT did not adequately document follow-up actions taken by grantees in response to evaluation recommendations. Specifically, OCFT did not ensure grantees reported on the status of all recommendations from project evaluations. When grantees did report on follow-up actions, the reporting was insufficient to determine if the actions taken were consistent with agreed-upon plans. Without a process to track and document the status of evaluation recommendations, OCFT could not show that grantees took appropriate follow-up actions to meet project objectives, enhance project performance, or promote learning for future projects.

OCFT MET ITS THREE MANDATED REPORTING REQUIREMENTS

OCFT issued and updated reports detailing governments' efforts to eliminate the worst forms of child labor, and listings of goods and products made by child or forced labor.

Under the Trade and Development Act of 2000 (TDA), OCFT has been required to issue annual findings on the Generalized System of Preferences (GSP) beneficiary countries'⁵ initiatives to implement their commitments to eliminating

⁵ The GSP is largest and oldest U.S. trade preference program, promoting economic development by eliminating duties on thousands of products when imported from designated beneficiary countries and territories.

the worst forms of child labor,⁶ which include slavery, child prostitution, child pornography, and the trafficking and production of drugs. In 2002, OCFT began producing an annual report, “USDOL’s Findings on the Worst Forms of Child Labor,” in accordance with the TDA. The Secretary of Labor publishes this report on or before September 30 of each year. OCFT develops the TDA report on behalf of the Secretary of Labor after assessing the efforts of over 130 countries and territories to eliminate the worst forms of child labor in the following areas: laws and regulations; institutional mechanisms for coordinating and enforcement; and government policies and programs. OCFT’s assessment is based on a scale that rated each country’s progress as significant, moderate, minimal, or “no advancement.” According to OCFT, Congress and the Executive Branch agencies used the TDA report to formulate labor and trade policies.

Under the Trafficking Victims Protection Reauthorization Act of 2005 (TVPRA), OCFT has been required to develop and make publicly available a list of goods and their source countries that ILAB had reason to believe were produced by forced or child labor in violation of international standards. OCFT published its first TVPRA list, “List of Goods Produced by Child Labor or Forced Labor,” in 2009. OCFT published an updated list annually from 2010 to 2012; however, because of an amendment to the TVPRA in 2013, OCFT began updating the list every two years in 2014. The most recent TVPRA list, dated September 2018, comprised 148 goods from 76 countries. It included narrative summaries of new additions and removals since the previous report, a narrative describing some good practices to eliminate child and forced labor, and a detailed methodology. According to OCFT, the primary purposes of the TVPRA list were to raise public awareness regarding child and forced labor, and to promote efforts to address them.

Finally, OCFT has complied with EO 13126, signed by President Bill Clinton in 1999 to require DOL to collaborate with the departments of Treasury and State to publish a list of products mined, produced, or manufactured by forced or indentured child labor. The EO 13126 list was intended to ensure federal agencies did not procure goods made by forced or indentured child labor. Federal contractors who supply products on the list are required to certify that they have made a good faith effort to determine whether forced or indentured child labor was used to produce the products. The EO 13126 list identified

⁶ The TDA specifically defines the worst forms of child labor as including “all forms of slavery or practices similar to slavery, such as the sale or trafficking of children, debt bondage and serfdom, or forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict; the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances; the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs; and work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.”

products, such as bamboo, beans, bricks, corn, pineapples, rice, rubber, shrimp, sugarcane, and teak. Each product entry also identified the applicable country/countries of origin. OCFT updates this list as needed. As of March 25, 2019, the EO 13126 list identified 34 products from 25 countries with narratives describing the forced or indentured child labor occurring in the mining, production, or manufacturing industries.

All versions of these reports were available on ILAB's website. The information was also accessible through ILAB's "Sweat & Toil" app.

OCFT DID NOT ISSUE CORRECTIVE ACTION NOTICES FOR AUDIT FINDINGS IN A TIMELY MANNER

OCFT did not ensure corrective action notices were issued in a timely manner to ILO and non-ILO grantees working in projects to address child and forced labor practices throughout the world. OCFT's policies required it to promptly issue a corrective action notice after the issuance of any audit report with findings and recommendations. Such notices formally inform grantees in writing of the corrective actions they need to take to address each finding in the audit report.

For ILO projects, OCFT's policies required these notices, known as Corrective Action Papers, to be issued to the ILO within 20 days⁷ of a final audit report. However, our audit found it took an average of 763 days for the 5 projects administered by the ILO — ranging from 220 to 1,443 days.

OCFT's policies required non-ILO grantees to be notified within 30 days of a final audit report about the corrective actions necessary to address each finding, but OCFT updated this policy in 2015 to eliminate a specific timeframe for this task. For non-ILO projects, this notice is referred to as the Initial Determination. For the 10 non-ILO project audits we reviewed, it took an average of 240 days for OCFT to notify the 10 projects administered by non-ILO grantees — ranging from 75 to 392 days.

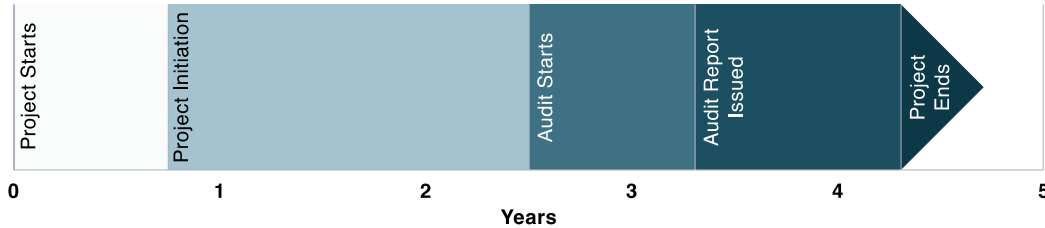
These delays in issuing corrective action notices occurred because OCFT's oversight of the audit resolution process was not adequate, and it had not established procedures with the grant officer, to ensure timelines were met. Grantees for the universe of 15 audited projects in our scope⁸ had an average of

⁷ For projects audited prior to 2015, OCFT was required to notify grantees within 30 days.

⁸ There were 15 audited projects in our scope with findings that required audit resolution. See the Methodology section in Appendix A for more information.

13 months after the audit report was issued to correct audit findings before the projects ended (see timeline below). Going forward, issuing audit resolution documents more promptly could help ensure issues are resolved before projects end.

FIGURE 1: PROJECT TIMELINE – AUDITS



Source: Auditor generated based on analysis of ILAB project documentation.

Federal internal control standards state that management should evaluate performance and hold individuals responsible for their internal control responsibilities, to include taking corrective action as necessary to enforce accountability for internal control.⁹ The standards also state that management should establish and conduct activities to monitor the internal control system, evaluate the results, and remediate identified internal control deficiencies on a timely basis.¹⁰

Delays in providing grantees initial corrective action notices can prevent a grantee from taking timely corrective action and result in uncorrected compliance issues, unreliable performance data, and an increased risk of inappropriate spending. Ultimately, this can impact a project’s ability to meet goals and objectives timely.

⁹ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), Principle 5.01 and 5.06 – Enforce Accountability

¹⁰ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), Principles 16.01 and 17.01 – Perform Monitoring Activities / Evaluate Issues and Remediate Deficiencies

OCFT DID NOT ENSURE CORRECTIVE ACTION PAPERS WERE ISSUED TO ILO PROJECTS TIMELY

According to the OCFT’s Staff Operations Manual, the ILO audit resolution process required OCFT, in association with the grant officer, to issue a Corrective Action Paper to ILO within 20 days of the final audit report,¹¹ or 30 days for projects audited prior to 2015.¹² The Corrective Action Paper is critical because it represents the first time the ILO is formally notified in writing of the steps it must take to close findings.

For the universe of five ILO audit reports in our scope,¹³ ILAB and the grant officer issued no Corrective Action Papers within the required timeframe. Overall, it took OCFT and the grant officer an average of 763 days, or over 2 years, to issue the Corrective Action Paper. Thus, OCFT and the grant officer missed the deadline, regardless of the 20-day or 30-day requirement (Table 1).

TABLE 1: ISSUANCE OF CORRECTIVE ACTION PAPERS – ILO PROJECTS

Project	Final Report Date	Issuance Date	Difference (Days)
Cambodia-IPEC	10/3/2011	5/10/2012	220
Cocoa	11/13/2015	2/23/2017	468
EI Salvador	11/13/2015	3/6/2017	479
ECOWAS II	9/11/2013	12/28/2016	1204
Malawi	1/15/2013	12/28/2016	1443

Source: Auditor generated based on analysis of ILAB project documentation

These significant delays occurred because of a lack of coordination between OCFT and the grant officer, and inadequate oversight of the audit resolution process. For example, in one case ILAB took 7 months to draft a Corrective Action Paper and then failed to forward it to the grant officer until 3.5 years later, due to an administrative oversight. Another delay occurred when OCFT piloted a new process while changing grant officers and failed to ensure the Corrective Action Paper was issued in a timely manner. Additional delays occurred due to

¹¹ Staff Operations Manual, Chapter 7, Section D.IV.a., page 7.47

¹² Staff Operations Manual 2006, Chapter 6, Section C.II.d, page 6.27

¹³ We excluded three ILO projects from this analysis because the audit reports did not include findings that required audit resolution: Brazil/Peru, Thailand, and Global/GEM.

multiple internal drafts, competing work priorities, and waiting for additional documentation from ILO.

Four of the 5 ILO projects in our scope had already ceased operating for an average of 11 months by the time OCFT issued the Corrective Action Paper (Table 2).

TABLE 2: TIME BETWEEN CORRECTIVE ACTION PAPERS AND PROJECT END DATES – ILO PROJECTS

Project	Corrective Action Paper Date	Date Project Ended	Difference (Days)
Cambodia-IPEC	5/10/2012	12/29/2012 ¹⁴	233 before project ended
ECOWAS II	12/28/2016	3/31/2016	(272) after project ended
Cocoa	2/23/2017	3/31/2016	(329)
El Salvador	3/6/2017	3/31/2016	(340)
Malawi	12/28/2016	12/31/2015	(363)

Source: Auditor generated based on analysis of ILAB project documentation

At the time of this report, OCFT stated it was in the process of revising its policies and procedures because the 20-day target for issuing the Corrective Action Paper was difficult to meet. Officials also noted that because OCFT usually had several active projects with ILO, it would work with ILO to ensure corrective actions were applied to all ILO projects, as appropriate, even if that required additional time to coordinate.

OCFT DID NOT ENSURE INITIAL DETERMINATIONS WERE ISSUED TO NON-ILO PROJECTS TIMELY

OCFT’s procedures required OCFT and the grant officer to issue an Initial Determination to the grantee within 30 days of the final audit report.¹⁵ However, OCFT changed these procedures for non-ILO projects audited after 2015. Since then, OCFT has been required to submit a draft Initial Determination to the grant

¹⁴ This project was originally scheduled to end September 29, 2012, but was granted an extension until December 29, 2012.

¹⁵ Staff Operations Manual 2006, Chapter 6, Section C.II.d, page 6.27

officer “as soon as possible but no later than 45 days” after the issuance date of the final audit report.¹⁶ The grant officer, in coordination with OCFT, still needed to finalize the Initial Determination and issue it to the grantee, but there was no longer a specific timeframe for this task. The Initial Determination included a summary of the findings and recommendations noted in the audit report, the corrective actions taken or necessary to resolve and close the findings, and the status of each finding and recommendation.

INITIAL DETERMINATIONS

For the 10 non-ILO audit reports in our scope,¹⁷ OCFT and the grant officer took an average of 240 days, or approximately 8 months, to issue the Initial Determination (Table 3).

TABLE 3: TIME BETWEEN FINAL REPORT AND ISSUANCE OF INITIAL DETERMINATIONS – NON-ILO PROJECTS¹⁸

Project	Date of Final Report	Date Draft ID Submitted to Grant Officer	Difference (Days)	Issuance Date	Difference (Days)
Colombia	8/8/2017	8/24/2017	16	10/23/2017	75
Tanzania	1/19/2017	4/11/2017	82	6/6/2017	137
Burkina Faso	11/24/2015	3/15/2016	112	4/16/2016	132
Morocco	9/15/2016	2/7/2017	145	2/27/2017	162
Rwanda	6/28/2011	N/A	N/A	1/10/2012	192
Guatemala	10/10/2012	N/A	N/A	6/12/2013	242
Cambodia	1/6/2016	5/12/2016	127	11/30/2016	324
Jordan	11/26/2013	N/A	N/A	12/3/2014	367
Peru	2/6/2015	3/26/2015	48	2/18/2016	372
Indonesia	12/21/2012	N/A	N/A	1/23/2014	392

Source: Auditor generated based on analysis of ILAB project documentation

A lack of coordination between OCFT and the grant officer, and inadequate oversight of the audit resolution process, contributed to these delays in issuing

¹⁶ Staff Operations Manual, Chapter 7, Section D.II.b., page 7.37

¹⁷ We excluded the Philippines project from this analysis because OCFT resolved and closed out the findings without issuing an Initial Determination.

¹⁸ The “Date Draft ID Submitted to Grant Officer” and the associated “Difference (Days)” column only apply to projects audited 2015 or later.

Initial Determinations. In some cases, OCFT’s internal review process resulted in multiple drafts and months of delays. In other instances, the process was delayed for months as OCFT waited for the grantee to provide additional documentation. Other delays occurred when OCFT piloted a new process or had to change grant officers and failed to ensure the Initial Determination was issued in a timely manner.

FINAL DETERMINATIONS

ILAB’s audit resolution process for non-ILO projects required OCFT, in coordination with the grant officer, to issue a Final Determination letter to the grantee within 180 days of issuance of the final report.¹⁹ The Final Determination included a summary of the responses from the grantee concerning the Initial Determination, and a decision on whether the grantee provided sufficient documentation to resolve or close the open findings identified in the Initial Determination. Thus, the Initial Determination had information necessary for the Final Determination. As indicated by OCFT’s own policies and procedures, timely issuance of the Initial Determination is crucial to allowing the grantee sufficient time to resolve findings within 180 days.

OCFT was unable to meet its goal of resolving all findings and issuing the Final Determination within 180 days because of OCFT’s failure to issue timely Initial Determinations to grantees. For the 10 audit reports covered by our scope, OCFT and the grant officer issued only 2 Final Determinations within 180 days. For the remaining 8 projects, it took an average of 474 days (Table 4).

¹⁹ Staff Operations Manual, Chapter 7, Section D.II.f., page 7.41

TABLE 4: TIME BETWEEN FINAL REPORT AND ISSUANCE OF FINAL DETERMINATIONS – NON-ILO PROJECTS

Project	Date of Final Report	Issuance Date	Difference (Days)
Colombia	8/8/2017	1/5/2018	147
Tanzania	1/19/2017	7/18/2017	179
Morocco	9/15/2016	7/18/2017	303
Rwanda	6/28/2011	7/10/2012	372
Cambodia	1/6/2016	3/22/2017	436
Burkina Faso	11/24/2015	2/8/2017	434
Guatemala	10/10/2012	1/24/2014	464
Peru	2/6/2015	6/8/2016	482
Indonesia	12/21/2012	8/27/2014	606
Jordan	11/26/2013	10/27/2015	691

Source: Auditor generated based on analysis of ILAB project documentation

Moreover, it would have been impossible for OCFT to meet its 180-day goal for 6 of the 8 reports because it took more than 180 days just to issue the Initial Determination.

Like the Corrective Action Paper for ILO audits, the Initial Determination for non-ILO grantees represented the first time OCFT formally notified the grantee in writing of the steps it needed to take to resolve and close findings. OCFT stated that it verbally notified grantees of issues during exit conferences, as well as during follow-up phone calls, where the grantees were instructed to start taking action toward addressing findings.

OCFT stated that the grant officer controlled when audit resolution documents were issued; however, OCFT was working with the grant officer to develop standard operating procedures to ensure expectations regarding timelines are agreed upon in advance and adhered to.

OCFT DID NOT ADEQUATELY DOCUMENT FOLLOW-UP ACTIONS TAKEN TO IMPLEMENT EVALUATION RECOMMENDATIONS

OCFT conducted third-party evaluations of each project, but did not adequately document if or how follow-up actions taken by grantees sufficiently addressed

recommendations made in evaluation reports. Although OCFT required grantees to self-report these actions in TPRs, it did not ensure grantees reported on all recommendations or that the reported information was sufficient to show that grantees took appropriate follow-up actions to address the recommendations.

These issues occurred because OCFT did not develop a process to track and document the status of evaluation recommendations to ensure grantees took appropriate follow-up actions. As a result, OCFT could not demonstrate if grantees adequately addressed all evaluation recommendations.

Federal internal control standards state that management should design control activities to achieve objectives and respond to risks, and implement those control activities through policies.²⁰ The standards also state that documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system.²¹ As such, to ensure its project evaluation process is effective, OCFT should be maintaining written documentation on the status of evaluation recommendations and the specific actions it expects grantees to take.

GRANTEES DID NOT REPORT TO OCFT ON ALL RECOMMENDATIONS

OCFT did not ensure grantees reported on all recommendations from interim evaluations²² in TPRs. Whereas auditors made recommendations to correct issues with compliance or reported performance data, project evaluators typically made recommendations intended to improve project performance and relevance.

OCFT's Staff Operations Manual required project managers to work with grantees to ensure projects addressed evaluation recommendations.²³ The Management Procedures and Guidelines for projects administered by non-ILO²⁴

²⁰ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), Principle 10.01 and 12.01 – Design Control Activities / Implement Control Activities

²¹ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), OV4.08

²² We excluded final evaluation recommendations from this analysis because there might not have been sufficient time left in the grant period to take action.

²³ Staff Operations Manual, Chapter 6, Evaluation Section, Table 6.2, page 6.7

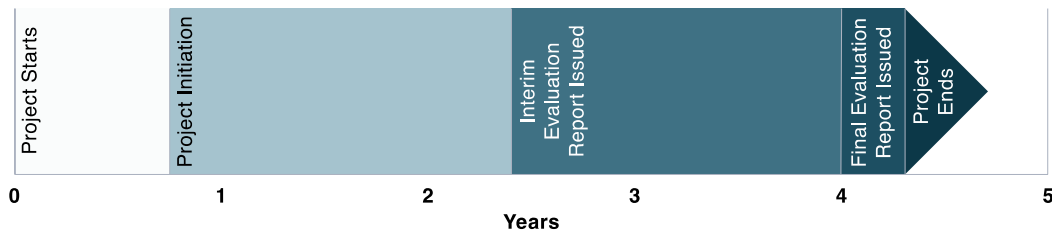
²⁴ The Management Procedures and Guidelines for projects administered by ILO did not indicate OCFT's role in developing a plan to address the recommendations or explicitly state reporting requirements.

grantees stated OCFT would consult with grantees “regarding plans and timetables for follow-up actions” that were to be taken in response to interim evaluation recommendations. From 2012 forward grantees were explicitly required to report on the progress of these recommendations in each subsequent TPR.²⁵ The semi-annual TPR included a template for the grantee to document follow-up actions taken or planned.

We reviewed interim evaluation reports and TPRs for 11 randomly selected projects in our audit scope of 56 projects and found grantees did not report on 36 of 159 recommendations (23 percent) in their TPRs.

Although project evaluators noted the grantees’ follow-up actions for these 36 recommendations in the projects’ final evaluation reports, OCFT did not maintain written documentation of any follow-up the grantee conducted prior to the final evaluation, despite having almost two years since the interim evaluation report was issued (see timeline below). By the time a final evaluation report was issued, grantees may not have had time to take any additional follow-up actions, if needed, due to the project ending. Lack of timely reporting could hinder OCFT from making informed decisions on how best to assist projects in achieving their goals.

FIGURE 2: PROJECT TIMELINE – EVALUATIONS



Source: Auditor generated based on analysis of ILAB project documentation.

OCFT stated that although some follow-up actions were not reported in a TPR, the topic may have been reported via conference calls and other communications. OCFT acknowledged, however, that it could have done a better job of tracking evaluation recommendations and was considering better ways to do that.

²⁵ Management Procedures and Guidelines for Cooperative Agreements 2012, Section X.3, page 18

OCFT also stated appropriate follow-up depended on the nature of the recommendation, and in many instances, no follow-up was necessary because a recommendation might have been outside the scope of a project's cooperative agreement. For example, an evaluator might recommend expanding a solution throughout an entire country, although the cooperative agreement only provided funding to focus on a specific region. Nonetheless, OCFT did not document which recommendations did not have to be implemented versus those it expected the grantee to implement.

GRANTEE REPORTING WAS INSUFFICIENT TO DETERMINE IF FOLLOW-UP ACTIONS WERE CONSISTENT WITH AGREED-UPON PLANS

OCFT did not ensure the information reported by grantees was sufficient to determine if the follow-up actions reported were consistent with agreed-upon plans and addressed the recommendations. The information grantees reported in TPRs generally lacked enough detail to determine if the grantee had taken appropriate follow-up actions. Although OCFT's Management Procedures and Guidelines required OCFT and the grantee to develop plans and timetables for follow-up actions, neither OCFT nor the grantee documented those plans or timetables. As a result, we were unable to determine if grantees took follow-up actions necessary to implement the recommendations.

For example, the interim evaluation report for one project recommended the grantee "concentrate on identifying and recruiting children engaged in [the worst forms of child labor] sectors as identified in the project document." The grantee reported it would "make a conscious effort to include other sectors in all project areas."

There was no indication of what specifics these "conscious efforts" would entail, and the grantee failed to report anything else regarding this recommendation in subsequent TPRs. Because of the vague reporting and lack of documented follow-up plans, OCFT had no documentation indicating if making "a conscious effort" was part of the agreed-upon plan or whether the reported action met OCFT's expectations.

OCFT stated that the project's cooperative agreement did not intend for the project to follow a sector-focused approach and the recommendation was based on the evaluator's opinion rather than a DOL requirement. Furthermore, acceptance of the grantee responses was documented when OCFT approved the TPR. However, because ILAB did not document the specific plans and timetables for follow-up actions, there was no way to determine if the follow-up actions reported by the grantees were sufficient.

Ultimately, adequate documentation of plans, timetables, and follow-up actions taken can ensure OCFT’s evaluations are effective in helping grantees meet project objectives, enhancing project performance, and promoting learning for future projects. Furthermore, federal internal control standards require OCFT to maintain documentation for the operating effectiveness of its internal control system.²⁶

Overall, OCFT cannot ensure it gets full value from its project evaluation efforts without a formal tracking system and better documentation to ensure appropriate follow-up actions are taken to address evaluation recommendations. Additionally, both OCFT and its grantees may miss opportunities to have a bigger impact on the lives of children and forced laborers worldwide.

OIG’S RECOMMENDATIONS

We recommend the Associate Deputy Undersecretary for International Labor Affairs:

1. Develop and implement a process – to include the establishment of expectations regarding timelines with the grant officer – to ensure that corrective action notices and other audit resolution documents are issued to grantees in a timely manner.
2. Develop and implement a process – to include documentation of plans and timetables for follow-up actions – to document and track the status of recommendations from interim and final evaluations.

SUMMARY OF ILAB’S RESPONSE

The Associate Deputy Undersecretary for International Labor Affairs agreed with our recommendations and proposed corrective actions for each to improve oversight of the audit and evaluation processes, to ensure grantees receive corrective action notices timely, and to track and document follow-up actions to evaluation recommendations.

Management’s response to the draft report is included in its entirety in Appendix B.

²⁶ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014), OV4.08

We appreciate the cooperation and courtesies ILAB extended us during this audit. OIG personnel who made major contributions to this report are listed in Appendix C.



Elliot P. Lewis
Assistant Inspector General
for Audit

APPENDIX A: SCOPE, METHODOLOGY, & CRITERIA

SCOPE

This report reflects audit work completed at ILAB headquarters in Washington, DC. Our work covered OCFT's grant-funded projects started prior to January 1, 2014, with activity between FYs 2013 and 2018, as well as child and forced labor reports/listings ILAB published through the end of 2019.

METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To determine if OCFT effectively implemented its reporting requirements, we identified its requirements for reporting on child labor and forced labor issues; interviewed management officials; reviewed and analyzed OCFT's policies and procedures related to the implementation of EO 13126, TDA, and TVPRA; and reviewed child labor and forced labor reports published by ILAB.

To determine if OCFT provided effective oversight of grant-funded projects to combat child labor and forced labor, we interviewed OCFT management and staff; reviewed OCFT's policies and procedures related to project monitoring, evaluations, and audits; and reviewed and analyzed TPRs, financial reports, trip reports, evaluation reports, and emails and other correspondence. In addition, we assessed OCFT's audit risk assessment process; and reviewed contracts and audit reports. We analyzed the audit resolution processes for ILO and non-ILO projects, including supporting documentation, such as Corrective Action Papers, Initial Determinations, Final Determinations, and closeout documents.

SAMPLING PLAN

To test OCFT's oversight process, we selected a non-statistical random sample of 16 active projects and 13 closed projects from a population of 56 projects in our scope. For each sampled project, we determined if OCFT maintained key monitoring and evaluation documentation in grantees' project files, such as TPRs, financial reports, mid-term and final evaluation reports, trip reports, audits, and correspondences. We also reviewed TPRs and financial reports to

determine if grantees submitted them by the established due dates. We reviewed TPRs to determine if required reporting elements were included and reviewed by OCFT. We reviewed financial reports to determine if grantees maintained cash balances in excess of the grantee's current cash expenditures. We reviewed trip reports to determine the purpose of each site visit. Finally, we reviewed email correspondences to determine the extent of ongoing communication with the grantee relevant to the project.

To determine if grantees implemented corrective actions to address audit findings, we tested 100 percent of 19 audited projects in our scope; however, we excluded four projects from our testing because they either had no findings that required audit resolution or had findings closed out without issuance of a required corrective action notice. For each applicable project tested, we reviewed audit reports, audit resolution documents, and related correspondence.

To determine if grantees took appropriate follow-up actions to implement evaluation recommendations, we selected a non-statistical random sample of 11 projects from a population of 56 projects in our scope. For each sampled project, we reviewed evaluation reports, TPRs, and related correspondence.

RELIABILITY ASSESSMENT

We obtained a list of all grant-funded projects in our audit scope from OCFT's staff. We reviewed data on all grant-funded projects contained on ILAB's website and reconciled the results to the list generated by OCFT. We then performed multiple analytical tests and completeness checks on the spreadsheet and discerned the data was complete and valid for testing. We determined that the data were sufficiently reliable for the purposes of this report.

INTERNAL CONTROL

In planning and performing our audit, we considered ILAB's internal controls relevant to our audit objective. We obtained an understanding of those controls and assessed control risk as necessary to achieve our objective. The objective of our audit was not to provide assurance on ILAB's internal controls; therefore, we did not express an opinion on ILAB's internal controls as a whole. Our consideration of internal controls relevant to our audit objective would not necessarily disclose all matters that might be significant deficiencies. Because of the inherent limitations on internal controls, noncompliance may occur and not be detected.

CRITERIA

- Executive Order 13126 (June 12, 1999)
- GAO-14-704G, “Standards for Internal Control in the Federal Government,” September 2014
- Management Procedures and Guidelines for Cooperative Agreements, 2008 – 2014
- OCFT Staff Operations Manual, 2006 and 2015
- Trafficking Victims’ Protection Reauthorization Act of 2005 (January 10, 2006)
- Trade and Development Act of 2000 (May 18, 2000)

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

U.S. Department of Labor

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



MEMORANDUM FOR ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: MARK MITTELHAUSER *Mark Mittelhauser*
Associate Deputy Undersecretary for
International Affairs

DATE: September 8, 2020

SUBJECT: ILAB Comments on OIG Draft Audit Report No.
17-20-003-01-070: ILAB Met Its Reporting Mandates But Could
Improve Its Oversight of Child Labor and Forced Labor Grants

ILAB appreciates the opportunity to provide comments on the Office of the Inspector General's (OIG) draft audit report concerning the Bureau of International Labor Affairs' (ILAB's) implementation of its reporting mandates and oversight of child labor and forced labor grants. ILAB recognizes the value of the OIG's recommendations and appreciates the audit team's thoughtful review of ILAB's work over the course of the several years involved in this audit process. ILAB's response is intended to (1) provide further context and clarity on the report's findings and recommendations, and (2) describe corrective actions that ILAB has taken or plans to take with respect to each of the report's recommendations.

ILAB would first like to take this opportunity to thank the OIG for its review of ILAB's implementation of its international child labor and forced labor reporting requirements. ILAB is pleased that the OIG did not identify any concerns with ILAB's implementation of its Congressional and regulatory research and reporting mandates.

Secondly, ILAB would like to thank the OIG for its review of ILAB's technical assistance oversight mechanisms, including its review of documentation related to oversight required by federal regulations and additional oversight measures employed by ILAB, which exceed federal requirements. ILAB would like to note that the OIG's report did not identify any concerns with regard to ILAB's federally required oversight of grant recipient's Technical Progress Reports or Federal Financial Reports.

Regarding ILAB's administration of its project-level audits program, an oversight mechanism employed by ILAB, which exceeds federal requirements and has been noted by the U. S. Government Accountability Office (GAO) and others as a good practice—ILAB appreciates the OIG's review and recommendations on ways to enhance this program. ILAB acknowledges there are areas for improvements identified by the OIG in its report. As part of ILAB's ongoing commitment to effective oversight of its grants program, ILAB is pleased to outline below a number of the steps that ILAB has either already taken or is in the process of taking to address shortcomings identified in the report.

With respect to ILAB's audit program, ILAB notes with appreciation the OIG's emphasis on the importance of timely corrective action notices. ILAB agrees that it is important to provide timely formal feedback to grant recipients following the issuance of an audit report. While ILAB uses informal communications to follow up with grant recipients immediately after the issuance of an audit report, ILAB appreciates the importance of the timely distribution of formal resolution documents to grant recipients. For this reason, ILAB has taken steps to improve its policies and procedures regarding audit corrective action letters.

With respect to ILAB's evaluation program, ILAB appreciates the OIG's review and recommendations related to the need for further documentation of follow-up actions taken by grantees to address evaluation recommendations. ILAB acknowledges that it lacked a formal process in place to document which recommendations required follow-up actions and which recommendations did not require follow-up actions. ILAB recognizes the importance of this documentation, including in order to differentiate between relevant and actionable recommendations and those recommendations that are neither feasible nor actionable. Written documentation also serves to memorialize expectations for grant recipients. In addition, ILAB notes that while informal communications took place with grantees on evaluation recommendations, there was no standard, formal process to document which follow-up actions ILAB considered necessary to address specific evaluation recommendations.

ILAB's specific comments and corrective actions with respect to each of the recommendations follow:

Recommendation 1: Develop and implement a process – to include the establishment of expectations regarding timelines with the grant officer – to ensure that corrective action notices and other audit resolution documents are issued to grantees in a timely manner.

ILAB agrees with this recommendation and is committed to ensuring corrective action notices and other audit resolution documents are issued to grant recipients in a timely manner. In fact, as of September 2017, ILAB had eliminated its backlog of corrective action notice issuances. Since that time, ILAB has worked successfully with the Employment and Training Administration's Office of Grants Management (ETA/OGM) to issue all final corrective action notices within the timelines set by the 2015 Operating Manual. In response to this recommendation, ILAB is in the process of streamlining its Operating Manual Chapter for Audits and Attestation Engagements to outline roles and responsibilities for the audit and attestation engagement process. In addition, while ILAB has successfully worked with ETA/OGM to issue all corrective action notices in a timely manner since September 2017, ILAB recognizes the need to have a formal, mutually agreed upon process in place that clearly defines roles, responsibilities, and timelines for the audit resolution process. For this reason, ILAB is in the process of establishing Standard Operating Procedures (SOPs) with ETA/OGM outlining roles and responsibilities to ensure corrective action notices and other audit resolution documents continue to be delivered in a timely manner.

Recommendation 2: Develop and implement a process – to include documentation of plans and timetables for follow-up actions – to document and track the status of recommendations from interim and final evaluations.

ILAB agrees with this recommendation and is pleased to share that in 2019, ILAB began implementing a process to document the plans and timetables for follow-up actions from interim and final recommendations. Specifically, ILAB has developed the Disposition of Evaluation Recommendation Tracker (DERT), which is a tool that ILAB staff and grant recipients use after the finalization of interim and final evaluations. ILAB staff work with grant recipients to complete the tool, including information on (1) whether a recommendation is accepted, partially accepted/modified, or rejected, (2) what the agreed-upon follow-up actions will be for those recommendations requiring action, and (3) a timeline for when the actions are anticipated to be completed. Once the DERT tool has been completed, grant recipients report on the status of their follow-up activities in their regular Technical Progress Reports. Through its monitoring of Technical Progress Reports, ILAB is able to review grantees' progress toward implementing agreed-upon follow-up actions. Additionally, ILAB has developed an internal process for determining the status of evaluators' recommendations that are directed to DOL. With these processes in place, ILAB will be able to better document the status of interim and final evaluation recommendations and ensure that appropriate follow-up actions are taken. ILAB is also pleased that it can use the DERT process for learning purposes as well, since the compiled information from across ILAB's project portfolio will provide valuable data to analyze and synthesize information on common recommendations.

We hope that these comments are useful in providing further context for the work that ILAB has done or is in the process of undertaking in response to the OIG audit report. ILAB is committed to using the OIG's report to enhance its effective oversight of its grant portfolio and taxpayers' resources. ILAB will continue its efforts to promote a fair playing field for the American worker by supporting efforts to guard against the use of child labor or forced labor and to promote better opportunities for vulnerable children and their families in the countries where ILAB works.

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

APPENDIX C: ACKNOWLEDGEMENTS

Key Contributors to the report were:

Rachael Hess, Auditor
Tracy Katz, Audit Director
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