



May 2014

INTERNATIONAL LABOR GRANTS

Labor Should Improve Management of Key Award Documentation

GAO Highlights

Highlights of [GAO-14-493](#), a report to Congressional requesters

Why GAO Did This Study

Recent incidents, including the collapse of a factory building in Bangladesh, have highlighted poor working conditions overseas. According to the International Labour Organization, millions of children worldwide are engaged in labor that hinders their development. ILAB provides technical assistance mainly through international and nongovernmental organizations to improve working conditions by supporting worker rights and combating child labor. You asked us to review issues related to ILAB's international technical assistance. This report examines (1) how ILAB develops its technical assistance projects, (2) how ILAB selects recipients of its funding, and (3) how Labor manages its grant award documentation.

To address these objectives, GAO reviewed Labor guidance on procurement, ILAB project manager manuals, and grant solicitations. GAO examined a nongeneralizable sample of 26 award files that were active in calendar years 2011-2013. GAO selected this sample based on several factors, including dollar value and geographic location. GAO also interviewed officials from ILAB and the Labor procurement office as well as ILAB grantees in Washington, D.C.

What GAO Recommends

To ensure the integrity of the procurement process for ILAB grants, the Secretary of Labor should provide guidance about documents required in grant award files and ensure that the guidance is implemented. Labor agreed with the recommendations.

View [GAO-14-493](#). For more information, contact Thomas Melito, (202) 512-9601, melitot@gao.gov

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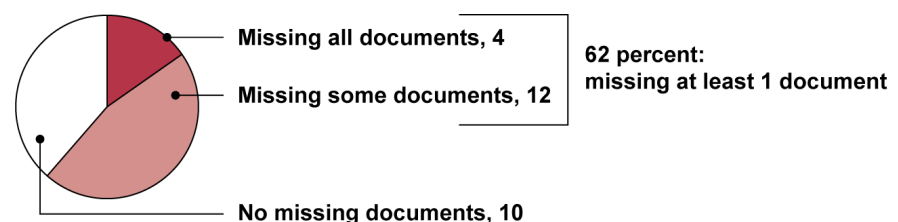
What GAO Found

The Department of Labor's (Labor) Bureau of International Labor Affairs (ILAB) has guidance and criteria for developing projects covering trade and labor and child labor. In fiscal year 2013, the child labor office obligated about \$56 million and the trade and labor office obligated about \$13.5 million for technical assistance projects. Officials from both offices said they consider many factors in deciding where to provide technical assistance, including the nature and extent of the problem, U.S. government priorities, and host government commitment. Each office uses a variety of information sources to develop project ideas. Once ILAB has decided to develop a project, the draft grant solicitation must go through Labor's agency-wide clearance process.

Labor has established procedures to select recipients of its funding, including processes for evaluating applications for grants, such as assessing applicants' past performance and capacity to manage grant funds. Officials said they have difficulty attracting a large number of applicants because the pool is potentially constrained by the specialized nature of the work, challenging location of the grants, and size and complexity of the grants. According to officials, ILAB takes steps to maximize competition, such as publishing Notices of Intent to give applicants more time to develop proposals.

Incomplete documentation makes it difficult to determine if Labor is following its grant award procedures, including conducting due diligence on financial viability and past performance of applicants. Based on GAO's review of 26 grant award files, over half of the files were missing some documentation, and 4 were missing all pre-award documents (see figure). Officials said that the procurement office has been trying to improve the organization of the files so that it is easier to follow the steps of the award process. For example, procurement officials said they are trying to more consistently use a checklist to record the documents the office receives, such as past performance information. However, use of this checklist is not required, and Labor guidance does not clearly state what documents must be retained in award files. According to *Standards for Internal Control in the Federal Government*, internal control, all transactions, and other significant events need to be clearly documented, and the documentation should be readily available. Further, the standards state that all documentation and records should be properly managed and maintained. Without such assurance that Labor is following its grant award procedures, ILAB is at increased risk of not meeting the goals of its programs.

Summary of key documents found in 26 award files



Source: GAO analysis of Department of Labor data.

Contents

Letter		1
	Background	2
	Labor Has Guidance for Developing ILAB Grant Solicitations	4
	Labor Has Established Procedures to Select ILAB Grantees but Has Faced Challenges in Maximizing Competition	8
	Incomplete Award File Documentation Causes Uncertainty about Whether Labor Followed Its Procedures	13
	Conclusions	16
	Recommendations for Executive Action	17
	Agency Comments and Our Evaluation	17
Appendix I	Objectives, Scope, and Methodology	19
Appendix II	ILAB Criteria for Developing New Projects	21
Appendix III	Comments from the Department of Labor	23
Appendix IV	GAO Contact and Staff Acknowledgments	24
Figures		
	Figure 1: Bureau of International Labor Affairs Organization Chart with Offices That Provide Technical Assistance	3
	Figure 2: Complete, Partially Missing, and Missing Key Documents in 26 Award Files	13

Abbreviations

ILO	International Labour Organization
ILAB	Bureau of International Labor Affairs
Labor	Department of Labor
OCFT	Office of Child Labor, Forced Labor, and Human Trafficking
OMB	Office of Management and Budget
OTLA	Office of Trade and Labor Affairs
State	Department of State
USAID	U.S. Agency for International Development

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May 15, 2014

The Honorable Orrin G. Hatch
Ranking Member
Senate Committee on Finance

The Honorable Lamar Alexander
Ranking Member
Senate Committee on Health, Education, Labor and Pensions

Recent incidents, including the collapse of a garment factory building in Bangladesh,¹ have highlighted poor working conditions overseas. In addition, according to the International Labour Organization (ILO),² millions of children worldwide are engaged in labor that hinders their education, development, and future livelihoods. In response to concerns about working conditions for children and adults, the U.S. government, in part through the Department of Labor's (Labor) Bureau of International Labor Affairs (ILAB), provides technical assistance mainly through international and nongovernmental organizations to improve working conditions by supporting worker rights and combating child labor.

You asked us to review issues related to ILAB's international technical assistance. This report examines (1) how ILAB develops its technical assistance projects, (2) how ILAB selects recipients of its funding, and (3) how Labor manages its grant award documentation. We will be issuing an additional report at a later date that addresses financial and performance monitoring and evaluation.

To address these objectives, we reviewed relevant documents, including Labor guidance on procurement, ILAB project manager manuals, and grant solicitations. In addition, we developed a data collection instrument that we used to review a sample of award files for ILAB projects. We selected a nongeneralizable sample of 26 projects out of a total of 98

¹On April 24, 2013, the Rana Plaza building collapsed in Dhaka, Bangladesh, killing over 1,100 factory workers and injuring many others.

²The International Labour Organization (ILO) is a tripartite U.N. agency with government, employer, and worker representatives. ILO's mission includes promoting fundamental rights at work, creating opportunities for decent employment and income, and enhancing social protection.

projects that were active in calendar years 2011, 2012, and 2013.³ We selected the sample based on several factors, such as dollar value and geographic location. The sample represents about 44 percent of ILAB funding over these years and includes 7 of the 9 grants with the highest dollar value (\$10 million or above). Our sample includes projects that are single-country; multicountry; completed; ongoing; direct services; capacity building; and in most geographic regions. We also discussed ILAB's processes for developing project ideas and awarding grants with officials from ILAB and the procurement office in Labor's Office of the Assistant Secretary for Administration and Management. In addition, we discussed these processes with ILAB grantees in Washington, D.C., and during field work in Cambodia, Ecuador, Peru, and Thailand. We selected these locations based on, among other factors, size of grant, geographic location, and phase of the project. Appendix I provides more information about our scope and methodology.

We conducted this performance audit from June 2013 to May 2014 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

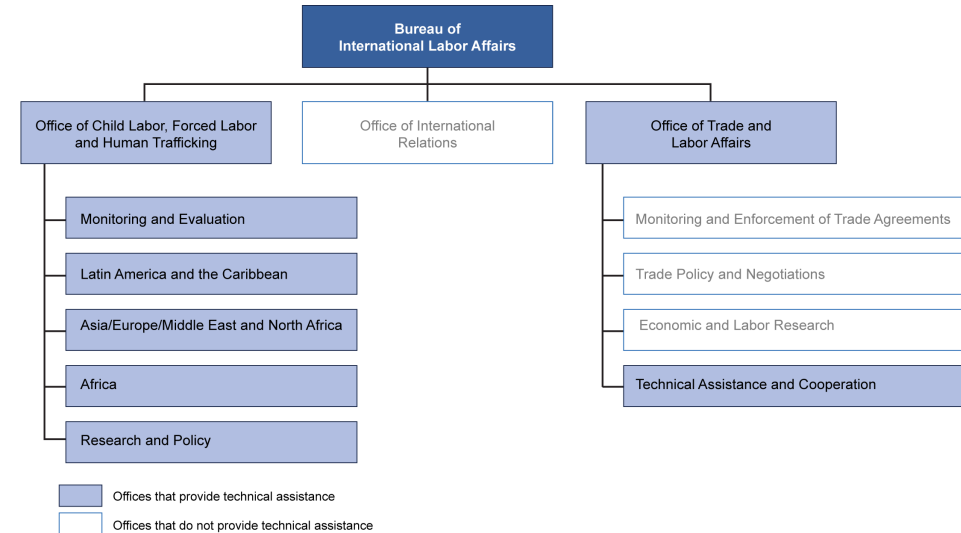
Background

The mission of ILAB involves improving working conditions, promoting workers' rights, and addressing the workplace exploitation of children and other vulnerable populations overseas. This work is carried out by its Office of Child Labor, Forced Labor, and Human Trafficking (OCFT, referred to here as the child labor office) and its Office of Trade and Labor Affairs (OTLA, referred to here as the trade and labor office), through projects developed and funded by the offices and generally implemented by international or nongovernmental organizations. Figure 1 shows the structure of the ILAB office. In fiscal year 2013, Congress appropriated about \$66.5 million to ILAB for international technical assistance provided

³A nongeneralizable sample seeks to systematically identify cases that will be useful for answering researchable questions. These selections may be either a nonprobability sample or a probability sample; however, results from a nongeneralizable sample cannot be used to make inferences about a population—in our case, the general population of ILAB assistance grants.

that “\$40 million shall be for programs to combat exploitative child labor internationally” and “not less than \$6.5 million shall be used to implement model programs that address worker rights issues.”⁴ Of that amount, the child labor office obligated about \$56 million, and the trade and labor office obligated about \$6.5 million for technical assistance projects.⁵ From fiscal year 2011 through fiscal year 2013, ILAB obligated about \$225 million. During that time the child labor office obligated about \$176 million and the trade and labor office obligated about \$49 million.⁶

Figure 1: Bureau of International Labor Affairs Organization Chart with Offices That Provide Technical Assistance



Source: Department of Labor.

⁴These funds were subject to a 0.189 percent across-the-board rescission. Further Continuing Appropriations Act, 2013, Pub. L. No. 113-6, Div. F, § 1101. Additionally, ILAB reported that the fiscal year 2013 sequestration also affected ILAB’s technical assistance funds.

⁵In fiscal year 2013, the worker rights office also obligated about \$3.7 million from ILAB Salaries and Expenses—its operations funding account that can also be used for technical assistance—and about \$3.4 million transferred from the State Department.

⁶This includes about \$8.7 million from ILAB Salaries and Expenses used for technical assistance and \$21 million that the State Department transferred to ILAB to fund projects.

The child labor office's technical assistance includes direct educational services, capacity building, and supporting research on international child labor, forced labor, and human trafficking. Among other responsibilities, the office funds and oversees cooperative agreements and contracts to organizations engaged in efforts to eliminate exploitative child labor around the world. It funded 40 projects between fiscal years 2011 and 2013. For example, in fiscal year 2011, the office funded a \$13 million project to combat rural exploitative child labor in Peru that included education services, livelihoods assistance, and research on child labor.

The trade and labor office's technical assistance focuses on projects to improve worker rights. It funded 34 projects between fiscal years 2011 and 2013. For example, in fiscal year 2011 the office provided \$1 million to improve labor compliance in the footwear industry in Cambodia and to improve the capacity of labor law enforcement.

Labor Has Guidance for Developing ILAB Grant Solicitations

ILAB has guidance and criteria for developing project ideas. Officials from both the trade and labor office and child labor office told us the criteria are not formally weighted and that they consider many factors in deciding where to provide technical assistance, including the nature and extent of the problem, U.S. government priorities, and host government commitment. Before ILAB can publish a grant solicitation, it must go through Labor's agency-wide clearance process.

ILAB Has Guidance and Several Criteria for Developing Project Ideas

The child labor and trade and labor offices each have general guidance for developing project ideas, including guidance on stakeholder involvement and identifying targets of opportunity. In addition, the trade and labor office guidance includes templates for assessing initial project ideas. Both offices have several high-level criteria for project development, including sustainability and host government commitment. (See appendix II for the full list of criteria.)

Each office uses a variety of information sources to develop potential projects. Officials from the trade and labor office said they identify potential project ideas using information from other office divisions,

including submissions filed under free trade agreements.⁷ In addition, they said they consult with relevant stakeholders, such as the Office of the U.S. Trade Representative, the U.S. Agency for International Development (USAID), the Department of State (State), and U.S. embassies. Officials from the child labor office told us they develop potential project ideas based on information collected from the office's research on the three annual reports on international child labor and forced labor they produce,⁸ as well as discussions with various stakeholders inside and outside Labor, such as USAID, State, U.S. embassies, and others.

Project Decision Factors Are Not Weighted and Priorities Can Change Over Time

According to ILAB officials, they can consider additional factors when developing projects, including leadership priorities. They told us that ILAB's formal leadership priorities are outlined in its annual operation plan and 5-year strategic plan. ILAB officials said that office directors from both the trade and labor office and child labor office meet every week with the office of the deputy undersecretary for international affairs to discuss issues. For example, trade and labor office officials told us a current priority is building the capacity of other governments to enforce their labor laws by, for instance, improving the capacity and skills of labor inspectors. Officials also said that if there is a significant event, such as the garment factory fires and factory collapse in Bangladesh, their priorities can adjust to reflect new situations. In addition, officials from the child labor office said that in the 1990s, they funded projects targeting child soldiers and commercial sexual exploitation. However, they found that to have greater impact, they needed to develop projects that intervene earlier, before children become soldiers or sex workers. Officials told us they have increased their focus on prevention in addition to removing children from child labor.

⁷The United States has free trade agreements with 19 countries that include provisions to protect worker rights and facilitate cooperation among labor ministries. These labor provisions establish official processes for receiving complaints, or "submissions" from interested organizations that believe a trading partner is not fulfilling the labor commitments it made.

⁸ILAB publishes three annual reports on international child labor and forced labor: *Findings on the Worst Forms of Child Labor*; the *List of Goods Produced by Child Labor or Forced Labor*; and the *List of Products Produced by Forced or Indentured Child Labor*.

ILAB officials said the criteria they use for project development and selection are not formally weighted and the importance of individual criteria can vary depending on the situation. For example, ILAB officials told us that regardless of the severity of a problem, they generally do not provide assistance in a country where the government does not welcome an ILAB project.⁹ ILAB officials told us they look for opportunities for discernible impact and likelihood of success. They define success as not only meeting the goals of the project, but also developing strategies that could be applied more widely.¹⁰ Officials from the child labor office told us that their main criterion is the nature and extent of exploitative child labor,¹¹ but other factors can take precedence in determining where to provide technical assistance. For example, they do not necessarily target their assistance to the countries with the highest incidences of child labor or with the worst forms of child labor. The projects we reviewed, for instance, include countries where the percentage of children working varies from about 7 percent in Panama to 50 percent in Ethiopia, according to recent statistics in ILAB's Findings on the Worst Forms of Child Labor.¹² However, child labor officials said that, even taking into account other factors, their projects generally result in a focus on the worst forms of child labor or hazardous work. For example, of the six solicitations for direct services in our sample that were posted in 2011 and 2012, half explicitly mention children engaged in the "worst form of child labor" or "hazardous work" as the target population. Although the other half of solicitations did not explicitly use these terms, the

⁹According to ILAB officials, in some cases, it may not be possible for an ILAB grantee to fully implement a project without the support or at least official recognition of the host government. Lack of government support for a project can also undermine sustainability of the project. However, in some instances, ILAB may decide that the need for action in a country and the potential benefits that can be realized through a technical assistance project may justify moving forward even if host government support cannot be secured.

¹⁰We will be conducting a future review of ILAB's monitoring and evaluation, in which we will explore the extent to which ILAB collects evidence of sustainability and how it uses performance data to inform the design of future projects.

¹¹According to ILAB officials, exploitative child labor includes those children (minors under age 18) working in the worst forms of child labor as outlined in ILO Convention 182 and children engaged in work that is exploitative and/or interferes with their ability to participate and complete required years of schooling, in line with ILO Convention 138.

¹²United States Department of Labor Bureau of International Labor Affairs, *Findings on the Worst Forms of Child Labor*, (Washington, D.C.: 2011, 2012).

solicitations described working conditions that fall under the definition of hazardous work.¹³

Labor Has an Agency-wide Clearance Process for Grant Solicitations

ILAB has a review process for developing and approving potential projects and grant solicitations. According to ILAB officials, project managers on both trade and labor and child labor grants develop a list of potential projects using the criteria and information discussed above. The office division chiefs review and refine the list and provide project recommendations to the directors of each of the offices. The office directors further refine the list of recommended projects, which they give to the deputy undersecretary for international affairs for final selection. In 2013, officials estimated that child labor project managers developed around 20 project proposals (including country-specific projects, research projects, and monitoring and evaluation projects), 15 of which were submitted to the deputy undersecretary, and 12 of those are under consideration. Officials estimated that trade and labor project managers developed around 20 project ideas, 8 of which were forwarded to the deputy undersecretary, and 6 of those are under consideration.

Competitive Award Process Steps:

- **Notice of Intent**
- **Solicitation for grant applications**
- Application pre-screening
- Evaluation panel application review
- Grant award decision
- Notification of award decision

Source: ILAB.

According to ILAB guidance, once a potential project is approved, project managers conduct a needs assessment to further develop the project idea and write the scope of work for the grant solicitation. The needs assessment can be comprised of different efforts depending on the situation; for example, it could involve desk research and a visit to the target country to help determine the scope of each project. ILAB guidance also states that they will consult with stakeholders, including other U.S. government agencies and the U.S. embassy in the target country, and obtain written approval from the host country government to implement the project. According to ILAB guidance, Labor publishes a Notice of Intent on the grants.gov web portal to notify the public and potential bidders that ILAB intends to issue a solicitation. According to ILAB officials, project managers then write the scope of work for the solicitation, which they send to the child labor and trade and labor office directors for approval. According to officials, the scope of work identifies the problem to be addressed, while the applicant should propose the way to address the problem. After the ILAB office directors approve the solicitation,

¹³ILAB considers hazardous work to be work that is likely to harm the health, safety, or morals of children, such as work with dangerous machinery, equipment, and tools, or which involves the manual handling or transport of heavy loads.

according to officials, it is sent to the deputy undersecretary for international affairs for clearance, then to all agencies in Labor for review and comment, and clearance by the office of the executive secretary. Finally, the solicitation for grant applications is published on grants.gov.

Labor Has Established Procedures to Select ILAB Grantees but Has Faced Challenges in Maximizing Competition

Labor has established procedures to evaluate competitive and noncompetitive applications for cooperative agreements. In addition, noncompetitive grants need approval from the Labor Procurement Review Board. ILAB has faced challenges in maximizing competition, broadening the pool of organizations that apply for grants, because that pool is potentially constrained by the specialized nature of the work, challenging location of grants, and size and complexity of the grants. ILAB officials told us they take steps to maximize competition, including writing scopes of work that are broad enough for an applicant to develop its own strategy and publishing Notices of Intent to give applicants more time to develop proposals.

Labor Has Procedures for Awarding Competitive and NonCompetitive Grants

Competitive Award Process Steps:

- Notice of Intent issued
- Solicitation for grant applications
- ***Application pre-screening***
- ***Evaluation panel application review***
- ***Grant award decision***
- ***Notification of award decision***

Source: ILAB.

For competitive solicitations, once the application deadline has passed, a grant officer in Labor's procurement office conducts a review of the applications to determine whether applicants have met all requirements to be eligible for award consideration. According to Labor officials, in 2011, the procurement office began using a responsiveness review checklist to determine whether documents required in the solicitation are included in the application file. For example, the checklist contains fields for whether the applicant submitted technical and cost proposals; past performance information; an audit opinion letter and summary of findings; and whether the applicant is registered in the System for Award Management,¹⁴ which includes information on excluded parties.¹⁵ Applications found eligible by the procurement office are provided to a technical evaluation panel for review and evaluation.

¹⁴The System for Award Management is an online database that includes the excluded parties list system, among other federal procurement systems.

¹⁵An excluded party, subject to certain exceptions, is a person who is excluded by any federal agency and may not: (a) be a participant in certain federal agency transactions or (b) act as a principal of a person participating in one of those transactions. Transactions include grants, cooperative agreements, loans, and subsidies. 2 C.F.R. §§ 180.130 and 180.970.

ILAB selects and identifies the technical evaluation panel members and chair. According to ILAB officials, the panel chair is often the project manager who developed the solicitation. The panel chair is responsible for, among other things, ensuring compliance with proceedings, applicable regulations, and solicitation requirements; keeping a record of panel proceedings; and submitting a record of the proceedings of the panel to the procurement office. The individual panelists are each responsible for reading and completing evaluations for all applications. ILAB officials said that influence of the panel chair is moderated by the other panel members, and that the chair's role is to facilitate and organize the process, not to dictate the review. ILAB panels generally include three to four people, including the chair. ILAB officials said that the other panelists can be people from within the agency who have expertise on the sector or country, as well as people from outside of Labor, such as academics or the State desk officer for the country. Labor officials said the procurement office provides training to panelists. The most recent training document, from July 2013, includes an integrity overview, including confidentiality and conflict of interest provisions, and explains the process the panel follows during the evaluation of the applications.

Each panelist evaluates all applications using a rating form developed for each solicitation based on criteria and point values outlined in the solicitation.¹⁶ Each panelist's individual evaluations are summarized in the panel consensus report, which provides an award recommendation to the procurement office. The panel uses a competitive range, established prior to the review of the applications, in its evaluation process to screen out applicants that do not achieve a minimum point value. According to ILAB officials, the main criteria they use to evaluate applications are (1) project design and budget, (2) organizational capacity, and (3) personnel and project management. The point value assigned to each criterion varies across solicitations depending on the type of project; for example, a global project may assign more points to organizational capacity than a single country project. Applicants' past performance is assessed under the organizational capacity criterion. The procurement office asks the panel chair for questions to send to the applicants' references and then

¹⁶Panelists assign a numerical rating to each application based on the point values established in the solicitation. For example, the fiscal year 2012 solicitation for a child labor project in Ecuador and Panama stated the criteria and maximum point value for evaluating applications as follows: Project Design and Budget—60 points, Organizational Capacity—20 points, and Personnel and Project Management Plan—20 points.

provides the references' answers on past performance to the evaluation panel. Officials also said that they assess the management systems and capacity of applicants to manage grant funds during the panel evaluation by examining the audit submitted by the applicant, budget narrative and outputs-based budget, past performance, management structure for the project, and organizational capacity. The procurement office makes the final award decision and notifies the grantee. Of the eight competitive solicitations we reviewed that received more than one applicant, the highest rated applicant always received the grant award. The two competitive solicitations in our sample with only one applicant met the minimum point value for awarding the grant.

Non-Competitive Award Process Steps:

- *Procurement Review Board review and approval*
- *Notice of Intent to sole source*
- *Scope of award to grantee*
- *Budget and plans from grantee*
- *Notification of award decision*

Source: ILAB.

For noncompetitive awards—grant awards made using less than full and open competition—ILAB needs approval from the procurement office and the Labor Procurement Review Board. Of the 26 award files we reviewed, ILAB awarded 12 grants noncompetitively. Nine of the noncompetitive grants were child labor grants, and three focused on trade and labor.¹⁷ According to ILAB officials, if ILAB determines that there is only one organization that can implement a project, the first step is an internal ILAB review followed by reviews conducted by the deputy undersecretary for international affairs and the procurement office. The request for a noncompetitive or limited competition award is then sent to the Labor Procurement Review Board which is composed of representatives from various Labor offices. The board evaluates the request against the Department of Labor Management Series criteria for exclusions and exceptions to competitive procedures for grants and cooperative agreements, and it has to meet at least one of the criteria—for example, that a noncompetitive award is authorized or required by the statute funding the program. The board makes a recommendation to the chief acquisition officer, who has the final determination. Labor posts a Notice of Intent to sole source on grants.gov. ILAB then provides the scope of award to the grantee, obtains the budget and work plans from the grantees, and finally notifies the grantee of the award decision. Officials

¹⁷ILO received all but one of the noncompetitive grant awards, and received several of those through umbrella agreements. ILAB used these umbrella agreements when the agency received congressionally directed funding for ILO. Umbrella agreements are cooperative agreements covering funding for multiple individual projects implemented by one organization.

said that when ILAB received congressionally directed funding for the ILO, it still was required to follow this process.¹⁸

ILAB Has Faced Challenges in Maximizing Competition for Its Grants, but Has Taken Steps to Increase Competition

ILAB officials stated that they face challenges in maximizing competition but have taken steps to address them. Of the 26 award files we reviewed, ILAB awarded 14 grants competitively. Of these 14 competitive solicitations, we found evidence that 7 solicitations received 3 or more applications, and 1 solicitation received 2 applications, while 2 solicitations received only 1 application each.¹⁹

According to ILAB officials, they face challenges in maximizing competition, as their pool of applicants is potentially constrained by the nature of the work, location of grants, and size of grants. Officials from the trade and labor office said that the work ILAB does is specialized, and there are not many organizations that have the experience or the capacity to, for example, train labor inspectors. In addition, child labor grants, have many different components, such as direct services, research, and capacity building. In addition, the difficult implementing environment for some projects decreases the pool of applicants. For example, it can be difficult to find organizations that are willing to work in environments that are remote, contain security concerns, or lack basic infrastructure. Furthermore, according to ILAB officials, the size and complexity of grants are based on several factors, including ensuring that the grant has sufficient resources to address the problems identified in the solicitation. Moreover, according to ILAB officials, large grants are generally the same amount of work and involve the same procedures to develop and oversee as small grants. ILAB officials said that some potential grantees stated that ILAB's grants were too large for their organization. Those grantees said they had the capacity to manage a \$100,000 grant but not a \$10 million grant, which generally has a large multifaceted scope that will be

¹⁸Historically, ILO has received about half of ILAB's technical assistance funding for projects addressing worker rights and combating child labor. From 1995 through 1996, 1998 through 2006 and 2008 through 2010, Congress directed that ILAB use part of its appropriations for ILO projects to address child labor. Currently, because ILAB funds have not been congressionally-directed to ILO, ILO must compete for ILAB funding.

¹⁹Of the 14 competitive solicitations we reviewed, four award files lacked pre-award documents so we were not able to determine the number of applicants for those awards.

implemented in multiple locations. The size and complexity of these types of grants can be difficult for some organizations to manage.²⁰

ILAB officials told us they take a variety of steps to try to maximize competition, including increasing the period of time that the solicitation is open; holding webinars to answer questions while the solicitation is open; and writing scopes of work that are broad enough for applicants to design their own strategy.

Officials said that giving applicants more time to develop proposals can increase competition. For example, the Notice of Intent gives potential applicants an advance announcement that a solicitation is likely to follow. In addition, ILAB officials said that they try to keep the solicitation open as long as possible, a minimum of 30 days, to allow more time for applicants to develop proposals. Several grantee officials we spoke with noted the importance of having enough time to develop their applications because it allows them to produce better proposals. One grantee official told us that the Notices of Intent that ILAB has been posting before the official solicitation have been very helpful. Another grantee official told us that the rules for submitting proposals are very clear, but the process is expensive and rigorous, so having experience with the issues, contacts, and a relationship with the host country government is useful in quickly figuring out where to focus the proposal.

After the solicitation is issued, ILAB holds a webinar to answer questions. A grantee official we spoke with noted that ILAB has improved the question and answer process.

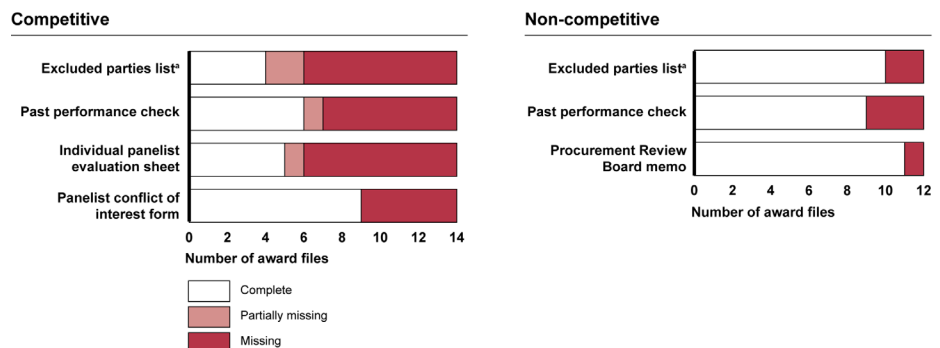
Finally, ILAB officials told us they try to write the solicitation scope of work broadly enough to describe the problem the project is trying to address but leave room for applicants to design their own strategy. Labor's solicitor's office provides comments on whether the solicitation is too narrow.

²⁰The average funding amount for child labor grants from 2011 to 2013 is about \$4.4 million, and the largest grant is \$15 million. The average funding amount for trade and labor grants from 2011 to 2013 is about \$1.5 million, and the largest grant is \$10 million.

Incomplete Award File Documentation Causes Uncertainty about Whether Labor Followed Its Procedures

Incomplete documentation makes it difficult to determine if Labor has established internal controls over, and is following, its grant award procedures,²¹ including ensuring that Labor does not award grants to organizations that have been debarred from doing business with the federal government. Our review of 26 grant award files showed that some key pre-award documentation was missing in over half of the files and 4 files were missing all pre-award documents. According to officials, all awards are required to go through these steps, regardless of the number of applications received or whether the grant was awarded noncompetitively. Similarly, a March 2012 Labor Inspector General report found Labor contract files were missing key documents.²² Lack of readily available documentation causes uncertainty about whether Labor followed all of its procedures. Without such assurance, achieved through sufficient internal controls, that Labor is following its grant award procedures, ILAB is at increased risk of not meeting the goals of its programs. Figure 2 shows the prevalence of key documents in 26 award files.

Figure 2: Complete, Partially Missing, and Missing Key Documents in 26 Award Files



Source: GAO analysis of Department of Labor data.

^aAn excluded party, subject to certain exceptions, is a person who is excluded by any federal agency and may not: (a) be a participant in certain federal agency transactions or (b) act as a principal of a

²¹According to ILAB officials, ILAB does not have its own grant office and relies on the procurement office in Labor's Office of the Assistance Secretary for Administration and Management for all of its grant office functions.

²²Department of Labor, Office of Inspector General, Office of Audit, *Department Oversight Needs to Be Strengthened to Minimize Procurement Risk*, 17-12-002-07-711 (Washington, D.C.: Mar. 30, 2012).

person participating in one of those transactions. Transactions include grants, cooperative agreements, loans, and subsidies. 2 C.F.R. §§ 180.130 and 180.970.

Note: "Partially missing" refers to files in which documents were missing for some, but not all, applicants.

Key documents that would provide evidence that required procedures were being followed, but which were missing in some or all of the grant award files we reviewed, include:

- **Individual evaluation sheets:** for competitive awards, document the rating and assessment of applicants by each panelist.
 - Of the 14 competitive award files we reviewed, 8 files were missing all individual evaluation sheets; 1 file was missing 1 individual evaluation sheet; and 5 files contained all individual evaluation sheets.
- **Conflict of interest forms:** for competitive awards, provide support that the individual panelist does not have a conflict or appearance of conflict with the applicants.
 - Of the 14 competitive award files we reviewed, 9 contained documentation stating that the panelists evaluating the applications did not have a conflict of interest, and 5 files were missing this documentation.
- **Labor Procurement Review Board approval:** required for noncompetitive awards.
 - Of the 12 noncompetitive award files we reviewed, 11 contained documentation of the Labor Procurement Review Board approval in the individual or umbrella project files. For 1 file, the Procurement Review Board approval was for a no-cost extension of the project but not for the original agreement.
- **Excluded parties list:** for competitive and noncompetitive awards, indicates whether an applicant is suspended or debarred.
 - Of the 14 competitive award files we reviewed, 4 files had evidence that Labor searched the excluded parties list; 8 files were missing that evidence; and 2 files had results for the excluded parties list search for some but not all applicants.

-
- Of the 12 noncompetitive awards, 10 files had evidence in the individual or umbrella project file that Labor searched the excluded parties list and 2 files were missing that evidence.
 - **Past performance:** for competitive and noncompetitive awards, can provide information on whether the applicant has a history of poor performance.
 - Of the 14 competitive solicitation files we reviewed, 6 files had evidence Labor had checked past performance; 7 were missing evidence of past performance checks; and 1 had evidence for only one of the applicants.
 - Of the 12 noncompetitive solicitation files we reviewed, 3 were missing evidence of a past performance check. Two files specifically referred to the past good performance of the implementer in the memo to the Procurement Review Board. Seven files listed past projects implemented by the organization in the memo to the Procurement Review Board. We accepted these as evidence of checking past performance.

According to Labor officials, the procurement office keeps all documents for the winning grantee, including the consensus report from the grant evaluation panel. However, after the debriefing period has ended,²³ it does not keep the individual panelist's review sheets from the grant evaluation panel or the unsuccessful applications. According to Labor officials, they follow Labor's record retention regulation,²⁴ which pertains to documents related to grantees and sub-grantees. Specifically, the regulation applies to "all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are (i) required to be maintained by the terms of this part, program regulations or the grant agreement, or (ii) otherwise reasonably considered as pertinent to program regulations or the grant agreement."²⁵ However, the regulation does not specifically name

²³According to Labor officials, when Labor sends nonwinning applicants notification that they did not receive the award, applicants have 10 days to request a debriefing. After the debriefing, Labor destroys the documents associated with unsuccessful applications and only retains those of the winning applicant.

²⁴Retention and Access Requirements for Records, 29 C.F.R. § 97.42.

²⁵29 C.F.R. § 97.42.

documents such as the excluded parties list or past performance documentation. While Labor does have more specific guidance for retaining documents for contract awards, it does not have guidance on retaining specific documents for the grant award process. For example, a 2013 procurement memo requires, as a best practice, that contract specialists and officers maintain excluded parties verification results in award files. Because the procurement office handles both contracts and grants, officials said they try to apply similar principles to both contracts and grants. According to officials, they keep documents related to the award itself, such as the solicitation, the successful submitted application, and its related evaluation consensus report.

Labor officials acknowledged that many grant award files were missing documents, and the office has been trying to improve the organization of the files so that it is easier to follow the sequence of the award process. For example, the procurement office is now trying to more consistently use the responsiveness review checklist to record the documents it receives from applicants as well as another checklist to record the documents in the award files. However, neither of these checklists is an official requirement. According to Standards for Internal Control in the Federal Government, internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. Further, the standards state that all documentation and records should be properly managed and maintained.²⁶ Internal control helps the government effectively manage and safeguard resources.

Conclusions

Congress funds the child labor and trade and labor offices to, among other things, address the conditions that could lead to disasters such as the factory collapse in Bangladesh and the tragedy of millions of children around the world facing harsh employment conditions and missing out on educational opportunities. To implement one of Labor's aims of improving working conditions overseas by supporting worker rights and combating child labor, it is important that they select grantees that have the financial and technical capacity to carry out these projects, ensuring that applicants are qualified to participate in the grant award process. While

²⁶GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

Labor has processes for developing projects and selecting grantees, incomplete documentation in award files makes it unclear if Labor followed those processes. Labor has issued guidance for retaining specific documents for awarding contracts but does not have guidance on retaining specific documents for grant awards. Labor is therefore not able to demonstrate that the grant award process has been conducted according to procedures. Internal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources. Internal control serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud, including ensuring that Labor does not award grants to organizations that have been debarred from doing business with the federal government. Without such assurance that Labor is following its grant award procedures, these programs are at increased risk of not meeting the goals of improving working conditions, protecting workers' ability to exercise their rights, and addressing the workplace exploitation of children and other vulnerable populations.

Recommendations for Executive Action

To ensure the integrity of the procurement process for ILAB grants, the Secretary of Labor should:

1. provide guidance as to what documents should be in the grant award files to show that all grant award requirements were met; and
2. establish a mechanism to ensure that the guidance is implemented.

Agency Comments and Our Evaluation

We provided a draft of this report to Labor for comment. We also provided relevant text to State for technical comments.

In its written comments, which are reproduced in appendix III, Labor agreed with the recommendations and stated that it will continue to work to improve its grant making process. Labor also described steps that it has taken to address concerns similar to those reflected in the report, including the creation of a responsiveness review checklist and application package checklist. We recognize that these are steps that may improve the documentation of Labor's grant award process. However, as noted in our report, neither of these checklists is an official requirement codified in the agency's policies. Moreover, Labor does not have guidance on retaining specific documents for the grant award process and therefore cannot demonstrate that the grant award process has been conducted according to procedures.

Labor also provided technical comments that we incorporated as appropriate. State did not provide any technical comments.

We are sending copies of this report to interested congressional committees. We are also sending copies of this report to the Secretary of Labor. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read "Thomas M", with a long horizontal flourish extending to the right.

Thomas Melito, Director
International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

This report reviews issues related to the Department of Labor's (Labor) Bureau of International Labor Affairs (ILAB) international technical assistance. The objectives of this report examined (1) how ILAB develops its technical assistance projects; (2) how ILAB selects recipients of its funding; and (3) how Labor manages its grant award documentation.

To describe how ILAB develops its technical assistance projects, we reviewed operations manuals of the Office of Child Labor, Forced Labor, and Human Trafficking (OCFT, referred to here as the child labor office) and the Office of Trade and Labor Affairs (OTLA, referred to here as the trade and labor office). These manuals contain chapters on project selection criteria, planning, and design. In addition, we reviewed ILAB's three annual reports on international child labor and forced labor: *Findings on the Worst Forms of Child Labor*, the *List of Goods Produced by Child Labor or Forced Labor*, and the *List of Products Produced by Forced or Indentured Child Labor*. We met with knowledgeable officials from the child labor and trade and labor offices to understand how they develop project ideas.

We also selected a nongeneralizable sample of 26 projects out of a total of 98 projects that were active in calendar years 2011, 2012, and 2013. To select this sample, we used lists of projects from fiscal years 2003 through 2012. These project lists are maintained by the child labor and trade and labor offices in ILAB. To determine the reliability of these lists, we met with the responsible officials and discussed how the lists are updated and maintained. We determined that these data were sufficiently reliable for the purposes of reporting ILAB's funding and selecting our sample of awards to review. We selected the sample based on several factors, such as dollar value and geographic location. The sample represents about 44 percent of ILAB funding over these years and includes 7 of the 9 grants with the highest dollar value (\$10 million or above). Our sample includes projects that are single-country; multicountry; completed; ongoing; direct services; capacity building; and in most geographic regions. Because our sample is nongeneralizable, it cannot be used to make inferences about the population of ILAB grants.

To describe how ILAB selects recipients of its funding, we reviewed Labor guidance for the evaluation panels that review and assess the grant applications and the procurement office checklist for determining that applicants responded to the solicitation. We also met with knowledgeable officials from ILAB to discuss procedures for reviewing solicitations and evaluating applicants, the process for awards made using less than full and open competition, and steps ILAB takes to maximize competition. In

addition, we met with grantees at their headquarters in Washington, D.C., and in Ecuador, Peru, Cambodia, and Thailand, to obtain their perspectives on the grant application process. We selected these locations based on, among other factors, size of grant, geographic location, and phase of the project.

To examine ILAB's management of grant award records, we developed a data collection instrument that we used to review the grant award files in our sample for key documents, including excluded parties list results,¹ Labor Procurement Review Board approval for less than full and open competition, panel evaluation worksheets for assessing competitive grant applications, and past performance information. We identified these documents based on ILAB policy documents such as guidance for the solicitation evaluation panels, the applicant evaluation worksheet template, and the solicitation for cooperative agreement template; OMB circular A-110; and interviews with Labor officials. In addition to the file review, we obtained and reviewed relevant documents such as Office of Procurement Service memos; the Department of Labor Management Series chapter on grant and procurement management; the procurement office file checklist; and Retention and Access Requirements for Records, 29 C.F.R. § 97.42. We met with officials from ILAB and the Labor procurement office to discuss issues related to award file documentation. We used GAO's Standards for Internal Control in the Federal Government to assess Labor's grant award process including management of the award file documentation.²

We conducted this performance audit from June 2013 to May 2014 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹An excluded party, subject to certain exceptions, is a person who is excluded by any federal agency and may not: (a) be a participant in certain federal agency transactions or (b) act as a principal of a person participating in one of those transactions. Transactions include grants, cooperative agreements, loans, and subsidies. 2 C.F.R. §§ 180.130 and 180.970.

²GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).

Appendix II: ILAB Criteria for Developing New Projects

The Office of Trade and Labor Affairs (trade and labor office) has several criteria for project development, including:

- Support for the broader foreign policy goals of the U.S. government as reflected in various trade legislation and other policy initiatives.
- Commitment by the stakeholders, including the government and workers' and employers' organizations, to protect the basic rights of workers and to the proposed project itself.
- Demonstrated need for technical assistance.
- Feasibility.
- Sustainability.
- Ability of the host government to absorb project resources.
- Ability to leverage additional support.
- Identification of a unique opportunity to provide resources that generate synergy and complement a national program or programs of other donor agencies.
- Anticipated risk.

The Office of Child Labor, Forced Labor, and Human Trafficking (child labor office) also has several criteria for project development, including:

- Nature and extent of exploitative child labor in a country.
- Contribution of proposed project to advancing the U.S. government's foreign policy objectives.
- Extent of a foreign government's acknowledgement of and commitment to eliminating the worst forms of child labor.
- Past performance of Labor-funded child labor projects in a given country.
- Presence and support of U.S. government field operations (i.e., U.S. embassies and the U.S. Agency for International Development).

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- Likelihood that project interventions will have long-term and sustainable impact in reducing the incidence of exploitative child labor in the country.

Appendix III: Comments from the Department of Labor

U.S. Department of Labor

Office of the Assistant Secretary
for Administration and Management
Washington, D.C. 20210



MAY - 9 2014

Mr. Thomas Melito
Director
International Affairs and Trade
Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Melito:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) draft report, *International Labor Grants: Labor Should Improve Management of Key Award Documentation* (GAO-14-493). The purpose was to review (1) how ILAB develops its technical assistance projects; (2) how ILAB selects recipients of its funding; and (3) how the Department of Labor manages its grant award documentation.

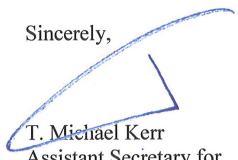
GAO has recommended that the Secretary of Labor:

- 1) Provide guidance as to what documents should be in the grant award files to show that all grant award requirements were met; and
- 2) Establish a mechanism to ensure that the guidance is implemented.

The Department concurs with these recommendations. As the report indicates, the Department's Office of the Assistant Secretary for Administration and Management (OASAM) establishes and implements grant management procedures. OASAM took steps in 2012 to address concerns similar to those reflected in the recommendation and will continue to work to improve its grant management process. Some of the more notable steps taken by OASAM to date include establishing a separate Grants Division within its Office of Procurement Services; increasing the number of personnel supporting the grants process by 200 percent; and implementing administrative procedures to enhance control of the grants process, including requirements related to grant file format, content, uniformity, and indexing. In addition, a Responsiveness Review Checklist and Initial Review of Application Package Checklist were created to confirm that all procedural requirements are met, and procurement timelines were updated to reflect more realistic deadlines.

Should you have any questions regarding the Department's response, please contact Sandra Foster, Director, Office of Procurement Services, at (202) 693-4040.

Sincerely,


T. Michael Kerr
Assistant Secretary for
Administration and Management

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact:

Thomas Melito, 202-512-9601 or melitot@gao.gov

Staff

Acknowledgements:

In addition to the contact named above, Leslie Holen (Assistant Director), Rachel Girshick, Jeff Isaacs, Jill Lacey, Grace Lui, Seyda Wentworth, and Christina Werth made key contributions to this report. Karen Deans and Etana Finkler provided technical assistance.

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