



Auditor General

AUDIT
OF
AFL-CIO
LABOR INSTITUTES

Agency policies on Labor Institute programs need to be revised and updated to provide improved and coordinated management between regional and technical bureaus, better integration with country bilateral development programs and uniform systems of evaluation to measure program accomplishments.

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AUDIT OF AFL-CIO LABOR INSTITUTES

EXECUTIVE SUMMARY

Introduction

The Agency has provided about \$109 million through various grants and contracts to support the activities of the following three AFL-CIO Labor Institutes (The Institutes): the American Institute for Free Labor Development, Inc. (AIFLD); the African-American Labor Center, Inc. (AALC); and the Asian-American Free Labor Institute, Inc. (AAFLI).

The overall goal of the Institutes' programs is to strengthen free labor unions - as stipulated in Section 601 of the Foreign Assistance Act of 1961, as amended. The Institutes' activities emphasize the establishment of labor movements in cooperating countries to protect workers' interests and contribute to economic progress and national development. The Institutes' activities relate primarily to educational, social and so-called impact programs.

- Educational programs are sponsored to train officers and rank-and-file members of labor organizations in labor union organizing methods, techniques and operating procedures.
- Social and developmental programs have been designed to improve the lives of union members and their families and have included immunization programs, cooperative development, vocational training, community centers and workers' health clinics.
- Impact programs have pertained to providing humanitarian assistance to victims of natural disasters, such as, medical equipment, food and clothing or for other specific trade union needs.

Scope

The former AID Administrator asked for an overall evaluation to be made of the Labor Institute programs to include:

- the effectiveness of the Institutes
- the extent to which the Institutes' activities should be integrated with AID's bilateral programs

- the expenditure of funds for administrative versus program costs
- the extent that the Institutes programs are complying with legislative mandates on human rights and new directions
- the adequacy of AID's oversight practices over the Institutes' programs.

This audit endeavored to focus on these multifaceted objectives to the maximum extent within the constraints of limited staff resources.

The reviews were made at AID/W regional and technical bureau offices, and at the headquarters offices and selected field offices of AIFLD, AALC and AAFLI. Field visits were made to the respective Institute offices in Panama, Costa Rica, Dominican Republic, Colombia, Philippines, Korea, Thailand and Kenya.

Conclusions and Recommendations

An overall appraisal of the Institutes' programs of activity found them to be effectively complying with the legislative mandates applicable to the new directions and human rights concepts. The Institute representatives at the offices visited have acquired considerable expertise through years of field experience. This experience has not been drawn upon nor used to the maximum extent by the field missions or agency management to more closely integrate the Institutes' programs with bilateral development programs of assistance in cooperating countries.

Political considerations

The administrative, management and evaluation responsibilities of Labor Institute programs by agency officials in the field were found in certain countries to have been deferred or delegated to labor attaches at the U.S. Embassys. Political considerations and ramifications in certain countries prompted missions to regard Labor Institute programs as political in nature rather than for developmental purposes. In deference to the positions taken by the missions and the direct involvement of U.S. Embassy personnel in overseeing and reporting upon labor activities it was proposed, in our initial draft, that consideration be given to transfer to the Department of State the administrative and management responsibilities for these programs. Agency officials were opposed to this course of action and expressed the position that these programs were developmental in nature and should remain the responsibility of AID. It was acknowledged that there was a need for clear and definitive guidelines to delineate the responsibilities for administering, managing and evaluating the Institutes' programs.

It has been recommended that AA/PPC coordinate and collaborate with the regional bureaus to prescribe the functions to be performed to integrate the Institutes' programs with bilateral programs and ensure that AID funds are administered, managed and used for the purposes intended.

Management improvements needed

Agency policies applicable to labor-oriented programs of assistance require updating to facilitate the development of definitive goals to be accomplished to achieve program objectives.

AID's oversight and control over the administration and management of Labor Institute programs of activity is fragmented between the regional and technical bureaus and lacking in coordinated and uniformly consistent criteria to evaluate performance and the achievement of program goals.

Recommendations have been made to evaluate and redefine agency policies applicable to Labor Institute programs, to reassess the organizational structure, functions, duties, responsibilities and staffing resources of the Office of Labor Affairs (OLAB) to effectively coordinate, plan and manage Labor Institute programs, and to develop uniform evaluative criteria and reporting requirements for application by the Institutes.

Administrative and financial matters

The consolidation of administrative functions and responsibilities of the Institutes requires analysis and review to effect economies in the use of funds for administrative purposes that might otherwise be used to further program objectives. The several grant and contractual instruments with the Institutes require consolidation to provide uniform reporting and evaluative methodologies for consistent application by all Institutes.

Recommendations have been proposed to accomplish these purposes.

Selective reviews were made of the financial accounting, reporting and internal control systems maintained at those overseas offices of the Institutes that were visited. The Defense Contract Audit Agency (DCAA) was requested by AAG/W, and agreed, to audit the financial records of the Institutes. Audits are to be made by them of each of the Institutes' activities in fiscal year 1980.

AUDIT OF AFL-CIO LABOR INSTITUTES

INTRODUCTION

Purpose and Scope

This review was initiated at the request of the former AID Administrator for an overall evaluation of the Labor Institute programs. The Administrator specified that the evaluation was to include (a) the effectiveness of the Labor Institutes, (b) the extent to which Labor Institutes do or do not comply with the new directions mandate and the basic human needs strategy, (c) the extent Institutes are or should be more fully integrated, both in the U.S. and overseas, into AID's bilateral program, (d) an evaluation of the monies spent for administrative, overhead, personnel, travel, etc., as opposed to program costs, and (e) the extent that AID audits the Labor Institute programs and the adequacy of AID oversight practices.

We reviewed activities at three Labor Institute headquarters offices; field offices in Panama, Costa Rica, Dominican Republic, Philippines, Korea, Thailand and Kenya; and AID/W regional bureaus for Latin America, Asia and Africa. In addition, we made a limited review in Colombia, and obtained pertinent information from other AID/W offices.

Management Comments

An exit interview to discuss the draft audit report findings was held on October 4, 1979 between concerned agency officials and staff members of the AAG/W. It was agreed that written comments deemed appropriate would be submitted to the Assistant Administrator, Bureau for Program and Policy Coordination (AA/PPC) for the preparation of a consolidated agency position paper on the report findings. Comments were prepared and submitted to AA/PPC by a number of AID officials. A proposed draft of a consolidated reply that was awaiting the final approval of AA/PPC was made available to AAG/W on December 21, 1979. The officially approved reply has not been received. Consideration has been given to the comments submitted by agency officials to the extent deemed appropriate and responsive to the conditions reported upon hereinafter.

An exit interview on the draft report findings was held also with concerned officials of the AFL-CIO, the Labor Institutes and staff members of the AAG/W on January 8, 1980. Although the AFL-CIO expected to send written comments from each of the Labor Institutes, they have not been received to date.

Consideration has been given in the report to the comments expressed at the exit interview by Labor Institute officials.

The American Institute for Free Labor Development, Inc. (AIFLD), the African-American Labor Center, Inc. (AALC), and the Asian-American Free Labor Institute, Inc. (AAFLI), were established in 1961, 1964, and 1968 respectively, to encourage and advance the development of strong, independent, free, democratic labor movements in less developed countries. The Agency for International Development (AID) has provided about \$109 million through various grants and a contract to support these activities. The current and active AID grants and contracts with the Labor Institutes are:

<u>Grant/Contract</u>	<u>Date</u>	<u>Cumulative Obligations at 3/31/79</u>
AID/1a-C-73-10	04/01/73	\$15,989,067
AID/1a-C-73-10	04/01/73	24,702,392
AID/nesa-G-1172	05/30/75	13,370,000
AID/1a-G-1128	12/13/75	2,405,000
AID/pha-G-1162	02/22/77	634,429
AID/1a-G-1252	02/14/78	106,000
AID/1a-C-1258	02/28/78	5,743,000

The ultimate goal of the Institutes is to establish vigorous, responsible labor movements to protect workers' interests and contribute to economic progress and national development. In carrying out the programs, the Institutes work closely with the unions and governments of host countries to provide a framework within which individual unions can build institutions and programs suited to their own needs and desires. Institute activities are related primarily to educational, social and impact programs.

Under educational programs the Institutes cosponsor seminars for officers and the rank-and-file members of labor organizations; provide grants that enable trade unionists to study abroad as part of program development in their countries; and participate in the funding for other educational

projects that have been organized by AFL-CIO affiliates (union-to-union programs). The Institutes also produce pamphlets, manuals, books and other published material for these activities. Since inception in 1961, about 350,000 participants in 33 Latin American countries have attended AIFLD-sponsored education seminars; approximately 60,000 participants from 27 African countries have attended AALC-sponsored seminars since 1964; and over 68,000 from 14 Asian countries have attended AAFLI-sponsored seminars since 1968.

Under social and developmental programs, the Labor Institutes provide funding to local unions for services to union members that have not yet been achieved through the collective bargaining process. These activities, designed to improve the daily lives of union members and their families, range from immunization programs, cooperative development, vocational training and community centers, to workers' health clinics.

The Labor Institutes respond to special requests from trade unionists through impact projects. These projects include requests from trade unions for humanitarian assistance such as medical equipment, food and clothing for victims of natural disasters; or for other specific trade union needs. The AFL-CIO, through its executive council, provides funding to the Institutes for impact projects. AID has also granted \$250,000 to AALC to partially fund its impact projects.

International Trade Secretariats (ITS) are autonomous trade union organizations that unite workers of a given industry regardless of national boundaries. Through support from the Labor Institutes, participating U. S. unions contribute to the trade union development program of the ITS'. The development programs include trade union education, organization, collective bargaining, administration and leadership training. The Labor Institutes require participating U. S. unions to submit, on an annual basis, their plans for assistance to the ITS' during the forthcoming period. Dependent upon availability of funds, the Labor Institutes review, approve and grant funds for selected ITS' activities. During the period under review, at least \$3 million of AID funds were used for the Labor Institutes for ITS' activities.

AID's Office of Labor Affairs (OLAB) within the Bureau for Private and Development Cooperation (PDC) is responsible for providing central direction over Labor Institute programs as delineated in AID Handbook 17.

The AID Deputy Administrator approved a recommendation for OLAB to establish a committee consisting of regional bureau representatives to monitor Labor Institute activities in response to Auditor General reports issued during May 1974.

The officials serving as the Director, and the recently assigned Deputy Director of OLAB are State Department employees assigned to AID. The Director of OLAB also serves as the Special Assistant to the Secretary and Coordinator International Labor Affairs (S/IL) in the Office of the Secretary, Department of State.

Followup of Prior Audit Reviews

We reviewed actions taken by AID on prior GAO and AID Auditor General audit report recommendations. The chief concerns of both the GAO and the AID Auditor General were the absence of clearly defined country objectives and the lack of centralized control over Labor Institute programs.

Country Objectives

GAO pointed out that contractual documents between AID and the Institutes did not specify what the Institutes were intended to accomplish in each country or how, and to what extent, the proposed programs would seek to resolve issues in the labor area.

AID management has made some progress in requiring the Labor Institutes to provide specific program objectives, detailed workplans or strategies, timeframes and estimated costs, and performance indicators to show objectively verifiable evidence of progress toward goals. Such features have been incorporated into the logical frameworks of the Latin America and Africa bureau project papers. The ASIA bureau has attached a logical framework containing these features as an exhibit to the active grant. The Labor Institutes have presented country specific workplans and progress reports that, to some degree, contain measurable performance factors. AID, however, is not in a position to effectively measure targets against accomplishments. (A detailed discussion is presented in the Evaluation Section of this report.)

Control

During 1973 AID's Auditor General found wide variations in the management practices of the different bureaus responsible for carrying out free labor development programs through the Labor Institutes. AID's Deputy Administrator approved a recommendation for OLAB to coordinate programs carried out by the Labor Institutes. OLAB subsequently established a permanent committee to provide such centralized direction and control. The permanent committee consisted of representatives from each responsible regional bureau and was chaired by OLAB.

During the GAO review OLAB's permanent committee was active and functioning. However, at the time of our review OLAB had lost its effectiveness.

Thus, although AID management acted in response to prior GAO and AID Auditor General reports, as enumerated below, the problems cited in this report have not been fully resolved.

GAO Report:

GAO Report No. ID-76-35 dated December 29, 1975
How to Improve Management of U.S.-Financed Programs to
Develop Free Labor Movements in Less Developed Countries

AID Auditor General Reports:

- No. 74-019 dated May 9, 1974
Examination of AID/W-Administered Regional Labor Project,
Asian-American Free Labor Institute, Inc. (AAFLI)
- No. 74-020 dated May 6, 1974
Examination of AID/W Office of Labor Affairs
- No. 74-021 dated May 9, 1974
Examination of of AID/W-Administered Regional Labor Project,
African-American Labor Center, Inc. (AALC)
- No. 74-022 dated May 21, 1974
Examination of AID/W-Administered Regional Labor Project,
American Institute for Free Labor Development, Inc. (AIFLD)

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

POLITICAL CONSIDERATIONS IN STRENGTHENING FREE LABOR UNIONS

AID Missions in the countries visited were found to have abrogated and delegated to the U.S. Embassies (usually the labor attache) their administrative, management and evaluation responsibilities applicable to Labor Institute programs of assistance. The general attitude that prevailed in the Missions visited was that the Institute programs were political in nature and, therefore, a responsibility of the labor attache or other embassy officer assigned to maintain program review or approval processes and evaluation functions over Labor Institute activities. The Embassies monitored and reported only on the political aspects of the program through State Department channels and were not involved in monitoring and evaluating the effectiveness of the Institute program implementation activity for reporting to AID's Regional Bureaus.

Missions generally chose to regard Labor Institute programs as more nearly political rather than developmental. Both Mission and Labor Institute representatives preferred to have Institute activities coordinated with the Embassy Labor attache rather than with an AID Mission representative. In our opinion, their views could have merit because U.S. Government presence in the labor and union affairs of developing countries may not always be politically practical. Labor Institute country program directors were able to more freely move about a country to accomplish program objectives, be they developmental or political. Also, the Missions preferred a hands-off policy toward Labor Institute activities.

In Panama the labor attache and the AIFLD country program director reported that through the leadership and concerted efforts of the President of the AIFLD-backed Federation of Unions, the banana workers' union through an elective process joined the democratic union forces, leaving its former communist-backed labor organization.

The implications and effects the Panama Canal Treaty will have on labor union activities in Panama necessitates careful scrutiny by senior Agency and State Department officials. Both the labor attache and the AIFLD country program director expressed the view that the implementation of the Panama Canal Treaty would have serious political consequences directly affecting the salary scale of workers in the Panama Canal Zone as well as other Panamanian workers and union members in general. Panamanians now employed by the U.S. Government in the Panama Canal Zone and affiliated with the American Federation of Government employees may be required to change their union memberships as Panamanian Government employees; thus creating a contest between communist and democratic sponsored unions for membership.

In the Philippines anticipated changes in cabinet level positions in the government were expected to have considerable impact on the structure and organization of the various unions in the country. At the time of our review the labor attache who had maintained a close relationship with AAFLI representatives and Institute activities over a number of years expected to leave the Philippines imminently, for a new assignment. He expressed admiration for the varied activities undertaken by AAFLI in the Philippines even though government legislation prohibiting strike activity impeded and deterred certain union organizing endeavors.

Institute programs of activity were reviewed by the labor attache with AAFLI representatives without the participation of Mission representatives. Although field visits by the attache were made to Institute-sponsored activities, they were not made for the purpose of evaluating accomplishments nor to determine whether anticipated goals or objectives were being met.

In Thailand, the Ambassador, and the Deputy Chief of Mission were newly appointed to their posts. The Embassy officer assigned the responsibility for backstopping Labor Institute activities was also new to his assignment and unfamiliar with the role the former Embassy officer had with AAFLI. The Mission deferred its program review, monitoring and evaluation responsibilities of Institute activities to the Embassy. No consideration was given in the Mission's annual budget submission to activities that might include the participation of the Labor Institute.

We discussed with the Deputy Chief of Mission the potential use of AAFLI in the area of social projects. He indicated that it might be feasible to consider AAFLI's participation in certain of the serious problem areas related to the refugee program in Thailand.

Conclusions, Management Comments and Recommendations

The direct involvement of U.S. Embassy personnel in overseeing and reporting upon labor activities in the countries visited and the reluctance of the AID Missions to fulfill their administrative, management and evaluation responsibilities of the Labor Institute programs of activity prompted us to raise the question in our original draft report as to whether AID or the Department of State should be responsible for the administration and management of the funds made available to the Labor Institutes.

At the exit conference on the draft report findings Agency regional and technical bureau officials were opposed to the concept of transferring the administrative and management responsibilities for the Labor Institute programs to the Department of State. The consensus of opinion was that the developmental aspects of these types of programs overshadowed the political ramifications and that responsibility should remain vested with AID. Regional bureau representatives expressed the view that greater integration with bilateral program activity was feasible but that program monitorship would be a problem as it is on other AID programs.

The proposed (but unofficial) consolidated reply to the draft report from AA/PPC reiterated AID management's objection to transferring the Institute programs to the Department of State because it was felt that the labor organizations here and abroad do pursue social and economic objectives that are very much in line with what Congress has mandated AID to undertake.

The Bureau for Private and Development Cooperation (AA/PDC) expressed the view that the Department of State lacked in Washington the technical and personnel resources of AID to administer these programs. The LA bureau felt there could be more coordination effected by State to AID.

It was generally agreed by AA/PPC that more definitive guidelines should be issued to the field on their responsibilities if AID was to retain its administrative and management responsibilities for these programs.

AA/PPC also expressed the view that delegations of authority and responsibility by and between AID/W regional bureaus, the missions and State Department labor attaches should be reviewed by the Bureau for Program and Management Services (AA/SER) and the Office of the General Counsel (GC) to ensure that AID is properly managing the funds allocated to the Labor Institutes.

In our opinion these proposed courses of action should be pursued by AA/PPC in coordination and in collaboration with the regional and technical bureaus concerned.

Our previous suggestions have been restated to incorporate agency management's proposals and to provide a basis for following up to ensure that the recommended courses of action are implemented in a timely manner.

Recommendation No. 1

AA/PPC should, in coordination and in collaboration with the regional and technical bureaus concerned, delineate and prescribe the functions and duties to be performed by the field missions to integrate labor institute programs with bilateral programs of assistance and the administrative and management responsibilities to be performed to ensure that AID funds are used for the purposes intended.

Recommendation No. 2

AA/SER in collaboration with General Counsel should review and evaluate delegations of authority by and between AID missions and Department of State labor attaches to ensure that AID contract and grant requirements are being fulfilled in the administration and management of the Labor Institute programs.

NEED TO IMPROVE MANAGEMENT OF AGENCY-FINANCED AFL-CIO LABOR INSTITUTE PROGRAMS

The Agency needs to improve its administration and management of AID-financed programs of assistance implemented by and through the AFL-CIO Labor Institutes. There is a need to provide definitive and current policy guidelines that establish goals and objectives to further the Agency's new directions mandate for all Institute programs. Uniform, evaluative criteria are needed to quantitatively and qualitatively measure accomplishments for each Institute as well as for all programs implemented through the Labor Institutes. A coordinated and collaborative effort is needed to develop program goals and evaluative criteria between representatives of each of the Labor Institutes and the AID program managers.

AID should and could obtain maximum benefits from the high degree of expertise evidenced among Labor Institute representatives and better channel Institute efforts toward activities that are representative of Agency policy and the Foreign Assistance Act (FAA) of 1961, as amended.

The policy determination on labor-manpower (PD-52 dated May 2, 1973) contains Agency criteria for implementing labor-oriented programs of assistance. The policy directive envisaged the development of programs of activity at the field level to achieve the legislative mandates. However, the policy directive is nonspecific and the Agency's high priority-selective programs of activity in the labor-manpower area have changed. Due to the absence of a clear policy that could be applied to programs of the Labor Institutes, Mission and Institute representatives conducted little, if any, coordination and collaboration concerning program development.

Current Agency Policy Needed

There is no current overall AID policy specifically related to the types of labor-oriented programs of assistance to be financed by AID and implemented by the Labor Institutes that sets forth definitive goals to be accomplished by an Institute in a particular regional area or a specific country. The basis for financing Institute activities has been dictated by fund availabilities allocated to the regional bureaus. Programs have not been developed on a definitive need basis or through the customary program budget approval processes emanating in the field and presented in a Mission's annual budget submission.

The Foreign Assistance Act of 1961, as amended, Section 601, Encouragement of Free Enterprise and Private Participation, includes, in pertinent part:

"(a) The Congress of the United States recognizes the vital role of free enterprise in achieving rising levels of production standards of living essential to economic progress and development. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other countries to increase the flow of international trade, to foster private initiative and competition, to encourage the development and use of cooperatives, credit unions, and savings and loan associations, to discourage monopolistic practices, to improve the technical efficiency of their industry, agriculture, and commerce, and to strengthen free labor unions; and to encourage the contribution of United States enterprise toward economic strength of less developed friendly countries, through private trade and investment abroad, private participation in programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs), and exchange of ideas and technical information on the matters covered by this subsection." (Underscoring added)

The Bureau for Program and Policy Coordination was asked in April and again in June to provide us with a current agency policy statement on the nature and types of labor-oriented programs and goals expected to be accomplished to further the objectives enunciated in Section 601 of the Foreign Assistance Act of 1961, as amended. No reply was received.

The policy determination on labor-manpower (PD-52 dated May 2, 1973) prescribed Agency criteria for the implementation of labor-oriented programs of assistance. This policy is outdated and, the then-high priority-selective programs of activity in the labor-manpower area, are not being accomplished. For example, the policy directive envisaged the development of programs of activity at the field level to achieve the legislative mandates. At the missions visited, however, there was little, if any, coordination and collaboration between the Mission and Institute representatives concerning program development.

The AID Administrator's transmittal message dated May 2, 1973, that accompanied the policy directive, emphasized specific areas of concern that have not been complied with fully. The most pertinent issues addressed by the Administrator include, in substance, the following:

"AID field Missions in mounting their development assistance programs--e.g., in agriculture, nutrition, education, health, family planning--should address the goals and objectives outlined in the Policy Determination.

"...the primary responsibility for incorporating labor-manpower considerations into AID activities rests with the Missions and the Regional Bureaus.

"...In terms of such sectors as agriculture, health and education...due consideration of labor-manpower inputs and outputs in the development of the pertinent sector analyses and strategies...where skill shortages are holding back the attainment of output goals, a skills training input should be considered. ...in some cases a family planning goal can be advanced by means of a labor union-sponsored education program or with the involvement of a women's bureau.

"The policy...point out that AID should be supportive of the international--e.g., International Labor Organization (ILO)--and regional--e.g., Organization of American States (OAS)--efforts in the Labor-manpower area. Many of the activities can be carried out beneficially by the relevant multilateral institutions.

"...in the case of Section 601 of the FAA stating that 'it is declared to be the policy of the United States... to strengthen free labor unions,' the Regional Bureaus and Missions, through ongoing substantial contracts with the American Institute for Free Labor Development (AIFLD), the African-American Labor Center (AALC), and the Asian-American Free Labor Institute (AAFLI), will continue to be supportive of the goals and policies contained in the Policy Determination.

"With respect to free labor unions and increased participation by workers in the economic and social development process, the following provisions of the Policy Determination are especially relevant:

- I., Policy, states, "It is AID policy to assist bilaterally and multilaterally, less developed countries in their self-help efforts to strengthen the capabilities of labor unions...for enhancing the...freedom and welfare of working men and women.

-II.C., Welfare and Freedom of Workers, states, "In providing development assistance, AID should encourage... the development of strong, independent, responsible and democratic organizations of workers...(and) the involvement of working men and women in the development process...

such as...consultation (by relevant governmental institutions) with the representatives of the men and women affected by the measures to be taken, and in particular representatives of free employers' and workers' organizations.

- II.D., Labor-Manpower Institutions, provides that AID's development assistance should assist the people of the LDC's in their efforts to build the institutions, such as free and responsible labor unions, which will meet the aspirations of workers and their families for a better life, with freedom.

- II.E.4., covering U.S. Labor-Manpower Development Assistance, stresses that AID personnel should recognize that the preferred mode of labor-manpower development assistance is joint problem-solving with the recipient country and that "in this connection, shall also seek the views of employers' and workers' organizations in the country or area of the assignment.

The administrator, in concluding, stressed the following:

"It should be noted that the Policy Determination is concerned with the problems and aspirations of the rural labor force as well as those in urban areas. For example, in some developing countries, there are viable labor unions of plantation workers, campesinos, and employees of ministries of agriculture or rural development. Other LDC's have established a farm placement service within the overall national employment service. As two final examples, LDC labor and price statistics institutions often collect and disseminate employment, wage, and unemployment data for rural workers and, often standard minimum wage legislation has to be adjusted to take into consideration special factors associated with farm labor."

Conclusion and Recommendation

If the Institutes are to be effective in furthering the development and strengthening free labor unions--as stipulated in the Foreign Assistance Act, the need for a clearly enunciated AID policy as to the nature and types of assistance to be provided through the Institutes becomes of serious concern to achieve greater integration with the Agency's bilateral programs.

In the initial draft audit report circulated to AID management for comment we recommended that AA/PPC make a thorough evaluation of the

varied Institute programs in order to establish an Agency policy as to the types of (Institute) programs to be financed by AID. AID management suggested that the recommendation should read that AA/PPC make a thorough evaluation of PD-52 and recommend to AID's Administrator a reaffirmation of the policy or an alternative policy with respect to labor activities.

The AID management suggestion was based on its belief that Agency policy in PD-52 relating to the Labor Institutes is still valid; and based on that premise agreed to review PD-52 to satisfy the recommendation.

Such a course of action would not satisfy the need for a definitive policy statement on the nature and types of labor-oriented programs and goals expected to be accomplished by the Labor Institutes. In fact, the reason for this audit was due to the need of AID's Administrator to determine what the Labor Institutes were doing. (See Purpose and Scope)

In our opinion there needs to be an assessment of what the Labor Institutes are doing in order to develop a meaningful policy covering their activities. It is management's prerogative to determine whether such policy should be included as part of PD-52 or as another policy statement. We have therefore retained the recommendation.

Recommendation No.3

The AA/PPC should make a thorough evaluation of the varied Institute programs and develop in collaboration with the regional and technical bureaus an Agency policy as to the types of programs to be financed by AID and implemented by the Labor Institutes to achieve the objectives of the FA Act.

Control Over AID's Administration and Management of Labor
Institute Programs Can Be Improved

AID/Washington

AID oversight and control over the administration and management of Labor Institute programs are both fragmented and inconsistent with little or no coordination between the regional or technical bureaus responsible for Institute activities. As a result, the Agency is unable to achieve the uniformity and consistency needed to effectively monitor and evaluate the program or ensure that program goals, as delineated in the Foreign Assistance Act, are accomplished.

In accordance with AID Handbook 17, the AID Office of Labor Affairs (OLAB) within the Bureau for Private and Development Cooperation (PDC) is responsible for coordinating with the regional bureaus "to ensure that the Institute programs as well as AID's programs achieve policy objective."

In GAO's report entitled, How to Improve Management of U. S. Financed Programs to Develop Free Labor Movements in Less Developed Countries' dated December 29, 1975, it was reported that OLAB, under a new Deputy Director, had been actively working to coordinate and control programs carried out by the Institutes through the establishment of a permanent committee on the operations of the Labor Institutes. The Committee consisted of regional Bureau representatives and was chaired by OLAB. OLAB's role was to ensure that Institute programs were centrally directed and controlled. By June 14, 1979, however, OLAB's role had deteriorated to the point of no involvement with regard to carrying out its responsibility of coordinating and directing the activities of the AID bureaus in managing the Institutes' programs. Discussions with OLAB and bureau officials as well as reviews of bureau files disclosed very little involvement on the part of OLAB with regard to coordinating with the regional bureaus to ensure that the Institutes' programs achieve policy objectives as spelled out in AID Handbook 17.

- OLAB's Director informed us that at least eighteen months had elapsed since a meeting of the permanent committee.
- The Latin America Bureau Project officer informed us that it had been about two years since attending a meeting of the permanent committee.
- Both the Africa and Asia Bureau Project officers had never attended a meeting of the permanent committee.

- The Deputy Director position of OLAB was vacant about two years from July 1977 to August 1979. The AA/PDC having been informed of this vacancy through our Record of Audit Finding (RAF) dated June 20, 1979, advised us on August 3, 1979 that the vacancy had been filled.

It was pertinent to note that the person assigned to AID to serve as Deputy Director, OLAB, was detailed to that position from the Department of State. Thus, the Director and the Deputy Director, OLAB, are Department of State employees.

In response to the draft report AA/PDC took issue with the frequent mention in the report to the lack of "centralized control." It was explained that it was never the intention of AID to exercise close control (over the Institutes) as that would defeat a major purpose for which the Institutes were established, namely their autonomous, non-governmental character.

Our prior AAG/W audits, the review by the GAO and this review stressed the need for greater coordination and control over the administration and management of AID responsibilities as they pertained to Institute programs. AA/PDC has misconstrued and misinterpreted this need to imply that there is a greater need for control over the Institutes. This is not the case. The inherent management weaknesses are within AID due to a lack of centralized direction and coordinated effort by and between the regional and technical bureaus and a lack of uniformly applied policy guidance by AA/PPC.

In our opinion the expertise of the Labor Institute representatives gained through a number of years of practical experience in the field, has not been used effectively. Their experience and knowledge can and should be drawn upon and used by Agency management in AID/W and in the field to formulate programs to achieve AID legislative mandates.

AID/Missions

There has been little involvement on the part of the Missions in terms of participating with Labor Institute field representatives in the development of programs. Even though all the regional bureaus have disseminated, at some point, guidance to the Missions regarding their monitoring responsibilities, they have not enforced their own directives. As a result, there has been a breakdown at the Mission level as to the Mission role regarding the Labor Institutes. For example:

- Although the Africa Bureau had sent guidance to its Missions (AIDTO Circ. A-300, May 26, 1976), we found that the extent of involvement in AALC programs by the Kenya Mission was not extensive until reassignment of project liaison officer functions from an Embassy officer to a USAID/Kenya officer in November 1978.

- Confusion existed between the U.S. Mission and Embassy in Thailand, over their respective responsibilities for the AAFLI program. Although the Mission delegated responsibilities for the AAFLI program to the Embassy (under authority of AIDTO Circ. A-255, May 10, 1976), the Embassy assumed that the Mission was still responsible for monitoring AAFLI program activities. Consequently, the Embassy limited its role to reporting to the Department of State on labor activities.

- In Costa Rica, the Mission had no direct involvement in AIFLD programs because it considered that such activity should be monitored by AID/W and AIFLD/W. The labor attache in the Embassy political office, who was the project manager, had no direct involvement in the development of AIFLD country plans. Representatives of both the Embassy and Mission claimed they had never been made aware of policy guidance issued from the Latin America Bureau. However, such policy guidance had been delineated to all Latin America Embassies and Missions from the regional bureau (AIDTO Circ. A-926, August 31, 1973).

- The Mission in Panama deferred any program review or monitorship of Institute activities to the labor attache. The Mission had not given any consideration to Labor Institute programs in their annual budget submission to AID/W nor had they developed any so-called "shelf projects" that might be pursued in the future.

In a memorandum dated January 11, 1979, the former AID Administrator asked whether the Institutes were or were not complying with the New Directions mandate and Basic Human Needs strategy and to what extent they should be more fully integrated with AID's bilateral programs. Our review showed that there was little if any consideration being given by the Missions to integrate labor-oriented programs into the bilateral programs. The Institute programs were in fact being conducted at the "poorest of the poor" levels of activity without the participation or coordinated efforts of the Mission.

The Institute representatives in the field have developed considerable expertise and have maintained excellent relationships with the labor union movement in their respective countries. Because of a lack of coordination and collaboration between the Institutes and Missions, this expertise is not being used to its best advantage to further AID's objectives. Labor Institute representatives are not, as a general rule, queried nor invited to participate in the development of country programs of assistance.

Conclusions, Management Comments and Recommendations

In our view the effect of centralizing Labor Institute programs would strengthen AID's overall oversight and evaluation functions as prescribed by the Foreign Assistance Act, the AID Handbook, and as stated in the cited GAO report and prior AAG/W audit reports.

Noting the diffusion of responsibility between the regional bureaus in managing these programs, and the lack of coordination that now exists, consideration should be given to a greater degree of centralization.

In response to the draft report findings AA/SER advocated that the Office of Management Planning (AA/SER/MP) should coordinate a review which assesses the requirement for technical support of labor programs dictated by (agency) policy and, drawing upon appropriate Agency offices, recommend to the Administrator the size and location of support staff required to assist Bureaus and AID missions to plan and manage programs in the labor field. AA/SER said also that the SER/MP recommendations evolving from its review of staffing requirements should include a discussion of the feasibility of continuing the dual role for OLAB in view of the AID/State separation of duties and responsibilities.

The establishment of International Development Cooperation Agency (IDCA) and their assumption of responsibility for AID activities makes AA/SER's suggestion timely and important due to the continued assignment of State personnel to AID as the Director and Deputy Director of AA/PDC/OLAB.

We concur fully with AA/SER's proposal and have restructured our recommendations to provide a basis for implementation.

Recommendation No. 4

AA/SER should initiate a review by SER/MP of the organizational structure, functions, duties, responsibilities and staffing resources of the Office of Labor Affairs (OLAB) in AA/PDC and to develop recommendations for submission to the Administrator of the size and location of the support staff needed to effectively coordinate, plan and manage Labor Institute programs.

Recommendation No. 5

AA/SER should collaborate with AA/PPC, the GC and OPM to evaluate whether there is any legal or personnel management impediments to the continued detail of Department of State employees to serve as the Director and Deputy Director, OLAB, in AID under IDCA.

Need for Improved Monitoring and Evaluation

AID has provided funding of about \$109 million since 1964 to implement a labor program in the developing countries through the AFL-CIO affiliated Labor Institutes; yet, it has not independently and objectively measured the overall progress achieved on this program to date. As a result, the Agency cannot determine the relative effectiveness of the labor program against other AID-financed programs, how effective the program is in accomplishing its stated goals and objectives, and the contributions made by the program to the development process in the third world countries in which it operates.

Congress amended the Foreign Assistance Act (FAA) in 1978 to include under Section 113 a new sub-section 125(a) concerning evaluation processes and standards for AID projects and programs. The new sub-section directs the AID Administrator to improve evaluation of the Agency's projects and programs. Although the Agency has taken actions to improve certain criteria needed to evaluate the individual Labor Institute programs, as previously recommended by a 1975 General Accounting Office Report (see page 4 of this report), it has not significantly improved its system for evaluating the overall performance and accomplishments of the Institutes.

AID Policy Determination (PD) No. 52 dated May 2, 1973, assigned the functional responsibility within the Agency for conducting relevant evaluation in the labor-manpower area to the Office of Labor Affairs (PDC/OLAB). However, this office has never evaluated the labor program being implemented by the three AFL-CIO affiliated Labor Institutes.

Since OLAB has not fulfilled its functional responsibility for conducting relevant evaluations of the Labor Institute program, the Regional Bureaus have assumed responsibility for evaluating those Labor Institute programs in their respective regions. However, the Regional Bureaus, despite their having designated grant/contract officers to monitor the program, are unable to independently and objectively evaluate the performance of the Institutes because they are neither staffed to do so, nor are they given the necessary backstop by the AID field Missions concerned

to enable them to carry out this function effectively. AID Regional Project Managers have visited various overseas locations of the Institutes for purposes of program evaluations; but, these visits have been limited in time, scope and frequency and to a certain degree have lacked independence because of the reliance for facts on the representations of the Institutes' Country Program Directors.

The policy directive (PD-52) and supplemental regional bureau guidance require AID field Missions to provide necessary monitoring and evaluative feedback to the Regional Bureaus to enable them to evaluate the overall performance of the Institutes in their region. However, we found at six of seven AID field Missions reviewed that the Missions had not taken an active role in monitoring and evaluating the country programs of the Institutes.

The existing relationships between OLAB, AID Regional Bureaus, AID Missions and concerned U.S. Embassies, therefore, do not produce the data required by the Agency to independently and objectively evaluate the effectiveness of the program of activity being implemented by the Institutes. Consequently, AID relies for such information on progress reports received from the Institutes themselves evaluating their own progress on achieving the program's objectives.

Our review indicated that progress reports prepared by the Institutes do not provide an adequate basis for AID to evaluate progress achieved on the labor programs because progress data reported cannot be matched against what was originally planned for accomplishment in program documents. The following examples are illustrative of the point:

- Progress reports on program implementation are submitted by the Institutes to the three concerned AID Regional Bureaus semi-annually and/or annually. However, only AALC prepares its labor plans on a calendar year basis; the other two Institutes, AIFLD and AAFLI, prepare their labor plans on a budget year basis, or from April 1 of one year to March 31 of the next. As a result, AIFLD and AAFLI progress reports inhibit meaningful evaluations of performance due to the lack of a common period for comparisons of plans to accomplishments.
- AAFLI prepares a budget year plan for each country that includes (a) a goal and sub-goals for the country, (b) a list of projects that will contribute toward attaining the goal and sub-goals, and (c) a list of indicators (evidence) that the goal and sub-goals have been achieved. However, AAFLI sub-goals are not quantified and the so-called quantified list of contributing projects cannot be used

to measure progress achieved in implementing any of the sub-goals. Moreover, it is not clear whether sub-goals are to be accomplished within the plan year or within many years.

What this means is that only progress on the yearly list of contributing projects can be measured for the plan year. Progress achieved on the sub-goals cannot be measured either for the plan year or cumulatively. Annual reports provided by AAFLI omit essential data on progress that would be needed by AID for evaluation.

- AALC's annual reports contain narrative statements of program activities but omit any quantitative and qualitative data for objectively measuring program progress. Therefore, AALC's annual reports are useful to AID only in identifying the activities undertaken by the Institute, but not for evaluation. AALC recognizes that its current program review system needs improvement to include the essential elements required for effective program evaluation. At the time of our visit to AALC headquarters, a newly designated program officer was in the process of establishing an evaluation system which he said would meet the criteria established for AID's own evaluation system.

- The Project Paper (PP) for AIFLD contains detailed AID logical framework (evaluation matrix) for each program carried out by the Institute in Latin America and the Caribbean. However, our reviews in Panama, Costa Rica and Dominican Republic indicated that the logical framework data are not used as a basis for program evaluation and reporting accomplishments by the AIFLD country field offices in these countries.

The Agency currently has three project papers, covering five grants and two contracts dispersed through the regional and technical bureaus to the three Institutes entailing the use of the resources of several regional and technical bureau personnel and a number of different contracting officers. Yet, the objectives of the three AFL-CIO Labor Institutes are essentially the same, namely, to strengthen the development of free and democratic labor unions.

Attachment H of OMB Circular A-110 sets forth procedures for monitoring and reporting program performance of recipients (grantees). It requires, in part, that recipients monitor performance; compare actual accomplishments with established goals; and show reasons why established goals were not met. It is apparent from the above cited examples that the Labor Institutes have not been required to report accomplishments in accordance with OMB Circular A-110.

Conclusions, Management Comments and Recommendations

We reiterate that consideration should be given to a greater degree of centralization and that the Agency should evaluate the performance of the Labor Institutes using the same standards and criteria that it applies to the evaluation of its own bilateral programs.

The Bureau for Private and Development Cooperation (AA/PDC) expressed the view that evaluation guidelines should be country-program oriented, that socio-economic programs coupled with political goals, often defy quantitative measurement. Nevertheless, it was felt that evaluation of a program's relevance, effectiveness and qualitative accomplishment is appropriate and should remain the responsibility of the respective regional bureaus in conjunction with other bureaus such as PPC.

The Bureau for Latin America (AA/LAC) disagreed with certain of our findings on the need for more definitive evaluative criteria and submitted the following dissenting views.

It was felt that there is no need for basic changes in the LAC system of monitoring and evaluation. Independent and objective measurement of program progress is already obtainable in Latin American programs through the documentation and monitoring systems used. Specific goals, frequently quantitative, for each country are included in each country's logical framework, contract appendix, semi-annual progress report, and annual project evaluation report. The project support officer and other mission personnel use these documents in completing the annual evaluation. In addition, an extensive study of all U.S. government labor programs in the region was carried out in 1975 by a team of outside consultants. Similar evaluations may be made in the future as circumstances suggest and funding permits. With regard to the reliability of evaluation visits of the AID/W regional project manager, findings are always cross checked with personnel of the Embassies, USAID's, and local labor leaders, both in the field and in Washington.

The report states that, in the three Latin American posts visited, the logical framework data was not used as a basis for program evaluation and reporting. This statement does not reflect the manner in which evaluation and planning are conducted in the region. AID/W, through the project manager, who supplies the continuity to the program as a whole, ensures the use of the logical framework in the process. This is done by checking the objective indicators for each country appendix to the annual contract document to ensure that past year actuals and next year targets are consistent with the long term figures given in the log frame. Where there are substantial inconsistencies, action is taken to modify the log frame. The project support officer in the

field, in reviewing proposed country appendices and preparing PES forms, normally uses only the figures from the appendix, but the data are consistent with the log frame and therefore adequate for purposes of reviewing previous year progress and planning subsequent year targets.

It has been recommended that AA/PPC should modify the present Institute agreements to incorporate required base-line data by which program progress can be objectively measured, assure that the Institutes use the baseline data for measuring and reporting program progress and confirm by regularly scheduled evaluations of its own, that the Institutes are carrying out their programs in consonance with the objectives of the FAA. AA/LAC felt there was no need to introduce AA/PPC into this process. The objectives called for by this recommendation are achieved by the program-administrative procedures already in use in this bureau.

The Bureau for Program and Policy Coordination (AA/PPC) in its proposed consolidated draft reply to the report said the Agency was most concerned about effective evaluations of all AID-funded activities. It was felt that the primary responsibility for evaluation was vested in the regional bureaus and missions; and, if the bureaus found that baseline or other evaluative data was not available that PPC would assist them in revising evaluation criteria and systems design to assure that useful evaluations could be made.

At the exit conference with the AFL-CIO and Labor Institute representatives on the draft report findings, there was a lengthy discussion on the relative merits of modifying existing contractual and grant instruments with the Institutes to provide for a greater degree of uniformity to include standardized evaluative criteria, reporting requirements and the like. The Institute representatives vigorously endorsed these concepts and expressed their willingness to participate in the development of such data from the initial program planning processes through the evaluation phases of a project or identifiable area of activity.

Our originally proposed recommendation has been revised to encourage the development of uniform criteria for application by all the Labor Institutes and the regional bureaus drawing upon the satisfactory experiences gained by the LAC bureau.

Recommendation No. 6

AA/PPC should coordinate the development of uniform evaluative criteria and reporting requirements for application by the Labor Institutes in collaboration with the regional bureaus and representatives of the Labor Institutes drawing upon the experiences of the LAC Bureau in their agreements with AIFLD.

Recommendation No. 7

AA/SER should modify the grants/contracts with the Institutes to incorporate evaluation and reporting requirements as developed by and between AID and the AFL-CIO Labor Institutes.

Seminar data lacking

AID/Washington regional bureaus do not have, nor do they require, specific data to be furnished by the Institutes related to seminars, training courses, cost data and information on participants. As a result, the regional bureaus are not able to adequately monitor costs of seminars, training courses and participants; and, are not reporting numbers of participants to AID's Office of International Training (DS/IT) as required by AID Handbook 10.

Although the Labor Institute field offices in Kenya, Thailand, Korea, Dominican Republic, Panama and Costa Rica had such specific data readily available, the compilation and forwarding of such data had not been requested by Labor Institute headquarters nor AID.

We raised this issue with AID's Latin America Bureau and received the following response:

"AID/W has not and does not plan to request specific information on each seminar's purpose, date, location, names of participants, and total costs. Project manager states that: for his purposes, the value of such information (which would include a list of about 20,000 names per year) would be submarginal; the special reporting requirements contained in the attachments to the AID-AIFLD regional contract are the result of careful study and experience with the program over a period of time, and provide sufficient summary and statistical information to evaluate the training program when combined with qualitative and other information resulting from close monitoring of the program. The question as to whether AIFLD/W should request detailed reporting of seminars has been referred to AIFLD."

AID's contracting officer responsible for the AIFLD contract also questioned the need for such detailed information and how it could be used meaningfully.

It is management's prerogative to question, and change regulations that may be deemed ineffective. Current agency regulations, however, have not been adhered to, enforced, nor complied with; i.e., AID Handbook 10, Part IV, Reporting, Chapter 34, Program Reports, effective November 3, 1977 requires the reporting to DS/IT of participants trained under AID grants, loans and contracts; and includes participants trained overseas under AID auspices.

It was found that AIFLD, AALC, and AAFLI were reporting participants trained only in the U.S. (about 300) but were not reporting participants trained in-country (about 20,000 for the year for AIFLD alone). In addition, some 896 participants trained under U.S. Department of Labor auspices had not been reported to DS/IT.

The Office of the Area Auditor General/Washington (AAG/W) is in process of making a review of the Agency's participant training "program." The management information and reporting system will be included in the scope of the review and will give due regard to the deficiencies cited above.

Conclusions, Management Comment and Recommendation

In response to the draft report AA/PDC supported the LAC Bureau position on the need for seminar data and added that presumably (in PDC's opinion) this had equal applicability to the African and Asian regions. They felt that specific reporting requirements in thousands of trainees annually would not be cost effective but that each of the Institutes should provide adequate data to evaluate training programs.

We disagree with the views expressed by the regional and technical bureaus as to the need for data on the training courses conducted by the Labor Institutes. In our opinion, bureau program managers should be required to obtain sufficient program implementation data to effectively measure accomplishments and provide the bases for making management decisions requiring changes to achieve program goals.

Recommendation No. 8

AA/PPC should, in its actions to implement the above recommendations or reporting requirements, require the regional bureaus to (a) reassess existing reporting requirements imposed upon the Labor Institutes to eliminate the administrative burden of preparing reports no longer deemed necessary to satisfy AID management decision making purposes and (b) to reaffirm the types of data needed by AID management to effectively evaluate the accomplishment of program objectives.

EXCESSIVE ADMINISTRATIVE COSTS DETRACT FROM PROGRAM ACTIVITIES

There is evidence that increasing administrative costs caused by large headquarters staffs, duplicate functions among these staffs, and increased cost of maintaining field offices have siphoned off funds at the expense of programs for which funds were intended.

The Institutes' annual budgets have remained virtually at the same level for the past four years; yet, during that time salaries, related benefits and expenses have steadily increased. This has caused a budget squeeze whereby a larger portion of the funds made available by AID are for administrative costs with less available to carry out the primary purposes for AID funding - furthering the development and strengthening of free labor unions.

During the review, we concluded that the most significant cost factors, directly affecting Institute budgets, were the large and duplicative Institute headquarters staffs. We suggested that consolidation of some of the administrative functions and responsibilities to centrally standardize and control reporting and accounting activities could result in substantial savings.

At an exit conference with the Institute representatives it was pointed out that each Institute adheres to different reporting criteria as set forth by the cognizant AID regional bureau. In short, the logic of their response was that reporting and accounting activities could not be reasonably standardized and controlled centrally unless funding and reporting criteria were managed by one AID office. Institute management was also of the opinion that consolidation would require more personnel and thus less savings to AID. In addition, the individual corporate structure of each Institute would have to be considered.

As an alternative it was suggested that AID and the Institutes review agreements with a view toward (a) standardizing the type of binding agreement (for example, both contracts and grants are being used), and (b) standardizing planning, evaluation and reporting so that each Institute could operate under the same criteria. We agree that this approach be vigorously explored.

Recommendation No. 9

AA/SER should coordinate with the Regional Bureaus and representatives of the Labor Institutes to consolidate the contractual agreements/grants with the Labor Institutes and standardize the planning documentation, the evaluative criteria and AID's reporting requirements.

Improved Auditing of Federally Assisted Programs is an Office of Management and Budget (OMB) Mandate

AID has not ensured that independent public accountants auditing the Labor Institutes use uniform criteria. All grants and contracts between AID and the Labor Institutes, with the exception of two, do not incorporate the requirements of OMB Circular No. A-110, dated July 30, 1976, and other related requirements. Consequently, AID is not receiving consistent reports from the Institute's public accountants, has not improved audit coordination as required by the OMB nor increased its reliance on audits performed by independent public accounts.

The accounting firm that audits AALC performs only fiscal reviews. Another accounting firm performs audits for both AAFLI and AIFLD, but this firm provides different coverage for each Labor Institute. For example, the accounting firm audits AAFLI strictly on a fiscal basis at the headquarters level. (We were advised, however, that this firm did perform a management review about two years ago.) In auditing AIFLD, in addition to fiscal reviews, this accounting firm has performed management reviews both at headquarters and in the field.

Recommendation No. 10

AA/SER should review existing grants and contracts with the Labor Institutes and ensure that the requirements of Office of Management and Budget (OMB) Circular No. A-110 are incorporated therein.

An OMB memorandum, subject: Audit of Federal Assistance Programs, dated December 6, 1978 includes a statement from the President that directs in part, federal departments and agencies to improve audit coordination. Attached to the memorandum is a proposed addition to OMB Circular No. A-102 which in essence advocates a single audit guide for auditing federally assisted programs. The proposed addition (Attachment P, Circular No. A-102) shows minimum criteria for audits made by independent public accountants.

An AID-sponsored publication entitled Selected Financial Reporting Practices for Private and Voluntary Organizations sets forth uniform procedures that ensure consistency, comparability, and integrity of financial statements for organizations such as the Labor Institutes. In order to improve auditing of AID-assisted programs with the Labor

Institutes the independent public accountants should be used to make operational and management audits of both Labor Institute headquarters and field operations. Such action would provide the Agency a consistent management tool to assist in evaluating the effectiveness of Labor Institute activities. Thus, the oversight requirements of the Agency could be minimized.

AALC headquarters moved its operations from New York to Washington, D.C. at July 1979; therefore, AID should explore the feasibility of the Labor Institutes using one independent public accounting firm since all Institutes are now physically located in Washington, D. C.

Recommendation No. 11

AA/SER should ensure that the Labor Institutes require independent public accountants to audit fiscal and management operations in accordance with the AID-sponsored publication, Selected Financial Reporting Practices for Private and Voluntary Organizations, and the standards promulgated by the U.S. General Accounting Office and the OMB.

FINANCIAL EXAMINATION

We examined the financial accounting, reporting and internal control systems maintained by the overseas field offices of AIFLD in Costa Rica, Dominican Republic and Panama; AAFLI in Korea, Philippines and Thailand; and AALC in Kenya. Our examination included a review of procedures employed in the implementation of the systems as well as the verification of a sufficient number of representative transactions to test the integrity of financial accounts and reports and to determine the adequacy and effectiveness of related internal controls.

Specific areas tested in the examination included recorded transactions and/or controls related to cash receipts and disbursements, payrolls, petty cash funds, bank reconciliations, procurement activities, non-expendable property and cost allocations between administrative and program expenditures. Based on the examination results, we concluded that the financial accounts and reports of the field offices accurately reflected costs incurred under the AID Grants/Contracts and the related systems of internal controls were both adequate and operative.

The Defense Contract Audit Agency (DCAA) was requested by AAG/W, and agreed, to audit the financial records of the Institutes. We did not examine the financial accounts maintained by these offices to consolidate the results of their overseas and domestic operations. However, the most recently issued prior audit reports covering examinations of AIFLD, AAFLI and AALC headquarters operations concluded that the systems of financial accounts and internal controls maintained by these offices were adequate for determining costs under U.S. Government contracts and grants. These prior audit reports are: Audit Report 78-163, AIFLD, 9-81-78, performed by AAG/W; Audit Report 78-159, AAFLI, 8-30-78, performed by DCAA; and Audit Report 78-22, AALC, 11-18-77, performed by DCAA. DCAA has informed us that they are currently in the process of completing an audit of AALC and have been asked by the Office of the Auditor General to plan to initiate audits of AIFLD and AAFLI during fiscal year 1980.

LIST OF REPORT RECOMMENDATIONS

Recommendation No. 1

AA/PPC should, in coordination and in collaboration with the regional and technical bureaus concerned, delineate and prescribe the functions and duties to be performed by the field missions to integrate labor institute programs with bilateral programs of assistance and the administrative and management responsibilities to be performed to ensure that AID funds are used for the purposes intended.

Recommendation No. 2

AA/SER in collaboration with General Counsel should review and evaluate delegations of authority by and between AID missions and Department of State labor attaches to ensure the AID contract and grant requirements are being fulfilled in the administration and management of the Labor Institute programs.

Recommendation No. 3

The AA/PPC should make a thorough evaluation of the varied Institute programs and develop in collaboration with the regional and technical bureaus an Agency policy as to the types of programs to be financed by AID and implemented by the Labor Institutes to achieve the objectives of the FA Act.

Recommendation No. 4

AA/SER should initiate a review by SER/MP of the organizational structure, functions, duties, responsibilities and staffing resources of the Office of Labor Affairs (OLAB) in AA/PDC and to develop recommendations for submission to the Administrator of the size and location of the support staff needed to effectively coordinate, plan and manage Labor Institute programs.

Recommendation No. 5

AA/SER should collaborate with AA/PPC, the GC and OPM to evaluate whether there is any legal or personnel management impediments to the continued detail of Department of State employees to serve as the Director and Deputy Director, OLAB, in AID under IDCA.

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LIST OF REPORT RECIPIENTS

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