

U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY...

Highlights of Report Number: 04-06-001-04-420, to the Assistant Secretary for Employment Standards.

WHY READ THE REPORT

Wal-Mart Stores, Inc., is the world's largest retailer. The Employment Standards Administration (ESA), Wage and Hour Division (WHD), investigated 27 Wal-Mart stores in 3 states and cited child labor hazardous occupation violations of the Fair Labor Standards Act (FLSA) of 1938, as amended. As a result, WHD pursued a strategy to enter into a national, corporate-wide child labor compliance agreement with Wal-Mart Stores, Inc. Recent congressional interest has focused on whether certain provisions of the agreement signed by Wal-Mart and WHD unduly favored Wal-Mart. This report discusses the results of our audit of WHD's processes regarding settlement agreements, including the Wal-Mart agreement.

WHY OIG DID THE AUDIT

The OIG conducted a performance audit to determine whether WHD had adequate management controls in place over its process for negotiating, developing, and approving settlement agreements, including the January 11, 2005, settlement agreement with Wal-Mart.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2006/04-06-001-04-420.pdf>

October 2005

Agreement with Wal-Mart Indicates Need for Stronger Guidance and Procedures Regarding Settlement Agreements

WHAT OIG FOUND

While the Office of Inspector General (OIG) found that the Wal-Mart agreement did not violate Federal laws or regulations, we did find serious breakdowns in WHD's process for negotiating, developing, and approving such agreements. These breakdowns resulted in the WHD entering into an agreement that gave significant concessions to Wal-Mart. Specifically, the agreement provided for advance notification by WHD of Wal-Mart investigations, and gave Wal-Mart the ability to avoid civil money penalties (CMP) under certain conditions. In exchange, the agreement primarily committed Wal-Mart to continue measures that were already in place or required by law. Also, WHD did not consult with the Office of the Solicitor (SOL) in developing and approving the agreement.

WHAT OIG RECOMMENDED

We recommended that (1) WHD develop and implement written procedures for negotiating, developing, and approving agreements with employers, and (2) future agreements be developed in coordination with SOL. ESA agreed with the OIG's recommendations, but argued that the report mischaracterized the effectiveness of the Wal-Mart's agreement. Based on new policy instituted by WHD in June 2005, we consider both recommendations to be resolved.