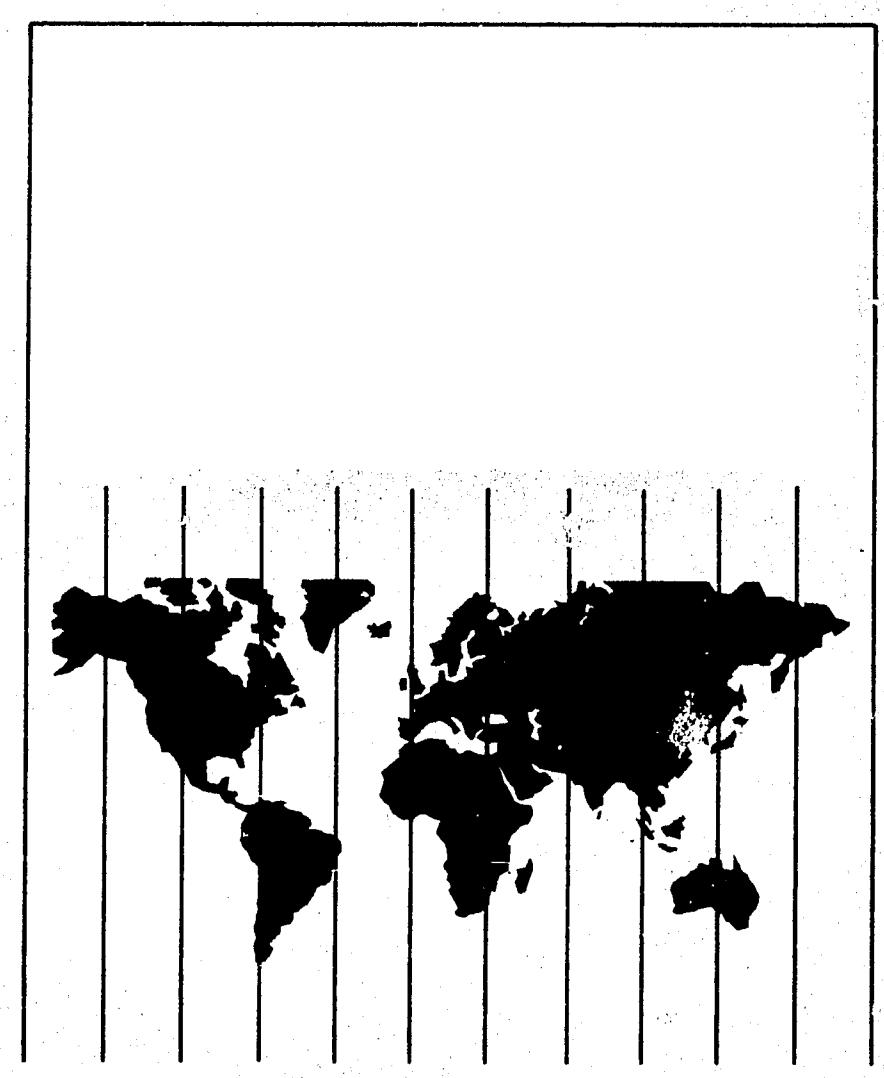
PD-ABD-061

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE INSPECTOR GENERAL



Regional Inspector General for Audit
DAKAR

PD-ABD-061

AUDIT OF P. L. 480 COMMODITY CLAIMS IN TOGO

Audit Report No. 7-693-91-12
July 26, 1991

Large amounts of P. L. 480 commodity claims may never be recovered unless the cooperating sponsor and OAR/Togo take prompt action.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS
RIG/DAKAR
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

INTERNATIONAL ADDRESS
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C/o AMERICAN EMBASSY
B.P. 49 DAKAR SENEGAL
WEST AFRICA

July 26, 1991

MEMORANDUM

TO: Mark G. Wentling, A.I.D. Representative/Togo-Benin

FROM: Larry Hoover, Acting RIG/A/Dakar

SUBJECT: Audit of P. L. 480 Commodity Claims in Togo

Enclosed are five copies of the subject report. As you are aware, we initially intended to issue a report on the combined results of our work in Ghana, Senegal and Togo. Based in part upon your concerns, we decided to issue separate reports for each country. This final memorandum report reflects the comments you made on both the original and the revised draft report (see Appendices II and III). Please respond to this report within 30 days indicating any actions planned or already taken to implement the recommendations. I appreciate the cooperation and courtesy extended to my staff during the audit.

Background

Public Law (P.L.) 480, Title II, makes food commodities available to developing countries to combat hunger and malnutrition. A.I.D.'s Food for Peace Office in Washington controls and guides the program, but the field missions monitor its implementation. Nonprofit voluntary agencies, called cooperating sponsors, implement the program in the recipient countries.

Cooperating sponsors maintain records on the receipt, storage and distribution of commodities, including the amount of commodities lost, damaged or misused. Each time such a loss is discovered, the cooperating sponsor must send a loss report to the Mission stating what actions have been taken to effect restitution. The Mission Food for Peace Officer determines whether the facts justify preparation of a claim and, if the case cannot be substantiated, obtains approval from the Mission Director prior to closing the case. Otherwise, the cooperating sponsor submits a claim to the responsible party for payment or other disposition.

If the cooperating sponsor cannot settle a claim in a satisfactory manner, the Mission assumes responsibility for its resolution. The Mission may then consult with the Food for Peace Office in Washington prior to deciding on what action to take to finally resolve the claim.

Title II Program in Togo

The Catholic Relief Services (CRS) is the primary cooperating sponsor in Togo. Another cooperating sponsor, the Opportunities Industrialization Center (OIC), had a very small program which was not audited. Title II commodity shipments, total losses, unresolved claims and losses as a percentage of shipments in Togo for the period October 1, 1986 to July 31, 1990 were as follows (all figures are in thousands of dollars):

Shipments	Losses	Claims	Per cent Lost
$ 10,352	$ 204	$ 164	1.9%

The claims figure includes two claims worth $26,357 which OAR/Togo sent to Washington for resolution. These claims had not been resolved by the time this audit was concluded.

Audit Objectives

The Office of the Regional Inspector General for Audit/Dakar audited the commodity claims procedures in Togo to answer the following audit objectives:

1. Were the cooperating sponsors (1) reporting losses (including thefts), (2) preparing claims, and (3) collecting money due?

2. Did OAR/Togo (1) monitor P.L. 480 Title II losses and claims, (2) insure that claims were settled promptly, and (3) assist cooperating sponsors in resolving claims?

The audit was conducted in Lome, Togo between November 5 and November 20, 1990, as part of a larger audit of P.L. 480 Title II claims which included Senegal and Ghana as well. We have already written separate reports on the results of the Ghana and Senegal portions of the audit.

In answering the audit objectives, we tested whether OAR/Togo followed the applicable internal control procedures and compliance requirements prescribed in the Handbooks. Our tests were sufficient to provide reasonable--but not absolute--assurance of detecting abuse or illegal acts that could significantly affect the audit objectives. However, because of limited time and resources, we did not continue testing when we found that, for the items tested, the Mission followed A.I.D. procedures and complied with the requirements. Therefore, we limited our conclusions concerning these positive findings to the items actually tested. But when we found problem areas, we performed additional work:

- to conclusively determine whether OAR/Togo was following a procedure or complying with a legal requirement;
- to identify the cause and effect of the problems; and
- to make recommendations to correct the conditions.

Appendix I contains a complete discussion of the scope and methodology for this audit.

Audit Findings

Were the cooperating sponsors (1) reporting losses (including thefts), (2) preparing claims, and (3) collecting money due?

For the items tested, the Catholic Relief Services (CRS) generally followed A.I.D. procedures in reporting losses and preparing claims. However, the cooperating sponsor did not determine the amount of commodities lost due to theft. Furthermore, it had not been successful in collecting over $164,000 in outstanding claims due.

CRS reported to OAR/Togo more than $200,000 in losses since October 1986. This figure included $164,000 in claims which were still unresolved at the conclusion of the audit. CRS reports showed that many of the losses were the result of thefts, but since they did not show the amount of the thefts, the severity of the problem could not be determined. Finally, CRS was also having difficulty collecting claims asserted against the Port of Lome. Problems with thefts and claims collection are discussed below.

The Catholic Relief Services Needs to Report Commodity Thefts

Cooperating sponsors should notify the Mission of the circumstances surrounding the loss of any P.L. 480 Title II commodities. Although CRS notified the Mission of possible thefts, it did not always identify their monetary value. The loss reporting system in use did not require such identification, and no other means were available to develop the information. As a result, neither CRS nor OAR/Togo knew whether theft--a known cause of losses at ports throughout the world--was a major cause for losses in Togo. Such information must be gathered before corrective action can be taken.

> **Recommendation No. 1: We recommend that OAR/Togo provide evidence that it has instructed the cooperating sponsors to specifically address the issue of theft in their loss reports to the Mission.**

Cooperating sponsors are required to notify missions whenever they discover any lost, damaged or misused P.L. 480 commodities. Such losses are reported on the Report of Loss, Damage, or Misuse of Commodities Under Title II of P.L. 480. Among other information, the cooperating sponsor should include the circumstances under which the commodities were lost including any extenuating circumstances. While CRS detailed the circumstances of such losses (including theft), it did not identify the actual amount of loss attributable to the thefts.

A specific example best illustrates the problem. In January 1990, over 10,500 kilograms of wheat soy blend (WSB) valued at approximately $4,600 were lost at the Port of Lome. The loss report (CRS report number 13/90 submitted on 03/26/90) described the circumstances surrounding the loss as follows:

> "loss occurred between January 04, 1990 to January 07, 1990 in Lome Port as a result of theft in Port Quay and damage due to transfer from ship to CRS/Togo warehouse."

While the report estimates the value of the total loss, it does not indicate what portion of the loss may have been due to theft. The auditor's analysis showed that numerous reports identified losses as thefts but the amount of theft was seldom shown. During fiscal year 1990, for example, there was a total of 34 loss reports of which 13 had statements similar to the one above. Two other reports specifically reported thefts at schools and five others mentioned possible pilferages at ports-of-call prior to Lome. In summary, 20 out of 34 reports mentioned thefts but only the two which reported thefts in schools identified the actual amount of theft (approximately $388 total for the schools).

Previous audit work in other countries has led us to believe that theft may be a major cause of commodity losses. During our audit of the Morocco P.L. 480 program, for example, we found that theft was a major problem (see audit report no. 7-608-90-03, Audit of P.L. 480 Title II program in Morocco, issued on November 28, 1989). Over 76 percent of the unresolved claims--$753,000 of $985,000--were for commodity thefts. In Ghana, the auditors were told by the Acting Food for Peace Officer that theft was fairly common, especially in the port area, and that stevedores were notorious for stealing portions of the cargos that they handle.

While the auditors could not determine why the amount of thefts was not being reported, they noted that the guidance in the A.I.D. Regulation 11 covers thefts by requiring cooperating sponsors to report criminal activity. Given this fact and the increased emphasis that the Inspector General's office is giving to the problem of theft, we believe that loss reports should highlight this problem.

CRS Needs to Closely Follow Regulation 11

Cooperating sponsors are required to pursue claims and if necessary, take legal action to

collect monies due unless certain specified exceptions make such action inappropriate. CRS had asserted claims against the Port of Lome for losses occurring in the port area, but the port refused to pay. CRS had not taken legal action against the Port Authority nor had it determined if any of the specified exceptions made such action inappropriate. This condition had developed because until just prior to the audit, the guidance from A.I.D. was not specific on how to handle uncollectible claims. Now that specific guidance has been issued, CRS must implement it or $164,000 in overdue claims may never be collected.

Recommendation No. 2: We recommend that OAR/Togo require CRS to comply with the provisions of A.I.D. Regulation 11 by either settling uncollected claims or assigning such claims to the Mission for further action.

Prior to June 1990, A.I.D. Regulation 11 paragraph 211.9.e required cooperating sponsors to make every reasonable effort to pursue claims against liable third parties for commodities lost or damaged. Any proposed settlement for less than the full settlement amount had to be approved by the Mission. Important issues such as what constituted a reasonable effort to pursue a claim and under what conditions legal action should be considered were left unanswered.

In June 1990, paragraph 211.9.e of the Regulation was revised by adding subparagraph (4) which specifically : (a) defined reasonable attempts by the cooperating sponsor to collect on claims, (b) prescribed under what conditions legal action in the local judicial system should be considered, (c) required written decisions from the cooperating sponsor if it decided not to take legal action, and (d) assigned such claims to US. JD provided the Mission approved the cooperating sponsor's decision not to take such action.

The Port of Lome had refused to pay claims levied against it by CRS, and CRS stopped short of taking legal action, even though such action was at one time considered a possibility. CRS appeared to be reluctant to launch a formal suit because such action would be lengthy, and its working relationship with the Government of Togo and the Port would be jeopardized.

Furthermore, CRS had not complied with specific requirements of the revised Regulation 11--requirements which had already been in effect for over four months prior to the audit. For example, CRS generally sent only two demands for payment to the port authority rather than the three required by the Regulation. Mission officials said that they did not require CRS to send a third letter because they had no reason to believe that such a letter would result in a settlement of the claims (refer to Mission comments, Appendix II). Further, the auditor noted that the two letters that were sent were almost identical and did not contain progressively stronger language--also required by the same Regulation. Concerning these two compliance points, it is the auditor's opinion based on experience with similar situations that strict adherence to the Regulation may be required if a sound legal case needs to be developed.

More importantly, CRS had not taken the necessary legal action. According to A.I.D. Regulation 11, such action should be pursued unless:

- liability of the third party is not provable,
- the cost of pursuing the claim would exceed the amount of the claim,
- the third party would not have enough assets to satisfy the claim,
- maintaining legal action in the country's judicial system would impair the cooperating sponsor's ability to conduct an effective program in that country, and
- it is inappropriate for reasons relating to the judiciary or judicial system of the country.

In August 1988, CRS had told the Mission that litigation was a possibility. However, a lawyer who was subsequently appointed by CRS in Togo recommended that CRS not enter a formal suit against the port. Some of the reasons for not entering litigation were:

- it could take two to three years to get the case on the docket;
- working relationships between CRS and the Port Authority would be jeopardized and U.S./Togolese relations might be affected; and
- even if CRS won the case, the Port Authority would refuse to pay.

While the second condition could be a reason for the cooperating sponsor to decline taking legal action, this reason by itself would not prevent the Mission from considering strong action if it assumed assignment of the claim.

Even so, CRS must now decide whether or not legal action should be taken. At the time of audit, no decision had been made even though some of the claims were more than three years old. If CRS decides against legal action, then it must provide a written decision to the Mission for its review and approval. If the Mission accepts the cooperating sponsor's position, then it must take assignment of the claim for subsequent settlement.

In summary, decisions that should have been made up to three years ago have not been made, and the issue of what to do with port losses and the port's intransigence has not been meaningfully addressed. Even so, the revised Regulation 11 now provides an orderly and logical process to bring the issue to the Mission for a decision. Whether the U.S. government ever collects the $164,000 already claimed as well as future claims depends upon the outcome of that decision.

Did OAR/Togo (1) monitor P.L. 480 Title II losses and claims, (2) insure that claims were settled promptly, and (3) assist cooperating sponsors in resolving claims?

OAR/Togo was monitoring P.L. 480 Title II claims, but its system for monitoring was not in compliance with Handbook 9. Instead of maintaining separate files, the Mission batched the claims together and monitored them as a group. As a result, the claims were not being resolved promptly. Moreover, while the Mission had provided some assistance to the cooperating sponsor in resolving port claims, it had not been effective in its assistance.

OAR/Togo Needs to Comply With Handbook 9 Requirements

OAR/Togo had not established separate files for each claim nor had it established a policy to follow up periodically on overdue claims. Responsible Mission officials believed that their system was sufficient, and setting up separate files would not result in quicker settlement of claims. As a result, individual claims follow-up by the Mission had not been consistent. This fact could be one of the reasons why the Mission had been forced in the past to write-off over $80,000 in overdue claims.

> **Recommendation No. 3: We recommend that OAR/Togo implement a claims monitoring system that (1) establishes a separate file for each claim, and (2) provides for periodic follow-up on overdue claims.**

According to A.I.D. Handbook 9, cooperating sponsors have the primary responsibility for identifying losses, asserting claims, and collecting monies due. However, the USAID missions should also monitor the claims process by (1) establishing separate files for each claim, and (2) following up on overdue claims. Lumping claims together as was the case in OAR/Togo tends to delay follow-up action on individual claims because there is no orderly settlement process, whereas setting up separate files for each claim at the time the claim is first asserted tends to prompt the Food for Peace Officer to evaluate the intrinsic merit of that claim at the time the file is initiated.

The batch system used by OAR/Togo resulted in periodic "clean-ups" in which a large group of overdue claims were settled as a unit. In 1989, for example, the Mission launched a major effort to resolve outstanding third-party claims some of which dated back to 1983. As part of this effort, the A.I.D. Representative authorized CRS in January 1990 to close 34 claims valued in excess of $80,000. These claims were "settled" by writing them off, a decision which was undoubtedly influenced by the long delay and great age of some of the claims in question. Since that time, the Mission accumulated another $32,500 in port claims for a total of $164,000 in outstanding claims at the time of the audit. All of these port claims were being administered as a group rather than individually. It appeared to the auditor that a "write-off" similar to what occurred in early 1990 may be repeated.

According to responsible Mission officials, a "bureaucratic" segregation of each claim into a separate physical file would not resolve the problem of their non-payment. These officials also stated that the reason claims were not paid by the port had nothing to do with the monitoring systems used by the Mission (see page 6 of Appendix II for a more detailed discussion by the Mission of its position). We do not agree because in our opinion, the procedures outlined in the handbook are the minimum needed to insure proper control over the P.L. 480 claims collection process. While the assertion that the port's nonpayment of claims had nothing to do with the monitoring system is probably correct, we believe that the A.I.D. recommended system makes it easier to process each claim promptly and precludes the accumulation of a large backlog of unresolved claims. If the Mission believes that the A.I.D. procedures are not applicable to the Togo situation, then the Mission should document how it does monitor these commodity losses and claims and apply to A.I.D./W-FVA for a deviation from established A.I.D. procedures.

OAR/Togo Must Take Over
Settlement of Unresolved Claims

A.I.D. Regulation 11 requires missions to take over claims if litigation is possible but something precludes the cooperating sponsor from taking appropriate action. CRS had reached an impasse, but OAR/Togo had not taken over the claims. While we could not determine exactly why this takeover had not happened, we concluded from comments made by program officials that there was concern about the impact litigation would have on the overall A.I.D. program. Such reluctance on the part of the Mission in the past has resulted in large claim write-offs. Similarly, the $164,000 in claims now outstanding may be in jeopardy unless immediate action is taken by the Mission.

> **Recommendation No. 4: We recommend that OAR/Togo take over outstanding port claims and resolve them as provided in Regulation 11.**

While cooperating sponsors are given the primary responsibility for resolving claims, A.I.D. Regulation 11 requires the Mission to take over any claims which cannot be resolved by the sponsors. Under our first audit objective, where we discussed the need for CRS to take legal action, we described in detail the preconditions which had to be met before a Mission could take over claims. Briefly stated, cooperating sponsors must take legal action on claims unless they convince the Mission, in writing, that such action is not feasible. If legal action is feasible but the Mission agrees that the cooperating sponsor cannot do it, then paragraph 211.9.e.(4) of the Regulation requires the Mission to take assignment of the claims.

Since 1983 there has been only one major effort to address the claims collection issue. During the period 1983 to 1989, CRS had accumulated a backlog of over $214,000 in unresolved port claims. In 1989, OAR/Togo and representatives from the Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) got

together to study ways to resolve this problem. Such action on the part of the Mission was commendable because it elevated the difficult situation to the next higher level.

This meeting resulted in two key decisions. First, REDSO/WCA and the Mission set up an operating procedure which specifically laid out the steps that CRS needed to take in order to show that they had made a reasonable effort to collect the claims. Next, it was agreed to write-off those claims which the Mission at that time had the authority to compromise (claims individually less than $10,000 in value) and to send the remaining large claims to A.I.D./Washington for settlement.

In addition to these two decisions, the Mission also set up a "direct delivery system" with the objective of reducing losses. We did not evaluate whether this system resulted in lower port losses. At the time of audit, the Mission had no data to support its position that losses had been reduced significantly, and their most recent comments (page 4, Appendix II) does not provide any additional evidence on the matter.

In January 1990 as a result of the meeting, OAR/Togo wrote off 34 claims worth over $80,000 that had been asserted against the port between March 1983 and July 1987. The primary reasons for this action were that the cooperating sponsor had done all that it could be reasonably expected to do, and the port refused to negotiate a settlement. Two other claims worth a total of $26,357 were sent to the Food for Peace Office in Washington for action. After some delay, Washington answered this request by sending the Mission a copy of a worldwide cable previously sent to all Missions in May 1990. This cable gave the Missions authority to resolve all third-party inland claims regardless of amount; consequently, the responsibility for resolving such claims obviously lies with the Mission.

To date, the Mission has not assumed its responsibility; instead, it has chosen to take the Port's unilateral position to the detriment of the American taxpayer. Again, it appears that the Mission does not intend to take legal action as demonstrated by the tone of its response to our audit draft (pages 5 to 7, Appendix II). Consequently, the situation with the port remains the same because the port continues to deny any liability for the losses. This is the same issue that has plagued the Mission going as far back as 1983. Since then, more than $247,300 in claims have been made against the port, one third of which have been "written-off". It now appears that another $164,000 in outstanding claims is in jeopardy unless OAR/Togo takes more positive action.

The Port of Lome should be held to the same standards of accountability as is every other organization or individual involved in the distribution of these commodities. If one agency is allowed to unilaterally decide that it is not liable for commodities entrusted to its care, then how can we in all good conscience pursue claims against any of the others involved in the process? Simple equity demands that the Mission be more positive and forceful in asserting the rights of the United States in this matter.

In our opinion, to continue such "write-offs" will send a message to the local government that it can continue with its poor controls--resulting in high losses--because the money lost will never have to be paid by them. Moreover, even larger losses may result in the future

if this attitude spills over into other A.I.D. supported activities.

Mission Comments and Our Evaluation

OAR/Togo did not agree with many of the conclusions in this report (see Appendices II and III). Although we made some revisions to the report based upon the Mission's comments, we generally did not agree with its interpretation of the facts.

Our response to the Mission's comments are, with one exception, contained in the body of this report. The one exception concerns the second page of Appendix II where the Mission states that the first audit objective was changed to include theft reporting. It is true that the wording of this objective was changed; however, the subject of P. L. 480 losses due to theft was covered in the original draft as a separate objective. The auditors decided to delete theft reporting as a separate objective and include it as part of the first objective in the revised draft. This change was made because the current loss reporting system did not provide enough data to justify detailed audit work and a separate finding.

We believe that A.I.D. established a minimum set of standards to properly account for its resources in developing countries: this is essential for economic development and continued support from the American public. This report compares the existing conditions of this project with the A.I.D. standards for acceptable accountability.

SCOPE AND METHODOLOGY

Scope

We audited the P.L. 480 Title II commodity claims procedures in Togo in accordance with generally accepted government auditing standards. We conducted the audit from November 5 through November 20, 1990, and covered the systems and procedures relating to P.L. 480 Title II commodity losses and claims made by the cooperating sponsors from October 1, 1986 to July 31, 1990.

Initially, the audit was to determine if the Missions were effectively monitoring all commodity losses and claims that occurred while such commodities were in transit or during storage. Our work consisted of identifying all Mission losses and then determining if the Mission had received monetary reimbursement for these losses. The results of our work at the USAID/Ghana and USAID/Senegal Missions disclosed that, in most cases, supply and equipment losses were generally low and that when there were losses, the responsibility for claims settlement remained with the manufacturer. Since it appeared that most losses and claims activity at these two Missions was limited to the P.L. 480 Title II program, the scope of the ensuing audit in these two countries and in Togo was limited accordingly.

The initial audit objectives were revised to cover only those losses that were incurred under the P. L. 480 Title II program. These objectives did not cover the following areas:

- The audit did not examine losses and claims which might have occurred at the distribution centers because the losses recorded at these widely dispersed centers were immaterial and did not justify detailed audit work.

- The audit did not trace the documentation to determine if the claims that the cooperating sponsors said that they collected had been collected because some of these records were located in the United States.

Methodology

The methodology for each objective follows:

Audit Objective One

The first audit objective required gathering and verifying data on P.L. 480 Title II losses and claims. We relied primarily upon the cooperating sponsor's shipping ledger, the Reports of Lost, Damage, and Misuse of Commodities Under Title II of P.L. 480, and the Commodity Status Reports. We also examined the internal files at both the offices of the cooperating sponsor and at the USAID Mission. Records examined included log books of claims and losses, correspondence, surveyor reports, and internal audit reports. We interviewed the acting Food for Peace Officer (FFPO) and representatives of the cooperating sponsors to determine to what extent losses were due to thefts. We also examined the loss reports and commodity status reports as well as appropriate correspondence files. Finally, we held discussions with representatives of the cooperating sponsor and the USAID Mission.

Audit Objective Two

To accomplish this objective, we relied first upon the information gathered under objective one. We supplemented this information with reviews of the claims monitoring files and specific interviews with the acting FFPO, representatives of the cooperating sponsor, and the A.I.D. Representative. This work gave us insight into the means used by the Mission to monitor P.L. 480 losses and claims, and to assist the cooperating sponsor in resolving claims. We also compared what claims were reported to Washington with the unresolved claims on the books. We studied the criteria in depth to determine how such claims should be handled. Finally, we interviewed the acting Food for Peace Officer and A.I.D. Representative to determine whether they had solicited and obtained the necessary guidance.

APPENDIX II

UNITED STATES GOVERNMENT

memorandum

DATE: July 9, 1991

REPLY TO ATTN OF: Mark G. Wentling, A.I.D. Representative/Togo-Benin Mark G. Wentling

SUBJECT: RIG Audit Report on PL 480, Title II Claims in Togo

TO: Larry L. Hoover, RIG/Dakar

Please find attached a copy of a memorandum from my Health Officer, Paul Ehmer, to me which represents our comments on the second draft of the subject audit report. These comments were prepared following close consultation with CRS/Togo and reflect my views on the various issues raised in the audit report.

I sincerely hope that your office is able to take fully into account our views, particularly those which point out discrepancies in the audit report. In this regard, I believe it to be in the best interest of all parties concerned that the final version of this audit be as fair and accurate as possible in portraying the Title II claims situation in Togo. I trust that you will, as usual, make every effort to ensure that this is the case.

I regret that it took us such a long time to provide our comments, but the absence of both my Health Officer and the CRS Representative obliged me to delay the submittal of our reply. Please let me know if we can be of any further assistance in completing the final version of this audit report.

OPTIONAL FORM NO. 10
(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-114
★U.S. GPO: 1988-201-788/60102

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APPENDIX II

MEMORANDUM

To: Mark G. Wentling, AID Representative/Togo-Benin

From: Paul Ehmer, Health and Population Development Officer

Date: July 8, 1991

Subject: Second draft of RIG audit report on Title II

Ref: a). First draft RIG report dated 2/8/91
b). Second draft RIG report dated 5/8/91
c). Ehmer/Wentling memo dated 2/26/91
d). Corrao/Wentling letter dated 6/14/91
e). Kidd/RIG memo dated 5/23/91

The following comments are provided for the Mission's response to the second draft audit report (ref b). The first draft (ref a) was commented upon earlier by the Mission in your memo of March 5 to the RIG office. The response to the second draft is complicated by the fact that some of the things we said in our earlier comments still apply, and I'm not sure how much to repeat.

The report has now been substantially changed from its previous version. The RIG accepted our earlier idea of splitting the reports by country, but in so doing made the Togo report much more focused and sharper than it had been before. As also pointed out by CRS in their ref d memo, it is not clear what motivated the change in tone of the report. The data going into it must be the same, but the conclusions drawn are now much more critical, with more specific recommendations. The report now seems to go beyond the findings and conclusions of the auditor who came here last November.

The cover memo to the second draft states that no changes were made to the report except in the Report of Audit Findings. This should mean that pages 1-5 of the original report would stay the same. On the page three table of the original report inland claims losses for Togo are shown as $138,000. However, on page 5 of the second draft report, the second paragraph states that there were "over $145,000 of inland losses", whereas later on in the second draft it goes back to the $138,000 number. If the earlier table is correct, that is the number that should be used consistently throughout.

<u>Overall losses appear reasonable compared to other program figures</u>

On the same page three table of the original report it shows that the percent lost for Togo over the period covered by the audit was 1.9%. The Mission should maintain that this level of losses (which includes both ocean and inland losses) is well within reasonable parameters. Certainly the auditors and the american public expect the level of losses to be minimized, but it also seems reasonable that the auditors provide a basis of comparison to other programs or to worldwide averages to put things in a better perspective for the consumer of the report.

If this were done, it would show clearly that the Togo program is among those with the best loss records.

In the real world of development, where here in Lome a longshoreman makes 1500 FCFA ($5/day) in two week stretches followed by no work; where food bags routinely tear on discharge (as we have repeatedly pointed out to Washington) due to the conditions and old style equipment at the quay, some level of losses should be accepted and absorbed by the program as part of the cost of doing business. This is an issue which goes beyond the Togo report, but I think the auditors should fairly put the Togo program in the proper perspective in comparing loss levels with other programs.

Audit objective changed

The Mission should point out that the first audit objective as stated on page four of the original draft has been changed as stated on page five of the revised draft. The revised draft asks "Were the cooperating sponsors (1) reporting losses (including thefts), (2) preparing ....etc." The addition of "(including thefts)" has appeared as a new part of the audit objective between the first and second drafts. Can the auditors change the wording of an objective after the field work on the audit has been completed?

Theft

Paragraph two on page five of the draft report states that CRS reports showed "that many of the losses were the result of thefts." Also, later on page 6 (second paragraph) the draft states that "numerous reports identified losses as thefts but....etc." In fact, the CRS reports, particularly on the port losses, which are really the major subject of the audit finding, show theft as one of the possible causes on any given claim. This is because it is very difficult at the port to differentiate outright theft from losses due to torn bags during off-loading, damaged commodity resulting from moisture getting into the product somewhere during the transport process from the U.S., and pilferage at previous ports of call (Lome is usually among the last stops for ships carrying Title II commodities).

With regard to the issue of theft, it's easy to say, as in recommendation one (page 5), that USAID/Togo should require the cooperating sponsor to report on all losses due to thefts, but we know that the attribution process in deciding how much of the loss should be so registered will be very arbitrary. In the end there is nothing in this further refinement of the loss process which will result in the collection of claims becoming easier or more likely, which should be the point of the whole exercise. A loss is a loss, and must be reported and a claim made. I fail to see how either the program will improve or losses be further reduced as a result of this recommendation. Finally, the information about the theft problems in the Morocco and Ghana programs on page 6 seem irrelevant to the discussion of the Togo situation. If this information is

relevant, then it would also be relevant to include comparative information on loss percentages from other programs as already suggested above.

Finally on thefts, the Mission's reading of Regulation 11 is different than the interpretation of the auditors. The regulation states that if a cooperating sponsor has "reason to believe that the loss or misuse has occurred as a result of criminal activity, the cooperating sponsor shall promply report these circumstances to the AID Inspector General through AID/W, USAID or diplomatic post and subsequently to the appropriate authorities of the cooperating country unless instructed not to do so by AID". This clause, which is cited by the auditors as a reason to split out theft reporting, seems clearly not directed at the types of petty theft which occur in ports by individuals. I don't think the auditors would suggest that after CRS has determined arbitrarily how to attribute the percentage of losses due to thefts at the port, that USAID routinely report all these thefts to the Inspector General. The clause seems, rather, to be directed at large-scale, organized theft, which would be much more obvious and easier to detect than the smaller levels which had been occurring at the Lome port.

Claims Procedures

In making the recommendation on page 7 that USAID/Togo require CRS to comply strictly with the requirements of AID regulation 11, and in the discussion that follows, the auditors focus on the strictly bureaucratic procedures to be followed once a claim has been identified. In so doing I think they miss one of the fundamental causes of the reason why the port refuses to honor port losses. This cause lies in the fact that the CRS survey report is not officially reconciled or verified by anyone at the port at the time it is established. The port's representative signs the CRS survey report "under reserve". Then he establishes his own report ("etat differentiel") which may or may not be the same as the CRS report. Then later when CRS on the basis of its report files a claim with the port, the port refuses to pay, claiming that the loss was not their responsibility. If the CRS survey was countersigned by the port's representative at the end of the discharge process, or in some other administrative way the two reports were reconciled, it would avoid having the port later claim that the losses were not attributable to it.

Regulation 11

An important point should be made with regard to all the material in the second draft report describing the guidelines in Regulation 11. Immediately following Recommendation No 2 on page 7, the second draft report makes reference to a recent revision of Regulation 11, particularly citing and paraphrasing language from paragraph 211.9.e.4. It must be pointed out that all the material the audit discusses regarding Regulation 11 is new guidance that did not go into effect until August 1990,

five months after the end of the period covered by the audit. Therefore all the language in the audit report that ties lack of Mission or CRS action to the requirements of Regulation 11 is unfairly cited, since that part of the Regulation being cited was not in effect at the time the losses occurred, and had only been in effect a matter of months when the field work for the audit was done in Togo.

In the first paragraph under Recommendation No. 2 on page seven the auditors paraphrase Regulation 11 in terms of four phases that the cooperating sponsor must follow in collecting claims. The fourth step they outline, "(4) assigns such claims to USAID provided legal action is merited and USAID approves the cooperating sponsor's decision not to take such action" is not really a true reflection of what Regulation 11 says. What the regulation says is that "If the USAID or diplomatic post approves a cooperating sponsor's position not to take further action on the claim .....the cooperating sponsor shall assign the claim to AID and shall.....etc". The auditor's paraphrase including language "provided legal action is merited ....etc" is not the language of the Regulation. They should correct this error, and then rethink the logic which follows from their statements.

In the second paragraph following Recommendation No. 2 on page 7, the draft report refers to Mission comments in Appendix II. They have now redrafted the report and we are making comments on the redraft. Are our earlier comments also going to be used or included in the final report? It seems like the process of review is getting out of hand. Finally, at the end of that same paragraph the report expresses the opinion that strict adherence to Regulation 11 will strenghthen the development of the legal case. It should be remembered that the legal case they are talking about is to be pursued in the Togolese courts. It is questionable how writing an additional letter to the government will strengthen the local legal case.

CRS and USAID actions

A number of places in the draft report the auditors make reference to a lack of CRS or Mission action to deal with the claims issue (end of first paragraph page 8, "none of the regulatory requirements have been met"; middle of third paragraph page 8, "at the time of the audit no decisions had been made even though some of the claims were more than three years old."; last paragraph page 8,"In summary, decisions that should have been made up to three years ago had not been made due to procrastination by both the cooperating sponsor and the Mission.").

Later in the report at the end of page 10, reference is made to the 1989 REDSO mission to Togo to handle the claims issue. This was in fact a major effort by both CRS and the Mission to resolve the issue. It was a result of this report that the direct delivery process was identified as an option to cut down on port losses, and a procedure for handling the port losses was set in place. From then until now the Mission and CRS have

been following those procedures. The revised regulation 11 material discussed throughout the draft report was not received by the Mission until 3 months before the audit field work was completed. It therefore seems unfair to leave the impression throughout the report that the responsible parties were not concerned or taking appropriate action under the existing regulations to resolve the problem.

It is highly unfair not to give CRS and USAID credit in the report for having instituted a process of direct delivery straight from the ship to trucks and on into the CRS warehouse (without any port storage time). It was in response to continuing port problems that CRS, with encouragement and assistance from USAID, initiated this direct delivery process. The tone of the present draft and its implications leave one with the impression that neither the Mission nor CRS were interested in or had even attempted to address the problem. This impression should be corrected in the final report, and even more, CRS/Togo experience should be highlighted for application in other countries. Shouldn't positive findings such as these also be presented in audits such as these?

Legal Action

In the fourth paragraph on page 8 the draft report discusses the fourth requirement of Regulation 11 which describes what should happen if the Mission determines that the cooperating sponsor cannot initiate legal action in collecting claims. It quotes the Regulation in stating that the Mission must consult with Washington prior to closing such claims which have been turned over to the Mission "unless standing guidance is in effect". What they do not describe or make explicit is that such standing guidance is now in effect (State 169231 of 5/25/90). This guidance gives the Mission the authority to close the files on all third party claims regardless of amount, and makes reference to Handbook 9, Chapter 8E2, which allows the Mission to close the file on claims after finding that the cooperating sponsor has exhausted all reasonable attempts to collect the claim.

The Mission interprets all this cross-referenced guidance (between Regulation 11, Handbook 9, and State 169231) to mean that once the cooperating sponsor has turned the claim over to the Mission according to the criteria set forth in Regulation 11, the Mission has the discretion to settle the outstanding claims as it sees fit. All through the draft report (page 7, paragraph under Recommendation 2, "(4) assigns such claims to USAID provided legal action is merited...etc"; page 10, third paragraph, "AID Regulation 11 requires Missions to take over claims if litigation is possible but.....etc"), the auditors leave the impression that the Mission is required to initiate legal proceedings to collect the claims once these claims are turned over to it. The Mission doesn't agree that this interpretation follows the letter of the guidance as well as the intent, which should be to allow more flexibility than before to the Mission. Given the earlier comment above regarding the practical necessity of recognizing that some

level of losses are inherent in such a program, and accepting those levels, we should not put ourselves and CRS into such tight administrative boxes that we cannot operate effectively.

Mission claims follow-up

On page 9, first paragraph, the draft report states that the Mission batched claims together and monitored them as a group. "As a result, the claims were not being resolved promptly." In fact, it is clear to anyone with any implementation experience that bureaucratically establishing separate physical files for each claim will not resolve the problem of their non-payment. The reason the claims were not paid had nothing to do with a lack of knowledge or follow-up on the part of either CRS or the Mission (both CRS and the Mission keep copies of each claim in their respective files, and they were shown to the auditors), but instead is related to the fact that the port does not accept responsibility for losses which are established in a CRS survey report.

In any case all claims filed by CRS are already examined and signed individually by the responsible project officer and the AID Representative to establish their validity. The Mission can certainly establish separate physical files, but we doubt it will lead to a better collection record with the port. Finally, it should be also recognized that with a four person professional U.S. direct hire staff managing a $9 million per year bilateral country program, making more paperwork is not the solution to the problem of claims. It might be interesting to note for the record that the "Food for Peace Officer" continually referred to in the draft report is in fact a Health and Population Development Officer with bilateral implementation and planning responsibilities for 4 ongoing bilateral projects and both CRS Title II activities in Togo and Benin.

At the bottom of page nine the draft report makes a supposition that the Mission wrote off $80,000 of claims in January 1990 in a "decision that was undobtedly influenced by the long delay and great age of some of the claims in question". In fact the claims in question were of the same type which are now still unresolved - those with the port of Lome. Again, if the auditors had cared to analyse something more interesting than ancient history, they would have looked at the progress on in reduction of claims over the period that CRS has implemented its direct delivery procedure. We again should reiterate that this experience should come out in the report.

Finally, we agree that according to the revised Regulation 11, CRS should either take legal action on the outstanding port claims, or provide the Mission information why they are not, so the claims can be assigned to the Mission. The underlying premise here, however, is that the Mission will somehow succeed in collecting from the port where CRS has failed. In fact, we feel that CRS has taken all appropriate steps in filing, following up, and trying to resolve the outstanding claims, and

maintain that the only pragmatic leverage the mission has is to threaten to cut off the program. Realistically again we are not sure that all the legal work necessary and time of administrative and management staff to collect $138,000 worth of claims over a total program level of $10,852,000 is really the kind of efficient management the newly reorganized Agency and Africa bureau are looking for.

UNITED STATES GOVERNMENT

memorandum

DATE: March 5, 1991

REPLY TO ATTN OF: Mark G. Wentling, A.I.D. Representative, Togo/Benin

Mark G. Wentling

SUBJECT: Comments on Draft Audit Report of A.I.D. Procedures for PL 480 Title II Claims

TO: Paul E. Armstrong, RIG/A/Dakar

Ref: Armstrong/Wentling memo dated 2/8/91

I am pleased to acknowledge receipt on February 13 of the subject draft audit report and provide below my office's comments on this report. These comments have been prepared following consultation with CRS/Togo regarding the findings of the subject report. We will continue to work closely with CRS to address any issues raised by your audit that remain unresolved. In the meantime, we hope the general and detailed comments provided below will be helpful to drafting a final audit report that fully and fairly reflects our PL 480, Title II claims situation.

General Comments

It is our opinion that grouping Togo's case with two other countries leads to an inequitable treatment of our performance in this area. For example, in two places in the report, reference is made to the relatively better performance of the Togo mission. On page 16 it is stated that the "Togo mission appeared to be reasonably aware of the status of inland claims," and on page 21 it is noted that ... "With the exception of Togo, missions were not following the instructions in the Handbook ... Togo, the only Mission that complied with the Handbook, referred two claims to Washington for resolution on October 10, 1989". Despite these favorable citations Togo is lumped together with the other countries under recommendations 4 and 6, even though these comments show Togo as being on top of the situation. I ask that consideration be given to separating Togo's case from the others. The smallness of our 4 USDH mission and the absence of a FFPO on our staff should also distinguish Togo's case.

OPTIONAL FORM NO. 10
(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-114

* GPO : 1981 O - 341-526 (6587)

We were much surprised to see that the report contains no discussion of the many steps we took to resolve CRS/Togo claims. In May 1989, at CRS' request, we asked for the assistance of the REDSO/Abidjan Regional Food for Peace Officer, Robert Kidd, to resolve all outstanding claims. Mr. Kidd spent two weeks in Lome in August 1989 investigating the situation. His report, dated September 22, 1989, suggested procedures to follow in resolving these claims and acknowledged the substantial efforts already taken by CRS to report and collect port claims. His report also provided advice on how to minimize future port claims and he proposed a direct delivery system which has since been used by CRS to reduce losses.

Given the exhaustive review performed by Mr. Kidd and our adherence to the procedures recommended by him, we are perplexed by the omission of any reference in the draft audit report of Mr. Kidd's work and our efforts to implement his recommendations. I believe this is a major oversight that should be corrected in the final version of your report. Although the auditor working on this case was given a copy of Mr. Kidd's report, I am providing you the attached copy.

We wish to underscore that the overall level of losses of 1.9% (ocean and inland claims) for the Togo program, as reported in the audit, are well within reasonable limits. In view of all the difficulties encountered in moving thousands of tons of foodstuffs from the U.S. to a port in Togo where workers are poorly paid, this is indeed a remarkable achievement! It is even more remarkable when one considers that a major cause of losses is the poor quality of the WSB bags which tear easily upon discharge. We are proud of the very low loss record, and we plan to continue taking measures to maintain these low levels. These measures include receiving the food from the ship on a direct delivery basis and having CRS personnel physically present on the dock during the off-loading of foodstuffs. We believe there are some "lessons learned" here that might be of some use to other posts.

Detailed Comments

The following specific comments are keyed to the page numbers of the draft audit report.

Page 2. Please note that the May 14, 1990, cable from AID/W changed the guidance on Mission settlement of claims, allowing the Mission to settle all claims no matter what the size, if they so choose. Even the previous guidance did not state that the Mission had to go to Washington for every claim. There was a dollar limit. Therefore, it appears that the last sentence at the top of page 2 is wrong.

Page 14. CRS/Togo states that it has received legal advice to the effect that pursuit of claims against the Autonomous Port of Lome would be futile. This advice was not in writing but was sufficient to confirm that it would be useless to pursue the port through the courts. Current CRS claims procedures call for making the initial claim in writing to the port once the claim has been presented and approved by OAR; the port then normally responds with a form letter disclaiming responsibility, usually claiming that the ship is at fault; CRS then responds reiterating the claim according to their survey report. There is not a third letter as required by Handbook regulations. This could easily be done, although there is no reason to believe that it will result in the settlement of the claim. CRS believes that if they pursue the claims in court it will sour their relations with the port and eventually jeopardize the program itself and compromise the direct delivery operation which depends upon solid cooperation with the port to keep losses at current very low levels.

Page 16. If OAR/Togo did not have an adequate monitoring system in place, how were we reasonably aware of the status of the inland claims as reported on this page. Again, it appears we are not getting the credit we deserve.

Page 19. We do maintain a file for claims which are reported to us quarterly by CRS. We do not have a "separate file" for each claim. This would be easy enough to do, although we are not convinced of the practical value this would serve. We believe we can adequately monitor the claims without a separate file on each claim. We also have a system in place for the collection and payment of claims. CRS does collect claims from SOCOPAO, the freight forwarder. These claims are paid to the Embassy cashier as required. Therefore, we believe we are conforming to the requirements of Handbook 9 and, accordingly, recommendation no. 4 does not fully apply to us.

Page 23. Recommendation 6.1 requires us to report to AID/W on all proposed suspensions or terminations of third party claims. The cable received from AID/W on May 14, 1990 no longer requires this. Also, how can we be held responsible for ensuring that instructions are forthcoming from Washington as stipulated in recommendation 6.2?

Pages 24, 25. We question the relevance of the Morocco audit to our situation in Togo. If there was any evidence of theft presented to the auditor during his visit to Togo, then he should include such evidence in his report. In the absence of such evidence, we do not see the basis for such a recommendation for Togo. This is particularly so in view of the minimal loss levels we have experienced.

Page 32. With regards to this section, we agree with CRS and the auditor that there should be guidance establishing procedures for the use of only one survey report between the port, ship and CRS surveyor, or a requirement that separate reports be reconciled prior to their completion.

Please let me know if there is any additional information you might need from us to prepare the final version of this audit report. We would like to close this audit as soon as possible.

I would like to express our appreciation of the good work and cooperation demonstrated by your auditor during his stay in Lome. We enjoyed working with him and we believe his efforts have helped us better understand the problems and procedures relating to PL 480, Title II claims.

Attachment: Kidd/Wentling Memo dated 9/22/89

cc: P. Ehmer, HPNO, OAR/Lome
J. Corrao, Country Representative, CRS/Togo

REPORT ON INTERNAL CONTROLS

We have audited the P.L. 480 Title II commodity claims procedures in Togo for the period October 1, 1986 to July 31, 1990, and have issued our report thereon dated July 26, 1991.

We conducted our audit in accordance with generally accepted government auditing standards which require that we plan and perform the audit to fairly, objectively, and reliably answer the objectives of the audit. Those standards also require that we:

- assess the applicable internal controls when necessary to satisfy the audit objectives, and

- report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

In planning and performing our audit, we considered A.I.D.'s internal control structure to determine our auditing procedures and answer each of the two audit objectives, and not to provide assurance on the internal control structure.

The Management of A.I.D., including the OAR/Togo, is responsible for establishing and maintaining adequate internal controls. Recognizing the need to re-emphasize the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act (the Integrity Act) in September 1982. This Act, which amends the Accounting and Auditing Act of 1950, makes the heads of executive agencies and other managers, as delegated, legally responsible for establishing and maintaining adequate internal controls. Also, the General Accounting Office (GAO) has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls.

In response to the Integrity Act, the Office of Management and Budget (OMB) has issued guidelines for the "Evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government." According to these guidelines, management is required to assess the expected benefits versus related costs of internal control policies and procedures. The objectives of internal control policies and procedures for federal foreign assistance programs are to provide management with reasonable--but not absolute -- assurance that resource use is consistent with laws, regulations, and policies; resources are

safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Moreover, predicting whether a system will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purposes of this report, we have classified significant internal control policies and procedures applicable to each audit objective by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation--and we assessed control risk. In doing this work, we found certain problems that we considered reportable under standards established by the Comptroller General of the United States. Reportable conditions are those relating to significant deficiencies in the design or operation of the internal control structure which we became aware of and which, in our judgement, could adversely affect the ability of the USAID Mission in Togo to assure that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse, and reliable data is obtained, maintained, and fairly disclosed in reports.

Audit Objective One

The first audit objective required gathering and verifying information concerning P.L. 480 Title II commodity shipments, losses, claims and collections. Sources of such information includes shipping ledgers, logs of claims and losses, reports of loss, survey reports, and commodity status reports. For this objective, the applicable internal controls and reportable problems are covered under objective two.

Audit Objective Two

This objective concerns various components of USAID monitoring of P.L. 480 Title II losses and claims. Such monitoring is essential to providing internal control over the entire process. In planning and performing our audit of these controls, we considered the applicable internal control policies and procedures cited in A.I.D. Handbooks 8 and 19. For purposes of this report, we divided the overall monitoring system into the following four categories: (1) the loss reporting process, (2) the claims filing process, (3) the claims follow-up process, and (4) the claims resolution and collection process.

We noted one reportable condition related to monitoring of P.L. 480 Title II losses and claims:

- OAR/Togo failed to establish a monitoring system which conformed to the A.I.D. requirements for systematic follow up on overdue claims.

This deficiency in the internal controls resulted in an accumulation of claims which were subsequently written off.

•••••

A material weakness is a reportable condition in which the design or operation of the specified internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial reports on funds being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

REPORT ON COMPLIANCE

We have audited the P.L. 480 Title II commodity claims procedures in Togo for the period October 1, 1986 to July 31, 1990, and have issued our report thereon dated July 26, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the audit objectives. Those standards also require that we:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives), and

- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

Noncompliance is a failure to follow requirements, or a violation of prohibition, contained in statues, regulations, contracts, grants and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when the source of the requirement not followed or prohibition violated is a statue or implementing regulation. Noncompliance with internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is furnishing excessive services to beneficiaries or performing what may be considered improper practices, which do not involve compliance with laws and regulations.

Compliance with laws, regulations, contracts, and grants applicable to P.L. 480 Title II commodity claims is the overall responsibility of the management of the USAID Missions monitoring the program. As part of fairly, objectively, and reliably answering the audit objectives, we performed tests of OAR/Togo's compliance with certain Federal laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests of compliance disclosed the following significant instance of noncompliance:

- OAR/Togo did not require the cooperating sponsor to submit to the Mission, in writing, why legal action was not feasible to collect claims as required by A.I.D. Regulation.

Except as described, the results of our tests of compliance indicate that, with respect to the items tested, OAR/Togo and the cooperating sponsors in that country complied, in all significant respects, with the provisions referred to in the fourth paragraph of this report. With respect to the items not tested, nothing came to our attention that caused us to believe the aforementioned OAR/Togo and the cooperating sponsors had not complied, in all significant respects, with those provisions.

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