PD-AAZ-477

ISN=61889

AUDIT OF
P.L. 480 TITLE II SOYBEAN OIL
SHIPMENT TO UGANDA

AUDIT REPORT NO. 3-617-89-15
JUNE 29, 1989

UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

UNITED STATES POSTAL ADDRESS
BOX 232
APO N.Y. 09675

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 30261
NAIROBI, KENYA

June 29, 1989

MEMORANDUM FOR MISSION DIRECTOR, USAID/UGANDA, Richard L. Podol

FROM: Richard C. Thabet, RIG/A/Nairobi Richard C. Thabet

SUBJECT: Audit of P.L. 480 Title II Soybean Oil Shipment to Uganda

The Office of the Regional Inspector General for Audit/Nairobi has completed its audit of the P.L. 480 Title II soybean oil shipment to Uganda. Five copies of the audit report are enclosed for your action.

The draft report was submitted to you for comments and your comments are attached to the report. The mission requested that RIG/A/N revise the draft and resubmit it for a final review. However RIG/A/N did not consider this necessary because the revisions made as a result of the Mission's comments did not materially change the report. The report contains two recommendations which are unresolved. Please advise me within 30 days of any additional actions taken to implement the recommendations and further information you might want us to consider on recommendations No. 1 and 2.

I appreciate the cooperation and courtesy extended to my staff during the audit.

Background

The United States Government through its donation program, P.L. 480, Title II, provides agricultural commodities to meet famine or other urgent or extraordinary relief requirements. Title II commodities are also provided to combat malnutrition (especially in children), and to promote economic and community development.

The Ugandan Government and USAID/Uganda signed a transfer authorization on July 17, 1987 for 9,000 metric tons of soybean oil to be shipped to Uganda. The objective of the program was to meet urgent relief requirements and help overcome acute supply shortages of food commodities. Selected development projects consistent with the Government of Uganda and USAID country program strategy were to benefit from local currency funding. The soybean oil was to be sold to wholesalers in

Uganda at the prevailing market prices. The funds generated from sales were then to be deposited in an interest-bearing account from which the selected development activities would be funded.

Under the transfer authorization, the U.S. Government undertook to pay all ocean transport, inland transportation, and independent surveyors costs to the designated points of entry in Uganda. The U.S. Government appointed the World Food Program to act as its agent for inland transportation.

Audit Objectives and Scope

At the request of USAID/Uganda, the staff of the Regional Inspector General for Audit, Nairobi, RIG/A/N conducted an audit of the 1987 and 1988 soybean oil shipment to Uganda. The specific audit objectives were to determine (a) the amount of soybean oil shipped from the United States, (b) the amount and nature of oil received in Uganda, (c) the parties responsible for lost or damaged oil, and (d) amount of claim to be made against responsible parties for lost or damaged soybean oil.

To accomplish the audits objectives, RIG/A/N conducted an audit between September 1988 and April 1989. The audit included reviews of relevant documentation and interviews with pertinent officials of USAID/Uganda, Regional Economic Development Services Office for Eastern and Southern Africa in Nairobi, Kenya, and independent surveyors in Kampala, Uganda and Mombasa, Kenya. Interviews were also held with officials of the overland transportation companies. The audit included review of documents supporting 9,000 metric tons shipped from the United States to Uganda between May 1987 and January 1988.

The audit did not include a review of documents related to the sales and storage of the soybean oil after it was received in Uganda. No internal controls were reviewed except as related to the oil shipments. The audit was made in accordance with generally accepted government auditing standards.

Results of Audit

The audit identified unclaimed losses totaling $1,447,161. Nine thousand metric tons of soybean oil, with a market value in Uganda of about $16 million (at the time of shipment), were shipped from the United States to Uganda. Only 8,536 metric tons of containers were reported received in Kampala, Uganda, some of which was damaged or leaking. The ocean freighters lost 27 metric tons and damaged 185 metric tons of soybean oil while overland transportation companies lost 38 metric tons and damaged 379 metric tons of soybean oil. In addition, the agent for the Uganda Government, Foods and Beverages Limited, understated receipts of soybean oil by 389 metric tons. The

A.I.D. Mission in Uganda had not made claims against overland transporters and the consignee in Uganda for lost, damaged or misused soybean oil because the mission did not have accurate shipping, landing and inland transportation records for computing the amount of claim.

<u>USAID/Uganda Needed to Claim Cost of Lost or Damaged Soybean Oil</u> - A.I.D. Handbook 9 allowed the U.S. Government to pursue claims against ocean carriers and other liable parties for Title II commodities lost, damaged or misused. Nevertheless, no claim was made against the liable parties even though ocean freighters and overland freighters lost or damaged 629 metric tons of soybean oil enroute to Uganda. In addition, the consignee, Foods and Beverages Limited did not record 389 metric tons delivered in Uganda. No claims were made because USAID/Uganda efforts to determine the amounts involved were unsuccessful, and the surveyor in Kampala, Uganda kept a poor record of the quantity received. Consequently, the U.S. Government did not claim $1,447,161 which represented the market value in Uganda between July 1987 and June 1988 of lost or damaged soybean oil.

Discussion - Handbook 9, Appendix C, Regulation II stated that the U.S. Government, through Commodity Credit Corporation, should initiate and prosecute and retain proceeds of all claims against ocean carriers for Title II commodities lost and damaged or cargos for which it has contracted for ocean transportation. The Handbook further stated that upon the happening of any event creating any rights against a warehouseman, carrier, or other person for loss of, damage to, or misuse of any commodity, the cooperating sponsors shall make every reasonable effort to pursue collection of claims against the liable parties for commodities lost, damaged or misused.

The value of the damaged, lost or misused commodities was to be determined on the basis of the domestic market price at the time and place damage, loss or misuse occurred.

Under Title II Transfer Authorization No. 617-XXX-00-7602, the U.S. Government authorized Commodity Credit Corporation[1/] to transfer 9,000 metric tons of soybean oil to Uganda. The transfer was to meet urgent relief requirements and help overcome acute supply shortages. The soybean oil sales proceeds were to be used for Government of Uganda development programs.

1/ The Commodity Credit Corporation is a corporate agency and instrumentality of the United States within the U.S. Department of Agriculture.

The U.S. Government agreed to pay for all ocean transport, inland transport and independent surveyors costs to the designated entry points in Uganda. While ocean transportation expenditures were to be charged to the appropriate Title II bilateral freight accounts provided through A.I.D., the World Food Program, Rome (WFP/R) was appointed to act as the agent for the U.S. Government for inland transportation. However, no formal agreement was signed detailing the WFP/Rome responsibilities for inland transportation. WFP/Rome contracted Freight Forwarders (Kenya) Limited and Transami (Kenya) Limited for inland transportation of the soybean oil from the port of Mombasa, Kenya to Uganda.

The bills of lading sent to the USAID office in Uganda showed that 9,000 metric tons were shipped to Uganda on six vessels. However 1,046 metric tons were lost or damaged between the United States and the designated consignee in Uganda.

The ocean freighters lost 55 metric tons and delivered 185 metric tons in damaged and leaking condition from the United States port to the contracted destination for the shipments in Mombasa, Kenya.

Documentation examined at the consignee's offices in Kampala, Uganda and the inland transportation companies offices in Mombasa, Kenya, showed that the inland transportation companies lost 20 metric tons, damaged 30 metric tons, delivered 349 metric tons in leaking condition, and delivered 18 metric tons of empty containers to Kampala, Uganda (Exhibit I).

The consignee, Foods and Beverages Limited, did not record and report on 389 metric tons even though records kept by the inland transportation companies showed they had received this oil. The report sent to USAID/Uganda on the soybean oil received was therefore understated by the value of the soybean oil not recorded (Exhibit II).

The Commodity Credit Corporation initiated claims and made recoveries for soybean oil lost or damaged by ocean freighters between the United States port of origin and the port of Mombasa, Kenya. However, interviews and documents examined showed that no claim had been lodged against overland transporters and the consignee for lost and damaged soybean oil.

This happened because USAID/Uganda did not have accurate shipping, landing and inland transport records for determining how much and who was responsible for lost or damaged soybean oil. Inland transportation reports were not available to USAID/Uganda because the transporters sent their transportation reports to WFP/Rome instead. The WFP/Rome had not responded to Mission's and Food for Peace/Washington enquiries about shipping discrepancies.

The Mission could not lodge claims based on the surveyor's reports. This was because the surveyor used in Kampala, Uganda did not provide the Mission an accurate record of the quantity and nature of the soybean oil received. The surveyor's records included duplications of shipments received and quantities recorded were lower than actually received. Reconciliation of the consignee's records (Foods and Beverages Limited) with independent surveyors records would have highlighted the discrepancies between the amounts reported received in Kampala, Uganda, and the amounts shipped from Mombasa Kenya.

Because quantities were never reconciled and discrepancies never reported, USAID/Uganda was not in a position to make appropriate claims. Consequently, the U.S. Government had not claimed $1,447,161, the market value in Uganda between July 1987 and June 1988 of the lost and damaged soybean oil.

In conclusion, parties responsible for lost and damaged soybean oil needed to reimburse the U.S. Government for the market value of the lost and damaged oil.

Recommendation No. 1

We recommend that the Mission Director, USAID/Uganda assist the cooperating sponsor, Foods and Beverages Limited to file claims against overland transporters as follows:

a. $618,415 against Freight Forwarders (K) Ltd., (Exhibit I), and

b. $129,475 against Transami (K) Ltd (Exhibit I).

Recommendation No. 2

We recommend that the Mission Director, USAID/Uganda:

require Foods and Beverages Limited to deposit the equivalent of $699,271 in an interest bearing account from which development projects consistent with the Government of Uganda and USAID/Uganda country program strategy would be funded (See Exhibit II).

USAID/Uganda in responding to our draft report said that audit recommendation No. 1 should be addressed to AID/Washington and the A.I.D. Food For Peace Office in Rome. The Mission believed responsibility for inland shipping claims rested with the World Food Program, Rome as the agent for A.I.D. (see entire Mission's comments on Appendix 1).

The Mission's comments were carefully considered and certain wording changes made to the report. RIG/A/N auditor's disagree with USAID/Uganda's position that USAID/Uganda is not responsible for pursuing claims.

A.I.D. Handbook 9, Chapter 8 stated that under projects implemented under transfer authorization procedures, A.I.D. was responsible for pursuing claims for losses beyond the end of ship's tackle. The Handbook further stated that A.I.D. missions had responsibility for instituting and pursuing claims against cooperating sponsors including the issuance of bills of collection. Accordingly, the auditors believe USAID/Uganda is responsible for pursuing the claims.

In responding to recommendation No. 2, USAID/Uganda stated that no claim should be made against Foods and Beverages Limited. The officials stated that much of the loss of the soybean oil was due to excessive leaking of containers which they had seen even though they were unable to verify the amount.

The Regional Inspector General, Nairobi, does not agree with the Mission's reason for rejecting the recommendation. Foods and Beverages Limited reported that 8,536 metric tons were received in its warehouse. However, according to supporting documents, Foods and Beverages Limited received 8,925 metric tons. The quantity received was therefore understated by 389 metric tons as below:

	Metric Tons
Quantity shipped from the United States	9,000
Amount lost by ocean freighters	55
Quantity received by overland transporters from ocean freighters	8,945
Quantity lost by overland transporters	20
Quantity delivered to Foods and Beverages Limited	8,925
Quantity reported received by Food and Beverages Limited	8,536
Quantity received but not reported by Food and Beverages Limited	389

Losses due to leakages reported by Foods and Beverages Limited were after the soybean oil had been received in its warehouse. The audit recommendation is not seeking recovery of these losses which in any case had been written off by USAID/Uganda. The fact that Foods and Beverages Limited lost some soybean oil in shipping the oil to up-country depots does not preclude USAID/Uganda from pursuing claims for understatement in the quantity received from overland transporters.

AUDIT OF
P.L. 480 TITLE II SOYBEAN OIL
SHIPMENT TO UGANDA

PART III - EXHIBITS AND APPENDICES

- 8 -

EXHIBIT I

SUMMARY OF SHORTLANDED AND DAMAGED SOYBEAN OIL

	Quantity Lost Cartons	Quantity Damaged Cartons	Empty Cartons	Quantity Leaking Cartons	Total Cartons
Freight Forwarders (K) LTD	978	1,069	775	13,599	16,537
Transami (K) Limited	(49)	361	71	3,055	3,539
Total (Quantity)	929	1,430	846	16,654	20,076
Metric Tons @ .020956	20	30	18	349	417
Value of above Soybean at $37.66 Per Carton					
Freight Forwarders (K) Limited	$36,831	$40,259	$29,187	$512,138	$618,415
Transami (K) Limited	($1,845)	$13,595	$ 2,674	$115,051	$129,475
Total (Value)	$34,986	$53,854	$31,861	$627,189	$747,890

EXHIBIT II

SOYBEAN OIL DELIVERED IN UGANDA BY TRANSPORTERS NOT REPORTED BY FOODS AND BEVERAGES LIMITED

Truck Registration	Quantity Cartons	Date Delivered In Kampala	Delivery Receipt Number1/
KXC 712	162	10-30-87 2/	FF 820
KRJ 799 ZA 1492	200	10- 9-87	FF 822
KQW 138 ZA 2763	1,062	10-12-87	FF 834
KWY 491	519	23-11-87	FF 861
UWG 721 UWG 728	1,305	25- 1-88	FF 1050
KQU 172 ZA 1744	1,405	2- 2-88	FF 1052
UWM 114	1,310	11- 8-87	FF 584
UVQ 541 UVD 347	703	3- 9-87	FF 681
KUC 503 ZA 5040	1,280	4- 7-87	FF 033
KRA 784 ZA 4025	1,276	3- 7-87	FF 048
KXM 697 ZA 9469	1,705	25- 6-87	FF 081
UXH 418 UVV 719	1,196	18-10-87	TZ 2642/1449/87
KVD 059 ZA 5063	1,305	1-10-87 2/	TZ 1453/87
KVT 490 ZA 6320	1,305	1-10-87 2/	TZ 1455/87
KXW 693	655	3-10-87 2/	TZ 11991
KJU 649 ZA 6883	1,305	28-10-87	TZ 12102
KWB 4359 ZA 0328	1,305	27-10-87	TZ 1494/87
UXR 936 UXR 922	570	11-12-87	TZ 2488
Total Cartons	18,568		
Value @$37.66/Carton	$699,271		
Metric Tons(@.020956)	389		

1/ FF presents Freight Forwarders (K) Ltd. delivery receipts
TZ presents Transami (K) Ltd. delivery receipts.

2/ Represents date shipped to Uganda.

UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S.A.I.D. MISSION TO UGANDA

UNITED STATES POSTAL ADDRESS
USAID/KAMPALA
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20520

INTERNATIONAL POSTAL ADDRES
P O BOX 7007
KAMPALA UGANDA

May 16, 1989

MEMORANDUM

From: Richard L. Podol, Director

Subject: Audit of P.L. 480 Title II Soybean Oil Shipment to Uganda

To: Richard C. Thabet, RIG/A/Nairobi

Ref: Draft Audit, May 1989

We have spent a good deal of time reviewing and thinking through the problems leading to the loss of the oil and the follow up actions that were lacking. Thus our comments on the draft audit report reflect much consideration. It should be emphasized that it was the USAID that called for the audit after we failed to get the World Food Program (By going through FFP/Washington) to do the necessary follow-up and put in the required claims (See my letter of September 1, 1988 to you requesting the audit.).

Therefore, the main point of the audit from our view point is to force someone in FFP to press WFP/R to claim reimbursement for lost or misused cooking oil. The statement in para 1. p.4 is very misleading when saying "USAID/Uganda did not make claims". Since we did not have at our disposal accurate shipping, landing and inland transport records we could not have filed claims (as your auditor points out the Kampala surveyor reports were near useless). What we did was to inform Washington and Rome of the problem, there has been no response, and hence our request to you for the audit. In any case we believe the responsibility for inland shipping claims rests with WFP/Rome as the agent of FFP, not with the USAID. (Note audit report para 2 page 4 heading)

WFP/R and only WFP/R was appointed by FFP/AID/W to survey and deliver the vegoil. WFP/R entered into contracts with truckers and surveyors to do so and only it can make claims for losses. Recommendation No. 1 (a), 1 (b) should be an AID/W - FFP/Rome action.

The question of what Food and Beverage (F&B) received needs to be re-examined. Whose records does one believe? In any case according to your auditor 9,000 mt were shipped. The ocean freighters lost or damaged 212 mt, and the inland transporters another 421 mt. Therefore F&B should have received 8,367 mt. In there final report on the oil program, dated 6 October 1988, F&B say their receiving reports show 8,536.3 mt received! However, against that figure they showed 14.1 mt of empty tins and 203 mt "profusely leaking". This nets to 8,319.2 mt, not to different from your auditors figure of goods received. But F&B also claimed additional leakage after placing the oil in storage, which they could not recapture due to a lack of jerrycans in the country. So they lost another 391.6 mt. In addition F&B claims added leakage through movement up-country of 757.8 mt because of the weak oil tins. In total F&B says they lost 1149.4 mt through leakage after receipt. We were able to inspect the oil after it was in storage in Kampala and can verify that leakage continued, but not the total amount. We can also believe that additional leakage occurred in up-country shipping given Ugandan road conditions, but the volume seems high. F&B admitted to losses of 271.8 mt through theft. Therefore sales of 6,898 mt were made. The GOU shilling account was paid for the sales and the losses through theft. We agreed to write off the losses due to continuing leakage and up-country shipment as we knew they were major, but could not confirm the amount, having to rely on F&B records in this respect.

Therefore, we do not think any claim against F&B should be pursued and that recommendation 1(c) should be dropped.

Lastly, the USG did not lose $1,455,333. The GOU suffered the losses. These were grant commodities and the Bank account for the proceeds accruing from the sales was a GOU shilling account, not that of the USG. The GOU lost the shilling equivalent from it's Development Budget.

We would like to see the second draft before the audit goes final.

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FOODS AND BEVERAGES LTD.

FOODS AND BEVERAGES LIMITED

Cargen House 13A Kampala Road

Telegrams & Cables 'FOODBEV'

ALL COMMUNICATIONS TO BE ADDRESSED TO THE COMPANY

P O Box 7013
Kampala Uganda
Tel 43451/41617/34621-4
Telex 61168

Our Ref OPS/2/24

Your Ref

Date 6/10/1988

The Permanent Secretary,
Ministry of Planning & Economic Dev.
P.O. Box 7086,
KAMPALA.

13 OCT 1988

Dear Sir,

Re: FINAL REPORT ON USAID OIL COMMODITY ASSISTANCE PROGRAMME.

We have pleasure to submit our final report on vegetable Cooking Oil. We apologise for the delay in compiling this report. This was mainly due to slow returns from up-country and lack of a computerised management information system.

As a parastatal organisation, we are greatly honoured to have participated in this project which we feel is part of international co-operation. Throughout the programme, we had several problems some of which were:-

1. Leaking - the oil leaked profusely as a result of poor packaging. We had to purchase 16,250 jerricans (See Appendix 2) at a price ranging from Shs. 310/= to Shs. 1,200/= each in order to store the oil properly. Whatever remained in tins went on leaking until the close of the exercise. Leakages which occurred in Uganda alone accounted for the loss of 54,844 cartons or 1,149.402 metric tons (about 13%). We therefore lost over 131 million shillings worth of oil in leakages due to bad packaging. As you can see from Appendix 3, the retinning exercise, shows that we had in some cases an average loss of 70% through leakages. If the poor packaging had been observed at the point of shipment, we would have lost little oil between Mombasa and Kampala and during transfers to up-country depots.

..../2

2. As per Appendix 6, we had some thefts and pilferages. Since we have never handled oil on this scale before, we did not anticipate taking extra insurance over and above our normal cover of Shs. 200,000/= per store. This situation was made worse by the fact that USAID signed a contract of aid with Uganda Government on 13th March, 1987 but Foods and Beverages was notified by the Ministry of Planning and Economic Development on 18th June, 1987. We, therefore, made frantic preparations for this exercise without actually appreciating the dangers of handling large quantities of leaking cartons.

3. As you may see from Page 2 of the report, sales were very low in the first month. We had to carry out aggressive promotional programmes to improve sales at very high costs.

4. We had transport problems. We had to rely on private Transporters at high costs. Moving oil up-country cost us extra funds, thereby overstretching our operating capacity.

We have so far sold a total of 328,654 cartons worth Shs. 765,980,385/= and we have paid into USAID Account Shs. 566,187,702/=.

We would like to thank USAID staff for their assistance during the whole programme.

Yours faithfully,
FOODS AND BEVERAGES LTD.

ROBERT K. RUTAAGI
GENERAL MANAGER

c.c. The Permanent Secretary, Ministry of Commerce.
The Director, USAID, Kampala.
The Permanent Secretary, Office of the President.
The Permanent Secretary, Office of the Prime Minister.
The Secretary to the Treasury, Kampala.
The Permanent Secretary, Min. of Industry & Technology.

USAID VEGETABLE OIL

In June 1987, we were informed by the Ministry of Planning and Economic Development that Foods and Beverages Limited would handle the USAID Commodity Assistance Scheme. USAID would meet the costs of ocean and inland transportation to Kampala. Initially, we were expected to sell this oil at a price consistent with the price of cooking oil in the Uganda market. The first consignment of approximately 2167 metric tons was sold at Shs.660/= per gallon. By mid September, the selling price had been adjusted to Shs. 2,400/= per carton.

According to USAID Office, the funds from this oil would be distributed as follows:-

USAID A/C	80%
Foods and Beverages margin	12%
Distribution and other costs	8%
	100%

On the basis of this, we made our first sale in July, 1987. As the market became aware of this oil, we sold more and more of it. Our highest sales were made in February, 1988 at a record level Of 52 metric tons sold nationwide.

1. Distribution
   USAID oil sold well across the entire country. Appendix 1 shows the towns in which we sold the oil. We however, encountered the following problems:-

   1. Poor packaging and leakages

      The oil was packed in one gallon tin cans six of which were packed in a carton. While one gallon tins are convenient to handle in Uganda, the cans had not been properly sealed. This resulted in enormous leakages. On the way from Mombasa to Kampala, 525 metric tons leaked. Of this, we were able to reconstitute 146 metric tons or (6996 cartons). Leakages continued after the oil had arrived in Kampala and more leaked on transfer to up country stations. We had to spend an extra Shs.11,090,000 (eleven million and ninety thousand) on jerricans to save a substantial amount from loss. (See Appendix 2 and 3).

2. Costs of handling

The costs of handling the oil also escalated. At the time this responsibility was thrust upon us, we did not anticipate a sharp rise in handling charges. As the cost of living soared, labourers who assisted us not only in loading and offloading but also in changing oil from damaged tins to jerrycans demanded more. This extra handling charge was not anticipated in June, 1987 and even if it had been, it would not have been quantified then.

3. Thefts

We had 12 cases of thefts. These were reported to Police. In comparison with the other commodities we handle, these thefts were negligible.

SALES (SEE APPENDIX

As at 31st June, 1988 we had sold the following quantities:-

MONTH	QUANTITY	VALUE
July, 1987	526.1	1,408,225-
August, 1987	14,991.4	38,063,490=
September, 1987	36,977.1	83,746,535=
October, 1987	46,296.3	101,283,780=
November, 1987	37,443.4	89,862,030=
December, 1987	45,298	108,335,280-
January, 1988	36,162.4	72,731,980-
February, 1988	51,262	123,472,680=
March, 1988	39,602.3	96,743,550=
April, 1988	10,167.3	25,057,220-
May, 1988	5,847.5	14,117,060-
June, 1988	2,012.4	4,846,9[illegible]
	329,595	7[illegible]2,990,[illegible]

3. BANKINGS

We made bankings in the Bank of Uganda Special Account as Follows:-

DATE	CHEQUE NO.	AMOUNT (SHS.)
1/9/87	1255202	5,205,558/=
19/10/87	1780745	25,000,000/=
22/10/87	1780833	31,260,245/=
21/11/87	1141730	30,000,000/=
15/12/87	1473565	30,000,000/=

.../3

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DATE	CHEQUE NO.	AMOUNT (SHS.)
24/9/87	603951	2,517,022/=
21/1/88	166083	40,000,000/=
12/2/88	012635	100,000,000/=
25/3/88	09[illegible]	15[illegible],70[illegible],815/=
24/5/88	00[illegible]	12[illegible],4[illegible],[illegible]5/-
2/8/88	018762	22,0[illegible],2[illegible]7/-
	Total paid into USAID A/C	555,187,702/=

From the above table, we sold a total of 326,586 cartons or 6,869.85 metric tons by 30th June, 1988. During July and August we sold an extra 2,068 cartons of 43.22 metric tons at Shs. 4,963,600/= (Four million, nine hundred sixty three thousand and six hundred only).

Our Stock Position as at the beginning of September is as follows:-

USAID OIL — See Table 4

Vegetable oil received as per our Goods Received Notes.

	Cartons		Tonnes	
		408376.7		8536.302
Less				
1. Cartons landed while profusely leaking	9711.5		202.99	
2. Empty tins landed with no oil at all	675.1		14.11	
3. Thefts at our stores	4086.2		85.41	
4. Leakage which occured in our stores due to original bad packaging in defective tin cans	18.734		391.59	
5. Leakage during transportation of oil to other up country stations	36,253.7		757.21	
6. Closing stock as at 30/8/88	1,346.4		18.14	
7. Sales up to 30/[illegible]	328,654	399460.2	6869.85	8349.93
Balance of oil lost due to pilferage		8915.8		186.30

According to the provisional report of the Quantity Surveyor appointed by USAID (See Memo to Mission Director dated 24/[illegible]) Foods and Beverages expected to receive 9,500 metric tons or 454,480 cartons. The surveyor also pointed out that of this 1,290 tons were shortlanded. He further pointed out that the total landed sound in Kampala was 7,624 metric tons or 364,773 cartons. At this time 586 tons were leaking but 146 tons of this leaking oil was reconstituted. 440 metric tons were completely lost and the total landed sound and reconstituted was 7,770 metric tons. The Program Officer of USAID further pointed out in this Memo that, "The amount lost between here and Mombasa 586 metric tons either leaking, filled with salt; water, empty or stolen was supposed to be insured. Whether insured or not, Foods and Beverages is responsible and will have to pay an agreed upon percentage. Hence the total landed sound and total leaking, which is the same as total landed in Kampala is 8,210 metric tons is the Grand total Foods and Beverages must pay 80% on))

This memo (copy attached) has been a source of concern to us. It raises various problems:-

1. The amount stated by the Quantity Surveyor is not what we received. From the above table, you can see that we received (as per our Goods Received Notes) more oil than the Surveyor stated.

2. The memo did not anticipate the movement of oil in the country and given the extremely bad packing, there was no anticipated extra oil leakages. From the table above, 54,987.7 cartons or 1149.4 tons was lost through leakage. This has caused us alot of inconvenience as we had to look for jerrycans which in most cases were not easily available.

3. The problem of transport was not anticipated. Our roads as you might have noticed are currently the worst in Eastern Africa. The poor packaging in very fragile tin cans led to all these losses.

4. USAID was responsible for bringing in the oil from US to Kampala. Foods and Beverages cannot be held responsible for any losses that occured between Mombasa and Kampala. Equally we had no control in packaging. Any losses attributable to leakages should therefore be recovered from the Organisation that did the packing.

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5. The profit margin that was supposed to cater for Foods and Beverages was not adequate to cover the extra expenses we had to incur in selling this oil. True, the proceeds of this oil are expected to go into a development account but this has happened to the inconvenience of Foods and Beverages. The distribution and handling costs have wiped out any profit margins we were allowed. We sincerely hope that you will take into account the above points when considering the tables of figures attached hereto.

Conclusion:

This exercise was on the whole successful. Inspite of the problems we have encountered, we nevertheless feel to have been honoured not only by the Ministry of Planning and Economic Development but also by the USAID Mission in Uganda.

APPENDIX II

REPORT DISTRIBUTION

American Ambassador to Uganda	1
Mission Director	5
AA/AFR	1
KUTRB	1
AFR/CONT	1
AA/XA	2
XA/PR	1
LEG	1
GC	1
AA/M	2
AA/PFM	1
SAA/S&T	1
S&T/AGR	1
PPC/CDIE	3
M/SER/MO	1
M/SER/EOMS	1
M/AAA/SER	1
M/SER/CM/SD/SS	1
REDSO/ESA	1
RFMC/Nairobi	1
IG	1
DIG	1
IG/PPO	2
IG/LC	1
IG/ADM/C&R	12
AIG/I	1
RIG/I/N	1
IG/PSA	1
RIG/A/C	1
RIG/A/D	1
RIG/A/M	1
RIG/A/S	1
RIG/A/T	1
RIG/A/W	1