

E.R.O.

312

FORM **AD-87**  
(25 FEB 1946)

UNRRA

CROSS REFERENCE SHEET

DATE

**23 Feb. 1948**

CROSS INDEX

**ERO - 312**

TO

FROM

**London # 19533**

SUMMARY

RECORD FILED

**ERO - 310**

**SECURITY**

TYPIST

**DE**

DATE

**22 March 1948**



UNRRA

*ERO-312*  
**INCOMING CABLEGRAM**  
*K Security*

NUMBER: 17190  
FROM: London  
DATED: 12/5/47  
RECEIVED: 12/5/47 - 3:28 p.m.  
14/5/47 - CORRECTED COPY - Please  
substitute for copy pre-  
viously distributed.  
Correction is underlined.  
Correction is made at  
point of origin.

Immediate Lismer from Burnett.

Reur letter 30 April re 1945 Accounts.

Note 1 and note 2 no observations.

Note 3. The last sentence of note 3 does not appear to be correct in so far as the UK Government is concerned. All local currencies received from UK military authorities are definitely stated to be non-reimbursable and this covers cases of Germany, Austria, Albania and Greece. Speed's letter to Lewis 17th March, 1947 covers the case of Germany and the cases of Austria, Albania and Greece are covered by Wagstaff's letter of 2nd January 1947 to Bacon, a copy of which was supplied by Bacon to Turner on 25 February 1947.

Note 4. No observations.

Note 5. We think paragraph 5 unnecessarily strong. We believe in certain areas no adequate records were maintained (impression the issue of Petroleum etc., was free) but that in other areas (e.g. British Zone, Greece, MEO and Haaren records maintained were satisfactory and enabled army to build up its bills. It would thus seem that the greater part of the transactions referred to were covered by adequate records. In 6th paragraph of note 5 it is stated, that fixed percentages added by member Governments for accessorial charges are subject to adjustment to actual cost. Negotiations for adjustment are in process with UK Government, but the words "actual cost" should be deleted.

Note 6. Suggest that the word "reimbursed" in 3rd paragraph should be replaced by the word "compensate". These matters were not the subject of specific reimbursement but general compensation was arranged in case of certain Governments in Europe.

Note 7. See note 9, paragraph 1.

Note 8. Although we cannot dispute paragraphs 1 and 2 statements of fact, we think they suggest the administration fails to follow up the types of losses referred to. Losses of general equipment are however covered by existing write-off procedure.

Note 9. Last sentence paragraph 1 states that amounts included as undistributed procurement expenses set out in note 7 have been classified as operating expenses. This appears to conflict with Lismer's cable 23255 of 8 May 1947 which refers to undistributed procurement expense included in cost of commodities distributed.

Note 10. Although we agree that in certain German offices there was lack of adequate annual leave records, all other offices are believed to have maintained fully detailed records. Lack of records in German offices was due to exceptional circumstances which prevailed in 1945. However

INCOMING CYBERCUYH

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UNRRA

INCOMING CABLEGRAM

from point of view of financial statement we do not think the administration can reasonably be blamed if it omitted to make approximately 10,000 annual leave calculations for purpose of arriving at reserve for incorporation in its accounts. We do not think it is normal accountancy practice to make such detailed calculations to arrive at liability for accrued leave.

Note 11. No observations.

Note 12. First sentence of note 12 states advances made to employees for travel expenses were largely accounted for by amounts claimed subsequent to 1945 which appear under accounts payable and accrued liabilities in balance sheet. In ERO accounts submitted by Lismer to auditors reserve for these accounts payable. In format now received from Lismer deduction is also made from the asset, but it is described as "reserve for uncollectable accounts" this reserve would appear to have been misnamed at Washington.

Note 13. First line of para 1 suggests the word "Administrative" should be replaced by words "quantitative" or "stores". Second paragraph this note \$8,000,000 is stated to represent clothing afterwards found unsuitable for Country Programmes. We believe substantial part \$8,000,000 was actually suitable for Country Programmes and taken over by UNRRA at later date, a residue only being regarded as unsuitable. The \$8,000,000 in fact represents stockpile of commodities on which (A) We drew as required or (B) Approved direct purchase between British Government and paying countries.

Note 14. Last line but one suggest the word "Accounting" should be replaced by word "Fiscal" to us the word "Accounting" would comprise quantitative or stores control.

Note 15. Re paragraph (D). We have the impression that Mayno has informed us that U.S. Army has now agreed to make no claims for matters under reference. Re paragraph (E) Suggest that last, words should be omitted as they appear to be covered by preamble to this note.

Supplementary observations.

Note 4. States contributed clothing has been valued at 1 dollar per lb. actually UK contributions have been valued at 5 shillings per lb. or 1.0075 dollars.

Note 13. (C) Reference to note 5 not understood as there specific reference to ex Merra Camps in that note.

Note 15. (A) It is not understood in what manner loans to military forces can give rise to liabilities.

Notes on Format: Statement A.

(A) Under "Commodities distributed" it is observed that the distinction between Country Programmes and non-Country Programmes made in original accounts has not been adopted in present format. (B) 258,000 pounds sterling shown on original accounts as "payment on cancelled contracts" is not specifically provided for in present format.

Statement B.

Presumably item described as "reserve for uncollectable accounts" is intended to included reserve for travel advances in respect of which expense claims were rendered in 1946. If so, wording intends to be misleading.

Schedule 1.

Special gift of Queen's messenger convoys from UK Government valued at about 14,000 pounds sterling is not provided for in format.



UNRRA

## INCOMING CABLEGRAM

### Schedule 2.

Under main head "Allied military authorities" receipts from the British military authorities in Greece and Albania have not been provided for.

### Schedule 3.

Format does not provide for contributions from individuals actually received in Germany.

### Schedule 4.

(A) Present Format does not provide for about 366,000 pounds sterling expenditure on Merve Camps repatriation which was specifically shown in original accounts.

(B) Last heading on this schedule is described as "Undistributed amenity supplies for employees". Under definition given in Administrative Order 201 amenity supplies is limited to supplies used by displaced persons and does not include supplies used by UNRRA employees. In original accounts supplies used by employees were described as "PX Supplies". Furthermore significance of the word "undistributed" is not understood.

(C) No specific provision is made in present Format for losses on currency fluctuations amounting to about 1,000 pounds sterling which have arisen from revaluation of sterling transfers.

### Supplementary notes on Format:

#### Statement A.

(A) No provision is made for certain countries to which contributed supplies have been distributed, i.e. Belgium, France, Luxembourg, Netherlands and Norway.

(B) Treatment of reimbursable emergency supplies not understood. No provision is made in present format for

countries; 59 2#8:# They relate, i.e. Belgium, France, Luxembourg, Netherlands and Norway. In original accounts value of sales of emergency supplies was specifically deducted from total commodity acquisitions, but under present format it would appear they have been deducted from commodities distributed without being recorded either as sale or as distribution.

Schedule 3.

Apparently "9" has been omitted before November as it is included in all other schedules.

SPECIAL DISTRIBUTION

D3 - 2  
SDDG - 2  
CEO - 2  
CBA - 2  
\*Controller - 3  
PNL - 3  
External Auditor - 1

ed:djs 121600  
tp:ah 141355  
25c



EPO-312

REPORT OF THE CONTROLLER  
ON VISITS TO EUROPEAN MISSIONS  
AND LONDON OFFICE

✓ X 270 (Controller)

REPORT OF THE CONTROLLER ON VISITS TO EUROPEAN MISSIONS  
AND LONDON OFFICE

11 August 1947

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## GENERAL SUMMARY

The status of the accounts and records in the missions and in ERO reflected a marked improvement over last year. Not only have the backlogs been largely eliminated, but a great deal of work had been done in putting the accounts for prior periods in good shape.

Substantial progress had been made in internal auditing under programs agreed with Council's Auditors in February and, with the cessation of operations in Europe and the availability of men from the field, the completion of the audit will progress much more rapidly.

It will be recalled that the problem in early 1946 was how best to deploy an inadequate staff. Priorities of work were established in the following order.

1. To bring the resources and finances of UNRRA under adequate controls to permit sound management. This has been accomplished and will continue as a matter of routine.
2. To obtain full financial and accounting representation in the making of all commitments and agreements, and to see that the necessary documentation, which is the raw material of accounting, was produced currently in a manner suitable to create the accounting record. This has been accomplished. There is a positive awareness of the accounting and financial needs of UNRRA that assures proper documentation of current transactions, and, in addition, great numbers of prior transactions, inadequately documented, have now been adequately supported.
3. To maintain accurate primary books of accounts currently, adequately supported by proper vouchers, in order that, as a minimum, the material from which the financial statements can be constructed would be available. This has also been accomplished.
4. To perfect an adequate system of shipping records, cutturn reports, discrepancy reports, and receipts from recipient governments. Notable progress has been made in this regard. At the present time there are less than  $\frac{1}{2}$  of 1% of the total shipments for which receipts are outstanding and these are mostly for current shipments.
5. To complete the accounting system if possible by the production of financial statements which would bring the work to a focus and enable the Administration to appraise the status of the financial transactions and the condition of the accounts. In accordance with commercial practice such statements, at the time of preparation, would not represent fully audited figures and would necessarily include estimates and provisions for those items for which actual figures were not available.



It has been possible to draw off such financial statements which, combined with the statistical reports of the Bureau of Supply, have furnished a basis for the management of the operation of UNRRA.

6. To prepare final financial statements which would be audited to the fullest extent and which would be as free from qualifications as was possible.

Actually the Administration, during the height of its operations, was able to accomplish the first four priorities and to make substantial progress with the fifth. At this time, it also laid the groundwork for the accomplishment of the sixth priority.

Since the first of the year, more and more personnel have been assigned to the sixth priority and final objective and, now that operations are ceasing, there will be a maximum effort immediately brought to bear on this problem. Because all of the material is there to be worked on, it is expected that six months' concentrated effort will reduce the number of unverified items to a "hard core" which can then be examined in the light of the problems which each item presents and its relationship to the accuracy of the whole report.

The only operations which prevent a full deployment now on priority six are the continuance of procurement in ERO, the continuance of operations in the Far East, the work done in conjunction with PCIRO and the termination and repatriation of personnel.

In reference to personnel, it may be said that, while there are a number of instances where people do not wish to report to London, for example, because of the tax situation or for personal reasons, while others wish to take a vacation or find employment elsewhere, a careful examination of the staff situation in Europe and in Washington indicates that there will be no difficulty in maintaining an adequate staff, although its composition will necessarily change.

ERO (LONDON OFFICE)

Within the limited time available it was possible only

- (a) to turn over the mission matters requiring action and review the complete files collected during the survey;
- (b) discuss the major items affecting London's own accounting and auditing problems.

The matters are set out in separate reports entitled: Reconciliation of Advances Made by United States and British Armies to UNRRA Personnel; Preparation of Mission Expense Statements; Status of Commodity Reports; Supplementary Instructions Given for Reviewing Accounts in London.

A marked improvement was noted in the work of the London Office. The bulk settlement plan of commodity accounting and the reorganization of the Records Section had been a great factor in improving the morale, as it was now possible to see that the work could be accomplished. A very heavy load was expected as a result of the inflow of mission accountants and the clearing up of mission accounts, but nothing could be added to the arrangements made.

Internal schedules providing for the first draft of the consolidated statements by 30 September were discussed and it was expected that the schedule could be met. The draft would have many qualifications, as well as areas requiring further internal audit, and would be used to appraise and program the necessary work to produce the final statements.

The program of internal audit was discussed in detail. The minimum program agreed with the external auditors is appended as a separate document. Audit work in the field before closure of the missions and audit of the payroll accounts in London had been assigned highest priorities. Arrangements were made for the attachment to the audit staff of competent personnel coming in from the missions, and this should permit the completion of far more than the minimum schedule by the end of the year.

During June goods to the value of 17 million pounds sterling moved into warehouses for later shipment, one of the largest movements on record. In addition, procurement was still going on.

The situation re PCIRO is discussed in a separate report.

It is apparent that the London organization will be strained to the limit in the next few months but progress made in bringing the work load under control and in building up the organization indicated that this peak load of work could be satisfactorily handled.

A complete review of all matters arising out of the survey of the missions as well as those requiring attention in London was made in a series of meet-



ings in mid-June with the Personal Representative of the Director General, the Chief of Finance and Administration, the Deputy Controller, General Counsel and others concerned, and fully documented files were turned over for their action.

A follow-up is maintained in Headquarters.

STATUS OF COMMODITY RECORDS IN E.R.O., PARTICULARLY RELATING TO THE  
TECHNIQUE OF BULK SETTLEMENT ADOPTED BECAUSE OF THE DIFFICULTY IN  
OBTAINING PROMPT BILLING FROM H.M.G., MINISTRY OF SUPPLY

This plan is in operation and is receiving the closest attention of UNRRA and British Government officials. The general agreement under which it is operating is accepted as the working document, but it will not be finalized until a number of points are cleared up through the actual working of the system.

Both parties confidently believe that this method will permit the closing of the commodity records within a reasonable time.

The plan is outlined in the following documents.



Annexure I

"A" Preliminary Survey

It is probably as well to commence by repeating that about 65% of UNRRA procurement made out of the United Kingdom contribution has been affected by orders placed with His Majesty's Government for supply either directly from stocks held at the disposition of H.M.G. or alternatively by means of contracts placed with commercial suppliers by H.M.G. Only in those cases where application to H.M.G. disclosed inability to supply essential requirements of commodities not indicated as being unavailable to UNRRA owing to short supply did UNRRA enter the open market.

Government purchasing and accounting procedures are conditioned by different objectives and financial practices and have developed rather differently from those current in commerce. Large scale buying per medium of government departments, therefore, calls for a somewhat different procedural technique from ordinary commercial practice and these differences were naturally accentuated by commodity shortages and by the requirements of the United Kingdom economy.

To meet this situation, a procedure was evolved whereby UNRRA intimated its requirements and H.M.G. gave notice of its intention to supply, if possible, or alternatively notified inability.

The document used for this purpose was a Firm Request submitted by UNRRA to H.M.G. It was normally prepared after prior consultation with the government department concerned and it described the goods required and specified quantity, provisional price and delivery and packing requirements. H.M.G. notified its approval or otherwise on a copy of the Firm Request which it returned to UNRRA. With the Firm Request as a basis, H.M.G. either supplied from government-held stocks, draw on existing contracts or placed fresh contracts with commercial suppliers. In the last two cases, H.M.G. normally charged the supplier's contract price plus a percentage to cover departmental expense of supervision and possibly packing, handling or delivery charges to F.O.B. point.

H.M.G. were not bound to supply the total quantity called for, nor were they bound by the price stated on the Firm Request. UNRRA for its part was not bound to accept a quantity in excess of that stated in the Firm Request, nor was it bound to pay a price markedly in excess of the Firm Request price without prior consultation and agreement.

The final cost to UNRRA under any Firm Request did not become known until the two conditions following had been fulfilled:

- (i) the total quantity requested had been delivered or H.M.G. had signified inability to make further deliveries, and



- (ii) H.M.G. had rendered Firm Invoices for the total deliveries made.

Due to the practice of H.M.G. using contracts where determination of price was delayed until after the conclusion of the contract, cost price for billing to UNRRA could not be ascertained until after the contract was terminated and the gross value thereof determined by investigation. Since many of these contracts ran for upwards of two years, the formulation of a price to UNRRA was liable to be a very protracted process.

"B" UNRRA procedure under the Firm Request system

Each month a meeting was held of representatives of UNRRA and the Board of Trade, at which UNRRA put forward particulars of deliveries scheduled under Firm Requests and the Board of Trade notified availabilities for shipment. On the basis of this clearance, preliminary cargo lists were prepared by the Line Divisions and handed to the Administration's Shipping Agents to call forward the goods for shipment. Subsequently the Shipping Agents submitted lists supported by Bills of Lading of the goods which had actually been shipped. These then formed the basis for preparation of revised cargo lists covering actual shipments and giving references to the procurement documents against which each item of supplies shipped had been procured.

On this foundation of the revised cargo list and Bill of Lading, Internal Invoices were raised, separately for each commodity in the shipment, and cross referred to the procurement document shown on the cargo list. In the case of procurement from H.M.G., the price used for the Internal Invoice was normally the Firm Request price, although for a variety of reasons, a number of divergences in price appear to have arisen.

At a later date, frequently much later, Firm Invoices might be received from H.M.G., but up to the present there still remain a substantial quantity of deliveries in respect of which Firm Invoices have not as yet been received.

As and when Firm Invoices were received, the delivery of the goods to UNRRA was checked by matching the quantities charged on the Firm Invoice with quantities dispatched as shown on an Internal Invoice or Invoices. This matching of H.M.G. Firm Invoices and Internal Invoices was frequently difficult, if not impossible, owing to the lapse of time in the submission of Firm Invoices and the fact that they did not normally show details of individual deliveries and were more often than not in summarized form, including several consignments called forward at different dates for shipment by different vessels.

The difficulties of matching invoices were also aggravated by other factors such as:-



(a) Delay in receipt by Internal Invoicing Section of Bills of Lading and Cargo Lists. Contributory factors were the requirements of war-time secrecy under which UNRRA operated for several months in 1945, and the necessity during this period for last-minute cancellation of shipments or part shipments and consequent emergency arrangements by shipping agents.

(b) Warehouse records intended for operational purposes only have been maintained and these do not provide adequate information for accountancy purposes.

(c) Consequent inability to keep complete accounts of deliveries against individual Firm Requests.

"C" Disadvantages of the system

1. In practice, it has been found that for one reason or another, there has been a substantial time-lag between deliveries and submission of Firm Invoices.

2. Furthermore, where Firm Requests called for deliveries at widely separated receipt points, it has been difficult to discover from H.M.G. whether or not Firm Invoices received covered all deliveries made or to be made under particular Firm Requests.

3. Accordingly, it has been impossible for UNRRA at any time to ascertain with reasonable exactitude just what its liability was to H.M.G. at any given date.

4. Similarly, it has been impossible to obtain other than operational total figures of the supplies which might be anticipated from Firm Requests not completely fulfilled.

"D" Objectives of the Bulk Settlement

These may be summarized as:-

1. To enable UNRRA and the U.K. Government to finalize their accounts within a time which takes account of the imminent conclusion of UNRRA's operations.

2. To settle responsibility and standardize procedure for establishing proof of delivery.

3. To set up records from which auditable accounts may immediately be written up reflecting the transactions with H.M.G.

It has for some time been recognized that some machinery would need to be devised which would permit of a rather more speedy settlement of the UNRRA



account with the U.K. Government than appeared at all possible under the arrangements previously in force. The major obstacle appeared to be the absence of an agreed basis as to prices, which were being settled by more or less piecemeal negotiation for each of the 4,000 odd Firm Requests involved. In addition, the question of whether or not there were further deliveries to come or further charges to be made for goods already delivered under any, and if so, which F.R.'s had never been clarified.

The Ministry with which approximately 75% of UNRRA procurement from H.M.G. had been placed was the Ministry of Supply and it therefore appeared logical to approach the problem first with respect to that section of procurement. Clearly, if an agreed solution could be arrived at for that Ministry, the application of similar principles to transactions with the remaining ministries, if considered necessary, should not present great difficulty.

The first point regarding firming of prices was explored with the Ministry of Supply on the basis of a comparison of a representative sample of prices as contained in the majority of the Firm Requests exceeding £10,000 in value, as compared with the prices finally revised and agreed between UNRRA and H.M.G. for goods supplied under those Firm Requests. This comparison revealed an overall divergence of 1% only, the total of the revised prices being lower by that percentage than the total of the Firm Request prices. It therefore appeared not unreasonable to proceed on the assumption that equity would be preserved by the application of the same differential to the remainder of the Firm Request prices so as to give a fair approximation of revised total cost.

Some exceptions had, however, to be made to cover special types of large-scale purchases upon which firm prices had been agreed, e.g. transfers from U.S.S.R. Protocols, Overseas Surpluses, Military Surplus vehicles, etc., etc. These were excluded from the application of the 1% differential.

Provision had also to be made for the adjustment of accounts for shortages and excess deliveries.

Finally agreement was reached on the following general lines:-

A total estimated value of Firm Requests was included of	<u>46,165,492</u>
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Of this amount, it was decided that the actual revised values amounting to £23,369,916 should be used in respect of Firm Requests totalling	23,606,109
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The 1% differential should be applied against each Firm Request in respect of a total value of Firm Requests of	11,082,020
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The remainder should be priced at actual  
Firm Request prices

11,477,363

A further deduction in respect of departmental expenses on fertilizers, pesticides, etc. was agreed in the amount of £110,000 to be a flat deduction from the Bulk Settlement figure.

It was agreed that claims should be raised for shortages and excess deliveries priced in accordance with the values set out above and that on admission of claims, the Bulk Settlement total would be adjusted up or down accordingly.

It is worth emphasizing that the total figure of £46,165,492 is a provisional figure only and quite apart from the price revision and percentage reductions provided for in the Agreement, there is no doubt that it will be amended possibly substantially, as a result of claims between the parties. In effect, it is the figure which would be payable - subject to the agreed deductions - if deliveries were made under all Firm Requests for the exact quantity Firm Requested, neither more nor less.

"E" Re-organization of UNRRA records to implement the Bulk Settlement Agreement

The following paragraphs give an outline of the records procedures involved in putting the Bulk Settlement into practice.

1. The Bulk Settlement elevated the status of the Firm Request to an accounting document where previously it had been a supply document. It has therefore become necessary to raise a separate account for each Firm Request and a contra account for Ministry of Supply Bulk Settlement.
2. Each individual Firm Request Account will record both quantities and values, using revised values in the case of Firm Requests included in the Settlement Schedule B, and agreed book values in all other cases, and ignoring for the present the 1% differential.
3. Internal Invoicing has been temporarily discontinued and a cut-off number has been obtained. All shipments of supplies acquired under Firm Request coming within the scope of the Bulk Settlement, and not invoiced prior to the cut-off number, will be priced at the firm prices written into the Bulk Settlement, except that application of the 1% differential will be postponed till a later stage in the accounting, as indicated subsequently herein.
4. All Internal Invoices prior to the cut-off number will be listed at the original F.O.B. values shown thereon and dissected to show separate totals for invoices of supplies coming under the Bulk Settlement and invoices relating to other supplies. Especial care is necessary to ensure that avoidable errors do not intrude into this section of the operation, the detailed processes which have been formulated to provide against this contingency being set out hereunder:-



- (a) A complete set of internal invoices up to the cut-off number to be used as the posting medium was assembled.
  - (b) These invoices were totalled and agreed with shipment invoice summaries.
  - (c) Internal Invoicing Section's file copies of invoices were sorted into numerical order in place of shipment number order.
  - (d) An Internal Invoice Journal was written up in invoice numerical order from the file copies of invoices. The Journal shows Invoice numbers, Firm Request number, Shipment number, Country Programs and F.O.B. values.
  - (e) The Journal totals were balanced with the totals of shipment invoice summaries referred to in (b) above, for blocks of about 500 invoices.
  - (f) The Journal was dissected to show:-
    - (i) invoices for supplies coming within the Bulk Settlement ascertained from the Settlement Schedules of Firm Requests and,
    - (ii) all other invoices.
  - (g) Totals of Journal dissection columns were then made and cross cast and agreed with Total column.
  - (h) The set of invoices mentioned in (a) above was sorted into Bulk Settlement and other than Bulk Settlement invoices, as shown in Journal dissections, and totalled and agreed with Journal dissection totals.
  - (i) Bulk Settlement invoices were then sorted into Firm Request Number order and again totalled and agreed with Journal dissection column.
  - (j) The Schedule of Firm Request coming within the Bulk Settlement was agreed as to the values shown against each Firm Request with the Firm Request document files. The quantities and prices making up these values were then inserted on the Schedule.
  - (k) Each batch of Bulk Settlement invoices, as and when processed to stage (i) above, were amalgamated into Firm Request No. order.
  - (l) Bulk Settlement invoices were then filed in Firm Request Document files.
5. Bulk Settlement invoices will then be posted, both for quantity and value to the appropriate Firm Request accounts. Postings will be checked with Bulk Settlement column of Invoice Journal. The total of that column will be posted to Ministry of Supply Bulk Settlement Account which operates as the ledger



control account. Actually, for administrative convenience, separate self-balancing ledgers will be maintained for the procurement of each of the Procurement Divisions.

6. When these postings are completed and ledger balances agreed with the control totals, the adjustments required to convert Internal Invoice prices to Bulk Settlement prices (but ignoring the 1% differential) will be passed. One adjustment will be passed in respect of each Firm Request summarizing the adjustments required in respect of all invoices charged to that Firm Request.

7. When this is completed, postings will be made from the Internal Invoices raised subsequent to the cut-off number until postings are brought up-to-date.

8. (a) At this stage, it should be possible to agree quantities supplied with quantities Firm Requested for quite a considerable number of Firm Request Accounts.

(b) Alternatively, it should be possible, without much difficulty, to agree with the Ministry of Supply the deliveries made under quite a number of other Firm Requests and to agree also that those deliveries must be considered as complete, as no further deliveries will be made under those Firm Requests.

9. As and when the conditions of paragraph 8 above have been fulfilled, adjustments will be passed implementing the deduction of 1% where applicable. In cases where total deliveries are short of or exceed quantities Firm Requested, credit or debit notes will be admitted adjusting the Firm Request Accounts and the Ministry of Supply Bulk Settlement Account to accord with actual deliveries.

10. There will then remain a residue of Firm Requests in respect of which the claims procedure envisaged under the Bulk Settlement must be applied. These will embrace such cases as the following:

(a) Deliveries credited to the wrong Firm Request Accounts.

(b) Deliveries recorded by one party omitted in error from the records of the other party.

Inevitably there will be a number of instances where agreement between the Ministry and UNRRA would, in the ordinary course, have to await the result of protracted investigations and final settlement between the parties would be postponed accordingly. This probability has been foreseen and the Bulk Settlement provides for a review of the position on 1st July 1947, or as soon as possible thereafter, with the object of reducing the volume of detail work by agreeing a block settlement covering all pending claims based upon the claims experience of the preceding three months.

"F" Chart of Records Procedures under the Bulk Settlement

For clarity of reference, a chart has been drawn up illustrating in diagram form the various processes involved in recording under the Bulk Settlement Agreement. A copy is attached as Annexure Ia.



## PROCESSING

STAFF IN  
CHARGE  
OF PROCESSING

## DOCUMENTS PROCESSED.

H. B: These are listed more or less consecutively but several of them will normally be carried on concurrently.	Internal Invoice	Bulk Settlement Schedule	Plan Request Documents	Plan Request Accounts	Control Accounts	Debits or Credits from H.B.G.	Bul. vouchers	Bulk Settlement Adj. Journal	Discrepancies of Bulk Settlement & Internal Invoices
	Posting Org	File Org	Journal	Request Documents	Request Accounts	Control Accounts	Debits or Credits from H.B.G.	Bul. Settlement Adj. Journal	Discrepancies of Bulk Settlement & Internal Invoices
1. Out of number applied. Internal Invoicing temporarily stopped.	Jacobs	Pro. 1							
2. Complete set of invoices assembled for posting org.	Glass	Pro. 2							
3. Posting copies checked and agreed with shipment summaries.	Glass	Pro. 3							
4. File copies in shipment folders sorted to numerical order.	Jacobs	Pro. 4							
5. Invoices Journal written up from Shipment folders.	Jacobs	Pro. 5							
6. Journal totals balanced and agreed with posting copy totals.	Jacobs & Glass	Pro. 6							
7. Journal disassembled into Bulk Settlement & non B.S. Invoices.	Steady	Pro. 7							
8. Posting copies sorted to	Steady	Pro. 8							
9. Invoices tallied and agreed with Journal dissection totals.	Steady	Pro. 9							
10. Invoices posted to J.B. order, tallied and agreed with Journal dissection totals.	Steady	Pro. 10							
11. Quantities & prices inserted on Bulk Settlement Schedule.	Steady	Pro. 11							
12. Invoices as processed to (10) above transferred to J.B. order.	Steady	Pro. 12							
13. Invoices filed to J.B. Document files.	Steady	Pro. 13							
14. J.B. ledger A/c opened, separately controlled for each Procurement Division J.B.s	Steady	Pro. 14							
15. Invoices posted to ledger A/c, Journal totals to Control A/c and ledger balanced.	Steady	Pro. 15							
16. Adjustments calculated by Counter for conversion of prices to Bulk Settlement prices.	Steady	Pro. 16							
17. Journal Vouchers prepared, disassembled by Country, adjusting to Bulk Settlement prices.	Steady	Pro. 17							
18. Journal Vouchers as per (17) above entered in Bulk Settlement Journal, posted from there to ledger A/c and ledger balanced.	Steady	Pro. 18							
19. Internal Invoicing for shipments, after out-of-number, resumed.	Steady	Pro. 19							
20. Invoices as per (19) posted to ledger accounts up to date and ledger balanced.	Steady	Pro. 20							
21. Preliminary survey of ledger A/c with H.B.G. records to settle list of J.B.s immediately agreed as to deliveries.	Steady	Pro. 21							
22. Calculation of 1% differential where applicable, on J.B.s agreed as per (21) above, disassembled by Country.	Steady	Pro. 22							
23. Journal Vouchers prepared as per (22) above.	Steady	Pro. 23							
24. Journal Vouchers as per (23) above posted to ledger A/c and Control A/c.	Steady	Pro. 24							
25. Glass or Allowances prepared on J.B.s agreed as per (24) above and entered in Glass Register.	Steady	Pro. 25							
26. Bulk of Credit Services obtained from H.B.G. for Glass or Allowances as per (25) above Journalised & posted.	Steady	Pro. 26							
27. Preparation of Glass or Allowances on J.B.s where discrepancy as to deliveries was disclosed in Preliminary Survey with H.B.G. as per (21) above and entered in Glass Register and see Note Below.	Steady	Pro. 27							

Note: As soon as all postings are up to date as per (20) above, ledger A/c, will be compared with Glass Division Shipping Forecasts and S.B.S. If no further shipments are forecast, Glass or Allowances will be lodged forthwith with H.B.G.



Annexure II

1. PLAN OF PROCEDURE

A full plan of procedure has been prepared and a copy is available from which the total work to be performed can be ascertained more fully. To date the position is as follows:-

- a) Internal Invoices were discontinued at Invoice No. 18489.
- b) Internal Invoicing has been recommenced, commencing from Invoice No. 30,001, and in those cases coming within the scope of Bulk Settlement, are being priced at the Bulk Settlement figures and clearly marked "Bulk Settlement".
- c) An Internal Invoice Journal has been prepared, dissecting into Bulk Settlement Invoices and others and the total Bulk Settlement figure agreed with listings of all Bulk Settlement Invoices.
- d) Document files in respect of Firm Requests covered by Bulk Settlement have been taken over from Reports & Control Division and minor deficiencies of information have been made good by contact with the Board of Trade and access to their records. The total prices originally shown in the Bulk Settlement Schedules have been dissected to show quantity and unit price for each Firm Request.
- e) All Bulk Settlement Invoices have been linked up with the appropriate Firm Request files, the files edited and passed to the Machine Ledger Section for posting, with the exception of Medical Branch, which presents special problems. There are a residue of queries for each Procurement Branch which cannot yet be passed for posting and the enquiries are being pursued with the Branches for clarification.
- f) With the exception of Medical Branch and the queries already referred to, postings have been made to Ledger Cards for all shipments of Agricultural Rehabilitation Branch and Clothing Branch. A. R. Branch has been balanced with its control, and Clothing Branch is in process of being balanced. Considerable progress has been made on I.R.
- g) A special examination has been made of Firm Request files, and as a result, certain discrepancy notices have been prepared. The examination established that the final raising of claims would be a lengthy process, involving clearing with the Branches in almost every case.
- h) It is apparent that in earlier shipments, quantities of cased and packaged goods were not correctly ascertained and that in consequence, a high proportion of the earlier Internal Invoices are incorrect as to quantity. Considerable work will be entailed in establishing correct quantities at this stage.



1) Apart from other work, the Machine Section has, in connection with Bulk Settlement, raised control figures for 2,600 shipments, reconciled invoices totalling approximately £20,000 with the Journal and raised control values under the main commodity groups.

2. EXTERNAL INVOICES (Government Invoices (other than M.O.S.) and Commercial Invoices)

This can conveniently be summarized under the following sub-headings:-

a) Government Invoices. Of a total of approximately £19,900,000 which was on hand at, or received since the 1st January, rather more than £10,000,000 have been processed and passed to Commodity Accounts. Of the remaining £10,000,000, the majority are concerned with wool, which has presented special difficulties, but are now in course of settlement. In addition, rather more than £1,500,000 remain with Procurement Branches awaiting clarification but action has been taken to expedite settlement. The remainder are now in course of process.

b) Preparing for payment of Commercial Invoices. Since the 1st January, approximately 4,000 invoices covering commodities, freight and accessorial charges have been processed and passed for payment. The present rate is approximately 750 per month. Complicating factors are - certain engineering contracts involving progress and interim payments, price increases have to be specially processed, and this entails some delay in the hands of Procurement Branches.

c) Matching of Commercial Invoices with Internal Invoices. Matching is not undertaken until after payment and return from the Payments Branch, which results in some time-lag. Of a total of £13.7 million available for matching £4.4 million have been matched to date. Of the balance of £9.3 million, £5.7 millions is represented by payments to overseas suppliers (so-called Bank of England payments) and in connection with these, there is still considerable work to do on documentation. A special group of the appropriate section has been assigned to this work. Special difficulties are - rail shipments, which are not so amenable to easy tracing as sea shipments, and difficult items which require considerable research.

3. INTERNAL INVOICES

a) For the period of 1st January to 9th June 1947, Internal Invoices have been raised on 1,155 shipments, valued at £21,896,000. In view of the arrangement for Bulk Settlement, processing of shipments was suspended from 15th April to 28th May. Since the 28th May, 1,050 Internal Invoices have been processed. There is a considerable backlog, amounting to approximately 200 shipments in course of processing but not completed, and a further 200 shipments which cannot be processed because of lack of Bills of Lading and Cargo lists. Responsibility has recently been transferred, for the production



of Bills of Lading and Cargo Lists, from Shipping Division, Department of Supply, to Procurement Division, Department of Supply. Close contact is being maintained and the necessary pressure exerted to produce the required documents as early as possible.

b) A special group are dealing with approximately 700 undocumented rail shipments and some 50 air shipments. This same group is also dealing with freight payments and has made substantial progress in the setting up of a freight card index and the cross-referencing of freight charges to the appropriate shipments. Additional staff is considered necessary to reduce arrears more rapidly.

#### 4. WAREHOUSE RECORDS UNIT

Considerable progress has been made since the beginning of the year in establishing a comprehensive system of warehouse records. Rather more than 3,000 warehouse commodity cards have been opened, and some 6,000 postings made. Approximately a further 1,000 postings remain to be made. Stock sheets have been prepared as at 31st March 1947, covering 1,850 items in warehouse. Arrangements are in hand for stock sheets to be prepared as at 30th June 1947 to facilitate the preparation of commodity accounts at this date. It should be noted that posting to the cards and the inventories subsequently raised are now cross-referred either to the suppliers' invoices or the appropriate procurement documents.

#### 5. RECORDS CLOSURE SECTION (FIELD INSPECTION)

A large number of special problems, necessitating detailed research and reporting have been undertaken. Among these may be instanced:-

- a) Considerable and detailed work in connection with Surprop, Paris.
- b) Clarification of Balkan Stockpile and Middle East transshipments.
- c) The necessary research and preparation of a detailed record of overseas procurement, freight payments, etc., made against transfers of funds and covering from "authorization" stage to "receipt" stage.
- d) Records covering contributed supplies from S. Rhodesia.

Certain personnel have been assigned to Commodity Accounts for special work and considerable assistance has been given by personnel of this Section in connection with Bulk Settlement. With the early closure of Missions, and



the arrival in E.R.O. of records and documents, considerable work will be necessary on the coordination and orderly clearance of these records.

6. GENERAL

Apart from the bulk of work, which has been reduced as far as possible to a matter of routine processing, special problems which do not lend themselves to routine methods, continually arise. Arrangements have been made and are currently in force whereby such problems are discussed between this Unit and Commodity Accounts each week, and insofar as the problems have repercussions with Supply Department, they are raised, and if possible clarified at the Supply Department weekly meeting, which is regularly attended by a representative of this Unit.

Annexure III

PROCESS STATEMENT AND WORK-LOAD CHART

The Controller, Mr. Howell, desired to have on his return to E.R.O. a full statement of the progress and work-load; as far as possible in a visual indicator form. The Assistant Controller, Mr. Campbell, directed that the appropriate data for Commodity Records and Commodity Accounts should be coordinated.

The attached report shows:

- (a) the organization on a flow basis,
- (b) staff engaged in the various sections of the work,
- (c) the progress obtained and future projects of each section as far as practicable in a visual indicator form.

The flow chart may be better appreciated with the following explanation:-

(A) The Bill of Lading received from Shipping Division is considered the primary record document from which all internal processing originates and denotes transfer of title at shipside.

(B) Upon receipt of the Bill of Lading from the Shipping Division, it is registered, and a Shipment Folder is opened for that shipment. This folder when complete contains copy of the Bill of Lading, Final Cargo List, Internal Invoices and Summary of the Invoices in that particular shipment. An Internal Invoice is raised for each and every item on the Bill of Lading as interpreted by the final amended Cargo List, and contains the following information:-

- (a) Procurement Reference Number.
- (b) Shipment Number.
- (c) Vessel.
- (d) Date of Sailing.
- (e) Commodity.
- (f) Country Program.
- (g) Purpose.
- (h) Quantity Shipped.
- (i) Provisional Value.

(C) After an Internal Invoice has been raised against each item on the Bill of Lading and/or Cargo List, the Shipment Folder is passed to the Pricing Section, where the commodities listed are priced provisionally, using values provided by the Firm Request, Firm Invoice or Bulk Settlement agreed book values. Each Internal Invoice is then numbered in sequence and posted to the Internal Invoice Journal. Journal entries take place after calculations have been extended.



(D) After all Invoices have been priced, numbered and entered, the folder is passed to the Master Shipping Register, to record all details of the Shipment as a permanent record.

(E) The Invoices are calculated and the folder is passed to (F) where each invoice and summaries by shipment are typed in seven copies.

(G) The sorting desk makes distribution of the final copies of the Internal Invoice and Summaries, and also opens a supplementary folder containing documents required by the Commodity Accounting Branch. After a final document check at (H) the folder is forwarded to Commodity Accounting Branch (I). The Internal Invoice Section Shipment Folder is routed to the Section files (J), and maintained as a permanent record filed by Country.

Distribution of Internal Invoices and Summaries is as follows:-

- 1 copy to Internal Invoice Section File.
- 2 copies to Commodity Accounting Branch Folder (1 copy for Washington).
- 2 copies to External Invoice Section.
- 2 copies to Bulk Settlement Section (1 copy to Supply, Records and Control).

Total 7 copies

The two copies of the Internal Invoices routed to the External Invoice Section (K) are segregated by type of procurement affected (Commercial or H.M.C.) and filed by Commodity and Firm Request (or D.P.O.) until such time as the Firm Supplier's Invoice has been certified for payment. The Internal Invoice(s) and Suppliers' Invoices are then matched, price adjustment made, scheduled, and forwarded to the Commodity Accounts Branch.

(L) Indicated the in-flow of firm suppliers' invoices which are received from Commodity Accounts Branch.

Firm Invoices are registered and forwarded to the Branch responsible for procurement so that they may be certified to the effect that the commodity description is as required and that the prices are acceptable to UNRRA and are in accordance with the procurement documents, i.e., Firm Request or D.P.O.

The invoices are returned to Commodity Records where the extensions are checked and in the case of -

a) Commercial Suppliers' Invoices checked against procurement documents, a draft internal invoice raised and passed to Payment Authorization Branch for payment. (Firm Commercial Suppliers' Invoices upon return from Line



Divisions are checked with Bills of Lading if the goods have already been shipped. Draft internal invoices are raised from the Supplier's Invoice and passed to Internal Invoice Section to be held until documentation providing evidence of shipment has been received. This method avoids subsequent price adjustment between internal and external invoices.)

b) H.M.G. Invoices, other than Bulk Settlement, are matched against internal invoices, price adjustments recorded and passed through in a combined form to Commodity Accounts.

Firm Suppliers' Invoices submitted against Transfer of Funds are certified by Line Division, recorded and filed pending receipt of Internal Invoices for matching.

Freight and Accessorial charges are passed to Shipping Division for certification and upon return are registered against the relevant shipment in the Master Shipping Register and forwarded to Payment Authorization Branch.

There is also a special group who are compiling a complete card index register of all shipments for which E.R.O. is responsible, for all the shipments where E.R.O. is responsible for freight payment, and for all shipments where payment of freight is in a soft currency. This will have a two-fold benefit. It will ensure that the freight payments have been effected for all UJRA shipments under jurisdiction of E.R.O. and that all shipments for which freight has been paid have been covered by the necessary documentation.

A register is maintained for Progress and Interim Payments.

Firm Suppliers' Invoices are passed to the Storage Records Section at (M) to be cross-referred to commodities in storage.

(M) Storage Records Section. This section is responsible for maintaining detailed records of goods into and out of stores and warehouses. This record is maintained by means of a visual card index system, the entries being raised from landing accounts for receipts into warehouses. For shipments, from the warehouses delivery orders cross referred to the relevant Bills of Lading and Cargo Lists. Physical inventories are checked against the balances on the storage cards and discrepancies adjusted if necessary.

(N) Records Closure Section. This Section also incorporates Field Inspection as far as that is now applicable. A system has been set up whereby all Supply documentation and records coming in from the Field on the closure of Missions is being taken into safe custody, registered and indexed and provision has been made for limited personnel from the Field to clear up terminal problems of documentation arising from the records.



In addition a number of problems necessitating a detailed research are being covered by this Section. Among these may be instanced

- a) considerable work in connection with Surprop, Paris,
- b) clarification of Balkan Stockpile and Middle East Transshipments,
- c) the compiling of a detailed record of all procurements against transfers of funds covering the matter from the "authorization" stage to the "receipt" stage.

Certain personnel indicated on the staff organization chart have been placed on loan to Commodity Accounts for special jobs.

(O) Bulk Settlement represents the largest single problem that Commodity Records has to deal with at this date. The procedure for Bulk Settlement accounting and claims for short deliveries and credits for over deliveries has been separately dealt with in a Memorandum on this subject. The procedure in some respects is still in a fluid state and negotiations are taking place with other parts of the Administration, i.e., Supply; and the Board of Trade and Ministry of Supply to settle the most effective methods. It will be clearly seen from the progress chart that several of the larger tasks arising out of the Bulk Settlement are only now commencing, or in their early stages.

The accounting for Bulk Settlement with H.M.G. will be entirely carried through by Commodity Records until such time as the one Bill for some £46,000,000, less appropriate deductions for inabilities, shortages and discrepancies, can be supported by Firm Requests against which will be charged internal invoices reflecting individual verified deliveries, the internal invoices being, as in all other cases, the information from Bills of Lading and/or Cargo Lists, translated into financial terms.

7th. July, 1947.



### ESTIMATED PROGRESS AND WORK LOAD CHART - 30 JUNE 47

N.B. The estimates given above are conditional upon procurement ceasing as of 30th June, and shipment of commodities being completed by 30th September 1947.



Annexure IV

AGREEMENT UNDER WHICH WORK IS CARRIED ON ACCEPTED BY BOTH  
PARTIES AND TO BE FINALIZED WHEN CERTAIN QUESTIONS ARE  
CLARIFIED BY THE ACTUAL OPERATION OF THE SYSTEM

1. I write to place on record the agreement reached between representatives of U.N.R.R.A. and of His Majesty's Government in the course of negotiations at the meetings held at the Board of Trade on 25th and 26th March, with a view to effecting a Block Settlement in respect of Firm Requests placed by U.N.R.R.A. up to 31st March, 1947, on the Board of Trade (S.L.A.) for procurement of supplies through the Ministry of Supply. The total value of Firm Requests to which this agreement applies is £46,165,278.18.1d., as listed in Appendix "A" hereto. In addition the agreement applies to I.T.P.'s (Instructions to Proceed) in respect of Mechanical Transport Spares as listed in Appendix "B" totalling £17,185.8.0d.

The schedules prepared by U.N.R.R.A. in collaboration with the Ministry of Supply setting out revised prices for the larger Firm Requests were available for the purpose of the negotiations. These schedules, which are attached as Appendix "C", covered Firm Requests of an agreed book value of £23,606,109, the revised valuations shown thereon representing an overall decrease of 1 per cent on original estimated prices.

2. Groups of items to be specially treated.

The groups of Firm Requests, detailed in Appendix "D", representing substantial sums for which firm prices have been agreed or are in process of being agreed, will be included in the Block Settlement on the basis of these agreed firm prices. The estimated values of the Firm Requests covering the special items were at 31st March, 1947 as under:-

	£	s.	d.
Supplies transferred from U.S.S.R. Protocols	4,920,885	8	2
Overseas Surpluses	2,550,000	0	0
Leather, sole and upper	551,552	0	0
Military Surplus Vehicles (F.4516)	1,175,680	0	0
Bridging Material	2,034,628	0	0
Total	£11,232,745	8	2

Certain Firm Requests included in Appendix "A" had not been approved at 31st March last; such Firm Requests are listed in Appendix "E" to a total of £121,717. 8. 3d. They are included in the Block Settlement on the basis of the Firm Request prices, but will be subject to adjustment either way as firm prices become available. A similar adjustment will be made in respect of the I.T.P.'s listed in Appendix "B" as firm prices are established.



3. 1% Differential to be applied to estimated prices on Firm Requests other than groups covered under Para. 2.

A deduction of 1 per cent will be allowed to U.N.R.R.A. from the total value of Firm Requests as in Appendix "A" after deducting therefrom the total of the Firm Requests listed in Appendices "D" and "E". The figure to which the 1 per cent differential will apply will thus be £34,810,816. 1. 8d.

4. Allowance in respect of Departmental Expenses on certain processed materials.

In the case of certain materials (e.g. fertilizers, pesticides, etc.) the Ministry of Supply have not rendered the full range of services covered by the standard additional charge of 12½% in respect of departmental expenses for manufactured goods. It has accordingly been agreed that an allowance shall be made to U.N.R.R.A. by cash deduction from the total figure for Block Settlement of a sum of £110,000.

5. Shortages and Excess Deliveries.

(a) Where it is disclosed before production is put in hand or before total production is completed, that it will not be possible to supply the full quantity specified on a particular Firm Request, an amendment to the Firm Request reducing both quantity and money value will be accepted as hitherto. The amount of the credit will be calculated on the basis of

- (i) the agreed value of the Firm Requests listed in Appendices "B", "D", and "E", and
- (ii) the Firm Request value after application of the differential of 1 per cent in the case of items not so listed. Where it is not practicable to apply the 1 per cent differential, e.g. for the reason that individual items on a Firm Request have not been priced separately, the financial adjustment will be agreed by negotiation.

(b) When final deliveries against a Firm Request or against any item in a Firm Request have been made and it is established that there is a shortage in the actual quantity received by U.N.R.R.A., e.g. through losses in transit to the point of delivery to U.N.R.R.A., a credit will be allowed to U.N.R.R.A. calculated as in (a) above.

(c) Similarly, where the quantity received by U.N.R.R.A. is in excess of the quantity shown on the Firm Request, a credit for the increased value will be allowed to the Ministry of Supply.



(d) Where, however, it is found that, in the calculation of the differential of 1 per cent to be applied under Para. 3, the shortage or excess delivery has already been taken into account in the revised value as stated in Appendix "C", Col. 11, no financial adjustment will be made under sub-paras. (b) or (c) above.

(e) In order to reduce further the remaining volume of detailed work falling upon the staffs of the Ministry of Supply and U.N.R.R.A., the position will be reviewed on 1st July next or as soon as possible thereafter, with the object of agreeing, on the basis of the claims experience of the preceding three months, a block settlement covering all claims which may arise under Paras. (b) or (c) above.

6. Firm Requests for Procurement by Departments other than the Ministry of Supply.

The present agreement does not apply to these Requests because the process of agreeing final prices for all outstanding cases is likely to be completed within a few weeks. It is however proposed to examine the position as at the 1st July next, in case action is then required on cases still outstanding.

Yours faithfully,

(signed) Kenneth McGregor

C. Hart Scheaf, Esq.,  
U.N.R.R.A.

SURVEY REPORTS AND WRITE-OFF ACTION UNDER E.R. ORDER NO. 93

Discussions at the missions showed that the procedure seems to be well understood. Many survey reports will issue as a result of the turnover of properties on June 30th as that was the earliest date at which shortages could be ascertained exactly. A large number of survey reports have been accumulated in London for action.

It should be noted that considerable investigation is made before authority is given to write off or otherwise dispose of the amounts involved. The survey boards are conscientious in performance of their duties.

An up-to-date summary was in the course of preparation in London, but the prior record dated 3rd April 1947 showed that 52 cases had been referred to ERO and that the disposition of these was as follows:-

Survey completed and sent to CFA for action	-	12
In process of submission	-	6
Under investigation or in process of documentation	-	26
Returned to missions with instructions to process	-	8

The internal auditors are checking all write-off entries to see that they are backed by approved survey reports.



RECONCILIATION OF ADVANCES MADE BY BRITISH AND U.S. ARMIES TO UNRRA  
PERSONNEL IN DP OPERATIONS PRIOR TO THE INAUGURATION OF THE PAYBOOK  
SYSTEM IN NOVEMBER 1945

One of the most difficult and troublesome problems which ERO and home accounting stations have had to contend with has been the detailing of all these advances, charging them to the personal accounts and attempting to obtain a reconciliation of the gross sums involved with the military authorities. Prior to the inauguration of the present paybook in Germany, an advance-type paybook, which in fact was nothing more than a cheque book with which they could draw limited sums of money from the military finance offices or from certain UNRRA officials who had imprest funds which they replenished by bulk drawings from the military authorities. The personal accounts were kept in French francs, but the payments included marks, French francs, Belgian francs, guilders, Danish kroner and sterling.

It will be recalled that UNRRA personnel went into Germany on order of SHAEF under military control. Under the SHAEF agreement UNRRA had no financial responsibility. It seems a fair inference that, when this pay system was inaugurated, it was not contemplated that the personal accounts would be charged. Apparently the system was devised in great haste to work out some way of paying personnel in the field whose discontent had reached extreme limits. A prior plan, under which cheques were sent out to the field from the Paris Office, collapsed because of the communications problem.

In any event, after the system had been running for nearly eight months, it became apparent that personal accounts should be charged.

The procedure of the Army Finance Officer was to take the pay slip and cash it and to hold it in his files as the voucher supporting the payment. The total of these vouchers was reported through to the Chief Finance Office and set up on their books, but the finance officers did not release the vouchers. Because the Army did not consider these amounts as reimbursable items, they did not prepare detailed schedules except for the expenditures not made in marks; BAOR, for example, had only adding machine tapes giving the total of the slips held by the individual finance officers.

Early in 1946 a special group were organized to operate in Haaren and later in Pasing to set up the charges to the personal accounts. This was done from the counterfoils of the advance-type paybooks which had been collected from the personnel when they were issued with the new paybook. Complete ledger accounts were established and later transferred to the home accounting stations with a credit to the military authorities for the currency supplied. By August 1946, every debit against personal accounts that could be ascertained from these counterfoils had been set up and charged to the personal accounts.

Late in 1946, the U.S. Army called in from all of their finance officers the supporting vouchers and permitted our auditors to compile a complete



list of these vouchers supporting the total advance of 980,000 marks. This work was completed in the first quarter of 1947 and the list sent to ERO for checking and for distribution to home accounting stations in order that they might verify the postings made from the counterfoils and pick up any missing items. This work is still going on, but the postings test-check so far has revealed no errors or omissions as to drawings from the U.S. Army. It is expected that a final entry can very shortly be made in substitution of the contingent one, based on our own unilateral documentation, that will bring us into reconciliation with the U.S. Army records.

The situation is more complicated as to the advances made by the British Army. In the first place, we had great difficulty in reconciling the BAOR figure until we discovered that they had included substantial payments made by them to the U.S. Army to reimburse the latter for advances made by U.S. Army finance officers. Thereafter we had extreme difficulty in obtaining the detail of the individual advances making up the total debit of 6,900,000 marks because of the fact that the Currency Section had only the adding machine tapes heretofore mentioned. Our auditors have participated with the Army in a very thorough search for the original vouchers and the bulk of them have been discovered, but the Administration is still unable to finalize the figures because some vouchers appear to have been lost either by the Currency Section or en route to British Zone Headquarters at Spenge. However, of the total amount of 6,900,000 marks, there remains only 100,000 marks to be verified, and a final attempt to discover the records is now in process in Germany. The situation, should no further records be discovered, will be this. We will permit the debits against the individuals, based upon the record of their counterfoils, to stand even if we cannot find the supporting evidence of the payslips in the Finance Office's files. We will thus have picked up individual debits to support, with very little difference, the total advances of 6,900,000 marks. Inasmuch as a good many of the people thus charged have settled their accounts on this basis, the counterfoil may be considered for our purposes as a proper document even if we cannot substantiate it against the corresponding voucher in the Army files. Should there be any unaccounted for difference, it will have to be written off, but, in this connection, it should be borne in mind that these marks were furnished without charge to UNRRA. Similarly, we may find some debits that should be made against personal accounts because the Army vouchers covered transactions for which the counterfoils were missing. The personal accounts will, of course, be charged with these amounts if the people are still in UNRRA and an attempt will be made to collect them if the personnel have been terminated, but should it be necessary eventually to write off, the fact that non-reimbursable military currency is involved should be noted.

It is likewise of note that the charging of the personal accounts with nearly eight million free marks resulted in the reduction of the hard money cost to the Administration of salaries that otherwise would have been paid as home allotments.

The final work on this problem will be completed when the accountants for the British and U.S. Zones report into ERO this month. Unless some discrepancies, not anticipated, arise, it is probable that the differences will then be so small that they should be written off in view of the hard money cost of further investigation.



PREPARATION OF MISSION EXPENSE STATEMENTS

The final accounts, showing the expenses of the Mission, will be submitted in three sections for each Mission; to wit:

- (a) Expenses by classifications disbursed in free local currency received from the recipient government.

Note. An attempt will be made to reconcile the free local currency expenses statement of the Mission with the Cash Account. The format of the reconciliation report should be approximately as follows:

Total amount of currency turned over to the Mission by the Recipient Government. (This should be reconciled with the Proceeds of Sale Report if possible.)

Less local currency expended to settle the accounts of Governmental Agencies of the Recipient Government

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Total currency to be accounted for as used by the Mission

Deduct local currency used in making Travel Advances for which settlement was not made in the Missions (thus treating the gross amount of the advance as a proper expenditure of local currency).

Less settlement of Travel Claims in local currency where the advance was made in a foreign currency (thus treating the gross amount of such settlement as a proper expenditure of local currency).

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Balance of local currency to be accounted for on the expense statement of the Mission, which includes expenditures for that Mission itself and for other Missions and Operations of UNRRA as provided in the Agreement

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- (b) Expenses by classification disbursed in hard money resources or in local currencies acquired with hard money.

The next section will be given for information, but it will not represent any charges taken on the books of the Administration; instead it will be drawn from that column of the recipient government's report of proceeds of sale entitled "Services and Facilities".

- (c) Expenses and costs, detailed to the extent available, furnished by recipient governments to the Administration and charged by them against the proceeds of sale of UNRRA supplies.



Whether or not this report can be prepared will depend upon the progress made in disentangling from the Local Currency Expenditure Statement those items which represent conversions of foreign currency expenditure, and also whether or not the information required can be obtained as to Travel Advances and Travel Settlements. Work has been started in the field, and it seems possible that substantial progress can be made. If any serious obstacles arise in regard to any particular Mission, the Controller is to be informed at once.

Instructions covering the necessary analysis were given to the Deputy Controller as follows:

Adjustment of Mission Statements

- (1) To permit reconciliation of local currency per Bulletin 9
- (2) To show expenditures in original currency of disbursement

"The two items under this heading have been covered by various administrative and financial orders and the purpose has been outlined in detail in letters from Controller to Deputy Controller, ERO to which it is suggested reference be made.

"At the Missions visited, the problem has been discussed with the accountants in order to appraise the difficulty and the quantity of work involved.

"In some Missions it was found that both tasks could be completed before the final accounts were sent in; in others, considerable analysis of early records will be required and possibly the only place where the job can be completed will be in London.

"In any event, regardless of where the work is done, London will be responsible for seeing that the Mission financial statements are adjusted to reflect the objectives under the above headings.

"I have discussed this in detail with Mr. Bishop and have asked him, upon his return to London, to talk with you about plans for setting up this work as a definite operation under appropriate supervision. Whether this is a job for the accounting staff or for the internal audit staff is not important as it is really only a matter of finding available qualified personnel. It may be that the whole problem of closing out the Mission accounts and making these adjustments will call for a new grouping of people which will absorb the Field Clearance Branch and some of the internal audit staff. The important thing is to get such a group organized and assign a competent accountant to supervise it and to make necessary decisions with the degree of uniformity that will keep the inter-adjustments between Missions, and also with ERO and HQ, in appropriate balance.

"The general outline of work for such a unit, which should be developed into a set of detailed instructions, is as follows:



"1. As to the reconciliation of local currency drawn with the figure reported by the recipient government on its proceeds of sale statement and further as to the accounting for the entire expenditure thereof.

"The first point to check is whether or not the local currency received as reported by the Mission agrees with the government's report. The Mission figure will be the gross currency receipts less the amount turned back to the government. Any differences must be identified and will probably consist of the following:-

- "(a) Local currency purchased with Administration funds. These transactions must be identified and, where possible, detailed expenditure of such funds should be separately compiled in order to prepare the operating statements in the form outlined below.
- "(b) Local currencies received from other Missions and sundry sources and either carried as such or converted into local currency equivalents and carried without separation from the Mission regular drawings from its recipient government. These items must be identified and separately shown in the receipts of the receiving Mission and in the expenditures of the Mission which made the advance. Where possible, the receiving Mission will identify in detail the expenditures made with these funds. The purpose of this is so that the Mission making the advance may include in its final statement of expenditures accounting for the use of local currency all expenditures, even though they may have been for the account of other Missions. It is thus clear that no expenditure statements are to go from any Mission to its recipient government and that the final accounting will have to be completed in ERO and HQ.

"After this reconciliation has been made, the entire expenditure must be accounted for. Since early 1946, accounting instructions have changed so that a Mission did not debit to another Mission expenses paid for its account, but instead showed them, appropriately marked, on its own statement. However, the bulk cash transfers and items of asset and liability accounts have passed from Mission to Mission via ERO Current Account. At all Missions visited, the accountants have been instructed to attach to their final report a complete statement of expenditure accounting for the entire local currency drawn. NOTE: Instructions should go forward to all Missions on this point.

"It will be the task of the special unit to see that the amounts shown by the Mission making the advance are matched against the reports of the receiving Mission that it received such an advance. Where the advancing Mission does not know how the money was spent, it will be the task of this group to draw or compile this information from the statements of the receiving Mission which expended the money in order that the accounting for the total expenditure of local currency drawn from the recipient government by



the advancing Mission and the classification thereof may be as detailed as possible.

"It might help, when preparing the detailed instructions, to understand the rationale. The cost accounting function of the accounts is not the primary one. The accounts must first of all reflect the expenditure of each type of funds from each source. If the analysis described is properly made, we **can not** only accomplish this primary objective, but we can obtain sufficient analysis of those expenditures of a Mission which were not for its own account as will enable us to prepare a second set of statements which will reasonably well reflect the costs of operation of a given Mission regardless of the source of currency --- but that is a secondary objective.

"2. As to the analysis of Mission expenses to eliminate all figures representing conversions to other currencies and the showing of expenses in the currency of original disbursement.

"The chief problem here seems to be in the analysis of items prior to the change of accounting instructions in early 1946. Some Missions have made the retroactive analysis; the external auditors appear to have made the appropriate adjustments at least in their reports covering the Mediterranean area. In the Missions visited, a procedure was discussed and it may be that the volume of work is not too great to preclude the complete analysis being finished at the time final financial statements are submitted. The task is to completely analyse the current account and for this purpose a worksheet is set up showing the classifications horizontally and under each classification dollar, sterling and other currency headings. The debit and then the credit memos were listed serially vertically and the amount of the original currency expenditures shown under the appropriate column with the amount in local currency to which it was converted shown under its appropriate heading. The footing of this worksheet would permit the deduction under the appropriate classification of the sum total of local currency represented in conversions of other currencies and the compilation of expense statements by classifications in each of the currencies of original disbursement."



SUPPLEMENTARY INSTRUCTIONS GIVEN FOR THE REVIEW OF ACCOUNTS IN LONDON

Instructions shown as Annexures I and Ia were issued to the Deputy Controller.

A copy of these instructions was given to Mr. Turner of Deloitte, Plender, Griffiths & Co. Council's Auditors were invited to observe or participate in these hearings, or to conduct separate hearings, as they desired.

Annexure I

7th July, 1947

To: Colonel H. M. Burnett

From: H. E. Howell

Subject: Final Accounts and Financial Statements of the Missions

I understand that a procedure and agenda for the verification of the accounts and financial statements of the Missions when brought into London has been established, and that a group has been set up to interview the returning personnel who are familiar with this work. In view of the survey which we have made in most of the Missions, will you please see that the above procedures and arrangements are supplemented wherever necessary to cover the following points :-

1. The Mission Financial Statements as of 30th June 1947 are each to be as complete as they can possibly be made. While estimates may have to be used for some of the reserves and there may be some accruals which cannot be liquidated, the statements should reflect every known asset, liability and expenditure of the Mission. Where any question is likely to arise, the notes should clearly indicate that the matter has not been overlooked, for example, the notes should contain a statement that (if correct) the system of leave records was maintained in accordance with regulations, and were operated in such a manner as to reasonably assure that the Administration suffered no loss by the payment of accrued leave which had already been taken.

A list of the items which we have discussed in the Missions is attached (Annexure Ia), but is not necessarily complete.

2. In order for the Final Financial Reports of the Administration to reflect properly the operations of UNRRA, this final survey cannot be confined to merely financial accounting matters. It must cover the entire range of operations of the Mission, including such items as the proceeds of sale report, receipting for the commodity program, commodity accounting, local procurement, local transport, warehousing and shipping charges, handling of all quantitative and non-financial accounting records, such as PX, amenity and administrative supplies and properties, and similar matters, some of which appear in the above mentioned list. Where discrepancies or shortcomings are noted, an effort should be made to distinguish whether the fault lay in the administrative procedure or in the accounting function. Particularly, notations should be made where the shortcomings arise from the lack of documentation or necessary action on the part of any agency outside of UNRRA.



3. In clearing up the final accounts of the Mission, all internal audit files relating thereto, as well as all open files, should be collected for review and be examined and settled before personnel are released. Some questions may be of such a nature as to require the files of Protective Services.

4. The external auditors should be informed of all meetings or hearings and be invited to observe or participate in any and all discussions as well as to raise any questions which they may have. In order to handle the above work, and particularly the review called for by the attached list (which is not necessarily complete), some definite organization properly headed up is required in E.R.O. I do not see how you or Mr. Campbell with the burdens which you have, can undertake this task, and as it relates so closely to the final audit of the UNRRA accounts, I am wondering whether Sir Francis Dixon could not head up the team and handle the final review. I think you will find it extremely advantageous to assign some of the returning Mission personnel to this reviewing group, and you may also find that others can supplement the internal audit staff and assist in the audit of the books and records of another Mission. Messrs. Sholt, Krauss, Halsall, Wildbore, Astras, Steerhought would be helpful in this connection, and Miss Bridgman from Cairo would be extremely helpful in supply and commodity accounting matters, over and above those she is directly concerned with in Cairo. I suggest you draw on this group to assist in this review.

The incoming personnel and their reports will undoubtedly have to be processed through such units as Field Clearance, Commodity Accounting, Freight Audit, Payroll, Consolidated Statements, Internal Audit, as well as the interested units in the Supply Department and the Legal Department. It is recommended that these points be discussed with each man returning from Missions, even though it may not be his particular assignment, as we are anxious to obtain every possible item of information.

5. I am giving you memorandums of items discussed in the Missions and whether these do or do not appear to be settled, they should all be again reviewed if the situation still remains unsatisfactory. On important items, I wish you would communicate with me before permitting the release of the accounting personnel or others concerned therewith. It might be worthwhile to reiterate and explain to the men coming in from the Missions that the Statement which we are now preparing as of 30th June 1947, is intended to be one which includes accruals and reserves for every possible item, and which makes note in the fullest possible manner of every transaction, contingency or acquisition, so that nothing will remain thereafter but to settle the open items and complete a full audit, so that at a later date the final report may be issued. In other words, there must be a maximum possible disclosure in the report which we are now preparing.

It is recommended that at the close of each discussion, a resume of findings be agreed and dictated in the presence of all concerned and made part of the official record, with two copies sent to me in Washington.

6. Will you please forward to me in Washington, an outline of the procedure and the personnel assignments finally established for handling this program.

H. E. HOWELL



Annexure Ia

LIST OF POINTS WHICH SHOULD BE COVERED IN REVIEW  
OF FINAL MISSION OPERATIONS

ADD ADDITIONAL ITEMS AS ALREADY DEVELOPED IN E.R.O., OR AS  
MAY BE DEVELOPED IN THE COURSE OF DISCUSSION WITH EACH MISSION

IN RELATION TO RECIPIENT GOVERNMENTS

Please note the letter on Proceeds of Sale which gives the outline of the requirements which from a financial accounting point of view we would like to see made, in order that we may report as correctly as possible to the appropriate Committees on this subject.

Other points which must be cleared are these :

The reconciliation with the government of the accounting for local currency.

Any question from governments on UNRRA's use of local currency provided under agreements.

The reconciliation of the charge shown for services and facilities:

- (i) where these were an actual charge and paid for;
- (ii) where they were not charged, but are shown as a deduction from local proceeds being either :
  - (a) supported by confirmatory documents,
  - (b) not so supported;
- (iii) does agreement provide that no additional charges will be made after UNRRA departure ?

The reconciliation of the proceeds of sale reports and the preparation of the appropriate documents to transfer the UNRRA function in regard thereto to the body eventually named for this task. A copy of the agreement with the recipient government covering the disposition of the funds after the closure of the Mission should be reviewed, particularly to see whether it provides for the government to discharge any liabilities and claims left unsettled by the Mission. Legal Department should be requested to review UNRRA proceeds of sale material, and to give you a report on their views as to its adequacy.

Receipts from recipient governments for all types of shipments. Is there any dispute as to quantity as a result of which receipts have been withheld.

Is there going to be any serious question raised by the government as to the extent to which their programs have been fulfilled? Are they claiming disparities between the computed amounts of their receipts and the gross amount of the program?

Experience of outturn reports. Difference between outturn reports and subsequent receipts from government, particularly where it indicates that certain goods have been used by the Mission.

Turnover of properties to recipient governments. Ascertain whether there have been agreed inventories of property turned over, whether any discrepancies will be claimed, and see that the inventories are properly appraised in order to relieve expense, and charge Commodity Program. This entry should be part of the closing entries, but record of it should be sent in duplicate to Washington.

Obtain a complete list of all gifts to UNRRA in kind, which may have been made by the recipient government, with any notations as to the value thereof, in order that the Supply Department records at Headquarters, Washington, can be checked to see whether or not they are properly shown. All gifts will be listed in the final report and it is important to see that the list is complete and accurate.

#### GENERAL ITEMS FOR DISCUSSION

1. (a) Discussion of claims against UNRRA, commitments, deals, contracts or other sources of possible liability.
  - i. Claims of employees for workmen's compensation, wrongful dismissal, etc., etc.
  - ii. Claims of third parties for any cause.
- (b) Claims by the Administration for pilferage, destruction of property, equipment, etc. Have Missions forwarded notification to E.R.O.?
- (c) Pending lawsuits, judgments, attachments, etc.
- (d) Does agreement with recipient government accept these obligations and future ones, and release UNRRA?
2. Write-off of losses. Survey reports.
  - (a) Are all losses covered?



- (b) Have all entries been made?
  - (c) Has Headquarters and E.R.O. been advised to validate tentative entries for survey reports waiting approval?
3. Disposal of UERRA funds. This will cover the condition of every item of cash, including local currency, travellers cheques, I.O.U.'s, negotiable instruments, etc., etc. Where local currency accounts or hard money accounts are to be left open in the field (in this connection see memorandum re payment of UERRA expenses out of UERRA accounts in PCIRO/UERRA Offices), precise arrangements as to signatures, use of funds and eventual disposition must be settled.
4. While all records must be kept on location until released first by the internal auditors and finally by the external auditors, the condition of the records and the way they have been marked should be discussed where possible. Permission of external auditors should be obtained to release all records up to 1945 and up to 1946, as if E.R.O. is also completely finished with such records, it may have the effect on the instructions for multiple transfer. In this connection, London warehouse and other employees should be instructed not to empty, transfer or interfere in any way with the records as they come in from the field.

#### AS TO ACCOUNTING BOOKS, RECORDS, AND STATEMENTS

1. Condition of books and accounts in relation to Financial Statements.
  - Status inter-office accounts - settlement of all items with Field Clearance Branch.
2. Status of trial balances and details supporting control accounts.
3. Use of Bulletin 9. The effect of entries made under Bulletin 9 should be to bring about the reconciliation of the Mission expenditures of local currency with the reconciliation of cash drawn.
4. Notes re overdue accounts, claims, etc.
  - (a) What is the position re advances made to employees, particularly in regard to those made in local currency or out of the hard currency float for field entitlement, against home allotments for travelling, etc.
  - (b) Claims outstanding for uniform allowances.
  - (c) Any known liabilities for replacement of goods and stores borrowed from armies or governments.

5. Do the accounts reflect proper charges to IRO, WHO, other agencies?
6. What write-offs have been made? Survey reports status?
7. Accounting for disposal of surplus property. Are controls in effect? Have all cash and credit sales been reflected?
8. There should be a statement from a responsible official as to the system under which PX supplies were controlled, whether only quantitative records were maintained, whether it was solely within the jurisdiction of Administrative Services, or whether the cashier and accounting people shared some responsibility, the nature of any losses which occurred, and whether appropriate survey reports have been prepared.
9. Leave Records - condition of :
  - operated as ordered or some substitute system
  - from what date reliable as assuring no overpayments.
10. Implementation Financial Control Order No: 3. Are summaries reconciled with control charge to personal service account charge on Mission books and offsetting credit to Personal Service account by home accounting station?
11. The final expense reports of the Mission should be in two groups for each of the currencies involved. These two groups are :
  - (a) The expenses of the Mission itself.
  - (b) The expenses for other missions and operations of UERRA.

It will be desirable to obtain such statements for the following currencies :

- (a) Local currency received free from the recipient government. It is desirable to distinguish between the expenditures of free local currency and the expenditures of purchased local currency, as from some items of expenses which are properly chargeable against the latter. Appropriate segregation of such expenses against purchased local currency acquisitions are, for example, being made in Italy.

Where such a segregation cannot be made, there should be a reconciliation of the local currency expense statement, with the cash account made up of the total of the currency furnished free by the recipient government, and local currency purchased by UERRA.

- (b) The expenditure of the local currency of any other recipient government.



This must be accounted for in detail. We have already instructed Vienna and Belgrade, for example, that the expenditure of lire drawn from Trieste must be supported by a detailed cash book and a segregation of the vouchers. The expenditure by a mission of some other local currency other than that of its own recipient government must be segregated in London, and a report sent to the Controller in Washington.

- (c) The expense statement reflecting the expenditure of the hard money reserves of the Administration. These should consist of two parts :
- (i) After April 1st, 1946, there should be shown separately by currencies such expenditures that were made from the hard currency floats permitted to be carried by the Missions.
  - (ii) Prior to April 1st, 1946, there should be reflected the hard currency expenditures, debit noted through the current accounts, which should then be disentangled as outlined above.

#### AS TO COMMODITY ACCOUNTING

It is not clear that the Supply Department records are complete enough to be embodied in the accounting reports. It will be advisable to raise as many questions as possible as it will help us to find out what the condition is. In particular, questions relating to the filing of claims and discrepancy reports should be discussed, whether or not important discrepancies on unloading for the subject of an independent surveyor's report, which would support a claim against the shipper. Western Hemisphere claims have been filed in great number, and Mr. Hastie, representing our attorney, is examining the files and documents in the European missions. Survey of these files are urgently needed in Washington and while they are being routed to E.R.O. after release by the external auditors, they should be immediately examined by E.R.O. and forwarded to Washington without delay.

Apparently E.R.O. has filed no claims whatsoever against shippers for discrepancies on Eastern Hemisphere shipments. The facts at the time the report was sent to Washington should be noted. It probably will be impossible to indicate the possible recoveries except as a general footnote.

AS TO INTERNAL AUDIT

The precise status of the internal audit should be set out in writing :

- (a) As to what has been audited, having in mind that we wish to show how closely we have approached a 100% of all transactions.
- (b) What remains to be done. We need to hold the books and records and the personnel until this is completed.
- (c) Settlement by appropriate entry, and the obtaining of the necessary statements of responsible officials, which will enable us to clear every open item in all existing internal audit reports.

AS TO EXTERNAL AUDITORS

In this program the external auditors are to be kept advised at all times, invited to observe or participate. We will be most grateful for any suggestions as to matters to be investigated and for lists of any open items upon which further information is desired.



PROCEEDS OF SALE

In an attempt to bring about some uniformity and regularity in the filing of reports required under the agreements with the recipient countries covering statistics on the proceeds of sale of UNRRA supplies, the Chief of each Mission was given a set of instructions, under date of 29th January 1946, elaborating on the procedure set out in Administrative Order A.120 and requiring the use of a form E.F.2. This Order did bring about some improvement in the filing of reports. However, investigation of those received showed that there were wide discrepancies in the interpretation of terms, in the procedures used in arriving at the figures and in the degree of accuracy.

As part of the closure function of the Missions, the Chief of each Mission was asked to obtain an agreement covering the disposition of net proceeds and such further proceeds as might be derived.

Discussion in the Missions showed the need for some uniform approach. As a result, the following memorandum was discussed at each Mission and the results are discussed in the Section of this report covering the survey of the Missions.

"A report will be required by 1st August 1947 for the most up-to-date period.

"This report should consist of the following items as a minimum, with full explanatory notes so that there may be no chance of misinterpretation of the report:

- "1. Total program in dollars - furnished by Mission
- "2. Not received as of ... in dollars - furnished by Mission
- "3. Not distributed as of ... in dollars  
This item should be an estimate of the program value of goods still held in depots or warehouses and not distributed - furnished by Mission and Government jointly.

Usually it is only for the Mission and the Government to agree that a flat percentage of the total of a particular program has still not reached a stage where it is distributed and billed; for example, 10% of the medical program might not have reached the channels of distribution by the given date. This figure is of importance because otherwise it appears that the gross proceeds received for the goods actually distributed may be unnecessarily small.

- "4. Total received and distributed in dollars  
(Items 1 minus 2 minus 3 equal item 4)
- "5. Counterpart of item 4 stated as Gross Proceeds of Sale in local currency

This is not a straight conversion of the dollar value at the rate of exchange, but the actual proceeds of cash and credit sales, leases and rentals on all goods distributed to individuals, private or government agencies, etc.

Note. For the purpose of the agreement, the gross proceeds expected to be derived from the entire program should be used.

In connection with this item, the Mission should state whether or not they were consulted in advance as to the prices charged by the Government for UNRRA goods.

Where capital goods have been distributed with no income to the fund, the Administration will have to comment, on printing the report, on this particular fact and estimate the value of this contribution to the recipient government which has not been reflected in the proceeds of sale and therefore has not been included in the funds available for relief and rehabilitation projects. The Mission should make an estimate of the local currency value of such capital goods.

Where no funds were received for any particular period as, for example in Yugoslavia between April 15th and July 1st 1945, this fact will be printed in the report and the Mission should state categorically whether or not funds were received from recipients by any agency of the government for any of the supplies distributed during this period.

- "6. Deductions. This item should be supported by a detailed itemization of major classifications of expense. Particularly customs, excise duties, taxes, railway charges, etc. should be separated from administrative salary costs. Enough information must be given to enable the Mission to determine that the charges are within the purview of the agreement and the Council resolutions.

If there are any substantial charges for repairs or reconditioning of UNRRA program material, these amounts should be set out separately and fully explained.



The Mission must note, in relation to railway charges for the distribution of program within the country, that the rates charged are the normal intergovernmental agency rates and are considered reasonable, and, secondly, that the total charge does represent a fair evaluation of the cost of distributing supplies.

- "7. Net proceeds  
(Item 5 minus item 6)
- "8. Currency advanced to the Mission  
Agreement should be reached between government and Mission records.
- "9. Services and facilities charged against local proceeds of sale representing expenses for the account of UNRRA.

While these will not be entered in UNRRA's accounts, they will be detailed in the financial report and for this reason the amount should be agreed and sufficient itemization provided to permit of classification into major categories.

Where the Mission has paid for all services and facilities out of the funds provided, a statement, agreed by the government, should be included under this heading to the effect that there will be no charges whatever against the proceeds of sale.

- "10. Balance allotted to approved projects  
(Items 7 minus 8 minus 9 equal item 10)

To the figure thus derived should be added the estimate of gross proceeds still to be received (See note item 5) and the agreement covering the disposition of the total sum should be summarized and attached as is to the report to supply the data under this heading.

To the total of the actual net proceeds at the date of the final report, as checked and approved by the Mission, must be added an agreed estimate of the value, measured in terms of proceeds in local currency, of the goods still to be distributed and those still to be received and distributed in the country, less the cost of distribution thereof. The total estimated net proceeds of the entire operation are then supposed to be covered in an agreement which lists, in complete detail, the projects approved by the Mission as being a proper use of the funds within the purview of the agreement with the government and of the Council resolutions pertaining thereto.

In the event that no such agreement is reached, or where there is an apparent deficit, the Mission should furnish a full explanation and should obtain, if possible, the agreement of the government to this statement.

Wherever the local proceeds have gone into general revenue and wherever expenditures for relief and rehabilitation projects have not been earmarked and made specifically from the UNRRA proceeds of sale, this fact must be noted in the report. Usually this means that, of certain gross amounts spent for relief and rehabilitation by the government, certain arbitrary amounts are taken and attributed as expenditures from the proceeds of sale. If the Mission can satisfy itself that these arbitrary allocations reasonably represent what happened to the net proceeds, it should add a statement to that effect, but, where it cannot do so, this fact will be noted in the printed report."

ERO is scheduled to receive all reports and agreements by 15th August and, after completing their inspection and review of them, will forward the documents to Headquarters. It is then planned to prepare the draft of a complete report preparatory to turning the function over to the appropriate successor authority.



REPORT OF CONTROLLER ON VISITS TO EUROPEAN MISSIONS

It is recommended that the attached report be treated as a restricted document as a good deal of the information contained therein does not represent issues or problems but constitutes merely a part of the whole picture which must be considered in an appraisal of the general situation. It would be possible to make excerpts, if the Committee desires, of the material covering any matters for which a wider distribution is considered desirable.

The comments in this report were not developed as a result of a detailed audit. They represent a reasonably complete survey and investigation of all the matters which might have a bearing on the accuracy of the financial statements. This survey was particularly designed to ascertain the general condition of the accounts; whether or not any areas of liability and obligation remained undisclosed; what sections of the work were in a condition to require special action or deployment of personnel and what personnel should be required to remain to complete the settlement, documentation and recording of important transactions. It was also to determine those areas in which internal audit work, in excess of the minimum program, would be ordered.

In considering the replies and comments obtained from personnel in the field, it must be borne in mind that there was an extensive change in the personnel in authority after the end of 1945. While these people spoke with authority for what had transpired during their tenure of office, they were not well informed on what had happened previously. While they were usually aware of gross breaches of the regulations or failure to adhere to instructions, they could not be expected to give the information as to how accurately the detailed work had been carried on. Reference to audits and other reports for those periods was made in order to throw as much light as possible on the matters.

In the reports which follow, it will be noted that the Survey of the Italian Mission, which comes first, is in considerable detail. The examination was no less extensive at the other missions, but the reports are more in the nature of a resume.

## SURVEY OF ITALIAN MISSION

### FINANCIAL AND ACCOUNTING OPERATIONS

The Italian Mission is an extensive operation and the financial and accounting problems are many and varied. They include the control of numerous imprest funds in regional offices as well as a very large payroll operation. The agreement with the Italian Government calls for UNRRA participation in the management of proceeds of sale to a degree not covered in other missions.

The books and records were found to be in very good shape. There is a permanent internal audit staff residing in Rome and they have been able to keep the operations under fairly continuous and current audit. The June 30th statement will be completed before the end of August and the internal audit thereof will be finished by mid-August or soon thereafter. The external auditors also maintain a permanent office in Italy and, as a result, the work has progressed under a fair degree of audit supervision.

All financial statements, supporting trial balances and details of control accounts were examined and discussed. In addition, every effort was made to develop all unpaid claims, contingent liabilities and transactions not recorded on the books. As a result of this work and the general survey which is detailed below, we have reason to believe that the Italian Mission will produce a very good set of accounts at the close of its operation.

The following major questions were also discussed in a series of conferences with the results shown. This list of major questions is also used in London in the clearing of the accounts with the returned personnel so that all of these questions will be reviewed for a second time.

### MATTERS COVERED IN SURVEY

#### A. In Relation to Receiving Government

##### 1. Proceeds of Sale

- (a) Reconciliation with the Government for accounting of local currency

Until very recently the Mission had kept the Government's accounts and the turnover of local currency was fully reconciled.

- (b) UNRRA's Use of Local Currency

As the Mission had followed the agreement to the letter no question had been raised by the Government as to the use of local currency. The use of lire for the Trieste



operation was covered by separate agreements, and in any event, in view of the possibility of dollar payments to cover its acquisition, this would be a hard money expenditure.

(c) Reconciliation of Charge Shown for Services and Facilities

The Italian Government has paid from the proceeds of sale account the rental of properties used by UNRRA. It has supplied a list of these properties to the Mission and each item has been verified and the bills passed to the Delegation for payment. There was full agreement between the Government and the Mission on the amount and the facilities charged for.

(d) Proceeds of Sale Reports

Due to the control by the Mission of the lire fund, proceeds of sale reports were in excellent condition. UNRRA has more complete information on this aspect of the operation at this Mission than in any other place. Proceeds of sale report was checked against the list of minimum requirements and Mr. Hopkins agreed to review the April 30th report to see that it conformed in every particular to the requirements.

(e) Nature of the Final Agreement

The final agreement was inspected and found to be completely adequate. In particular it records the agreement by the Government of the figure for gross proceeds of sale and the use of local currency and of other deductions to arrive at the net proceeds figure. It also agrees to assume the liability for all unsettled claims which may appear after the funds have been turned back to the Delegation so that the Mission books can be closed with no possibility of contingent liabilities.

2. As to the Program

(a) Receipts from Recipient Governments for all types of Shipments

Receipts were held for all shipments except a small number of air and ship movements of medical supplies delivered to the UNRRA Medical Teams at the camps in the early days of the operation. While the Italian Government could not give receipts indicating that they had accepted deliveries, they did give qualified receipts stating they were satisfied that the goods had been received and were properly used in the program.

Receipts for Balkan stockpile supplies had been received and forwarded to ERO in April 1947.

- (b) Receipts Withheld due to Disputes as to Quality, Quantity or Condition

There were no receipts withheld for any cause.

- (c) Any Question as to the Extent to which the Program had been Fulfilled

Major Hodgetts stated that the Government had no question regarding the fulfilment of the program. They had been consulted and had agreed to all conditions of the original program and claimed no disparities. As to the transfer of program items to PCIRO, arrangements were made for the acceptance by the Italian Delegation of the facilities used in the transport of food to the displaced persons and their agreement to turn them over to PCIRO.

- (d) Experience with Outturn Reports

Since the change of procedure under which the Italian Government took title at shipside, the system of outturn and discrepancy reports had worked well and there were no disputes on this point.

- (e) Difference between Outturn Reports and Subsequent Receipts from Government, particularly where certain goods had been used by the Mission

There was no dispute on this point as the amounts drawn from the program for such items as food for Class I dependents, displaced persons supplies and similar withdrawals had all been agreed and settled with the Delegation. In this connection it was noted that UNRRA had withdrawn coal from the Italian program which it had paid for. While only 460 tons of coal were involved, no accounting had been kept of the disposal of this amount apart from the setting up of sales to Class I personnel living outside the Mission.

### 3. Turnover of Properties to Recipient Government and to PCIRO

This matter has been very thoroughly covered and provision made for joint taking of inventories and obtaining receipts from the recipients. Arrangements are going forward for the pricing of these inventories in order to relieve the expense account. Survey reports for missing items had been prepared and are under investigation.



4. Gifts in Kind

The Mission was asked to prepare a schedule of any gifts in kind made by the Italian Government and the value thereof and to forward it to ERO for confirmation with supply records.

B. As to Accounting

1. Condition of books and accounts, status of interoffice accounts, status of trial balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities

From the audit work already carried out and the general inspection made at the time and from discussions with Mr. Winfield, the condition of the Mission accounts appears to be satisfactory. The trial balances and control accounts are supported by the necessary schedules. Full reconciliation of interoffice accounts was maintained against the last available report from ERO and any open items would be placed on the books when the reports were brought to London. A check of the final statements showed that they were well prepared and the Chief Accountant was instructed that the final report should be filed in the fullest detail with adequate notes covering all contingencies, explanations and other matters necessary to the complete disclosure of the financial condition.

2. Use of Bulletin #9, disentanglement of currencies and preparation of Mission expense statements

Receipts and expenditures in free local currency would be shown separately in the final report. While the lire-accumulative totals were free of converted items from April 1946 it appeared that some lire expenses may have been debited through interoffice accounts to Cairo and other points, and on the other hand, expenditures of other currencies had been debited to Italy and converted to lire. A worksheet was laid out calling for an analysis of the interoffice accounts and the disclosure of these expenses in the currencies of original disbursement. A format which would reconcile the Mission statement of expenses incurred in free local currency with the cash amount was developed. It included not only the local currency received from the Government but miscellaneous receipts from the sale of hard currency acquired PX and British NAAFI supplies, sale of food to Class I dependents and similar miscellaneous receipts. It is probable that the work will have to be completed in London but the problem was fully discussed and as much work as possible would be done in the Mission.



3. As to overdue accounts and claims, particularly advances made to employees in local currency or out of the hard currency float for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowances, and as to any liabilities, for repayment of goods and stores borrowed from armies and governments:

Advances were all being cleared and it was anticipated that by June 15th there would be no accounts outstanding. There were no known liabilities for repayment of goods and stores borrowed from armies or governments except the question of flour (this matter was later checked in London and, as a result, it was found that 5,000 tons of flour borrowed from the British military authorities had not been repaid and it was agreed that an invoice should be submitted for payment). On the other hand, it appears that the American and British military authorities had borrowed coal from UNRRA which was part of the Italian supply program and the Mission is negotiating for the return of the same amount of coal or the payment of the hard money equivalent.

When the Italian Mission first started the operation, supplies were delayed in coming forward and it was necessary to borrow certain materials from the Allied Commission. The money value of these supplies was later returned in the form of supplies, but there never was a straight exchange, commodity for commodity. It was believed that a balance had been reached, but it was agreed to verify the fact that no further liability existed.

4. Charges to other Agencies

Charges to IRO, WHO and other agencies appear to be fully covered in the books and records and the procedure for debiting through to ERO had been carried out.

5. Write-off of Losses and status of Survey Reports

Survey reports have been prepared for all losses, but a considerable number were held in Italy for further investigation and had not been reported through to ERO and Washington. The Mission Survey Board was instructed to complete its investigations and forward the findings without delay. As in all other missions, a good many of the losses did not show up until the transfer of property was made. A considerable number of survey reports were expected after the June 30th closure.

6. Disposal of Surplus Property

Losses resulting from the sale of surplus property, due to a faulty administrative set-up which did not provide an independent source



for the collection of money from purchasers, had been investigated, and the person responsible jailed. Subsequent procedures provide the necessary internal check. The procedures and regulations were reviewed in detail and discussions with the internal audit staff indicated that they were being carried out.

7. Money transferred to other Missions or Offices

Instructions were given to attach a separate report to the June 30th statement listing the advances of lire made to other offices. Offices receiving such funds have been instructed to prepare a special analysis showing just how they were disbursed and FRO will have the responsibility of matching the two sets of figures.

8. Financial Order #3

The summary of acquittance rolls called for in Financial Order #3 had been prepared and forwarded to home accounting offices. However, the totals had not been tied in with the charge to personal services as this requires an analysis of the account. This work was proceeding. Instructions had been given to the home accounting offices likewise to tie in their summary of acquittance rolls with the credit to the salary account.

9. Leave Records

The leave record system outlined in the regulations is being followed and all responsible officials stated that they felt that they had been well kept. Major Hodgetts had made personal investigations of selected groups and was satisfied that no loss would accrue to the Administration because of the payment of accrued leave to people who had already taken it.

In this Mission as in all missions, it is difficult for responsible officials to state categorically that some Team Captain in a far away station had not permitted an employee to take an afternoon off without recording it, particularly in the early days of the Mission. There is nothing to indicate that taking leave without record was going on or that the responsible officials were not enforcing the regulations.

10. PX Records

PX accounting in Italy and in all the Missions has presented very difficult problems. In the first place, there has never been a financial control of PX operations and reliance has been placed on

quantity records. Some Missions have supplemented the basic instructions with financial controls and in Italy the retail store system was used whereby the acquisitions by PX were priced at sales prices, periodic inventories taken at sales price and reconciled with sales receipts figures. As a result there appears to have been no financial loss in the running of the PX. However, Class II personnel are used in the running of the store and investigation made by internal audit staff developed the fact that in order to get such special items as cigarettes in excess of quantities allowed, sales tickets had been made out for other items of equal value so that, while total receipts are accounted for, the specific quantities of goods on the inventory vary from what should have been on hand. Thorough investigation indicated that the matter had not gone very far and disciplinary action was taken against the responsible people and the PX closed as of 30th April.

C. As to Commodity Accounting

The major items under this heading were covered in the discussions of matters relating to recipient governments. In order to carry the supply accounting records through to June 30, arrangements have been made to keep the supply accountant on the job to the end of August. ERO is working on a plan for the taking over of all receipting of shipments by commercial companies, at which time it is hoped that the supply accounting can be finished in London.

The supply accounting records were up to date and in good shape. Proper procedures have been followed as to discrepancy reports including making of independent surveys for losses claimed while on shipboard. These have been presented to London and Washington as provided in the regulations.

D. Items Discussed with Chief of Mission, CFA, and Heads of Departments

1. Discussion of Claim against UNRRA, Commitments, etc.

All department heads were requested to report any verbal or written agreements, commitments, actions or transactions which would raise claims against UNRRA, regardless of how remote or unsound they might consider them, in order that every possible contingency would be reflected in the final reports. Assurances were given that, while no such contingencies were known to exist, a very careful further examination would be made.

2. Claims of Employees for Workmen's Compensation

Claims of employees of this type have been settled under social security laws of Italy and future claims are provided for in the



final agreement with the Delegation thus removing any contingent liability.

3. Claims of Third Parties for any cause

No outstanding claims were discovered. Third party liability which may arise in the future is covered in the agreement with the Delegation.

4. Claims Against Administration for Pilferage, Destruction of Properties, Equipment, etc.

Very careful records of the condition of properties at the time of leasing were maintained and an appropriate system for recording the condition in agreement with the landlord on leaving. The matter was well in hand and at the time there were no outstanding claims.

5. Pending Law Suits, Judgments, Attachments, etc.

There was no record in the Mission of any unsettled matters under this heading.

6. Disposal of UNRRA Funds

The instructions for disposition of UNRRA funds and the return of local currency were discussed in detail and found to be thoroughly understood. As UNRRA will maintain free lire accounts for sometime after June 30th and the lire fund control will continue in existence until that time, no difficulty is anticipated.

7. Transfer of Title

A certificate giving the facts as to transfer of title to program items to which UNRRA had retained title was to be prepared and attached to the final financial statement.

8. Disposal of Records

All records would be retained in the Mission until released by the internal auditors and finally by the external auditors.

9. Other matters discussed

In addition to the regular survey for all Missions the following special points relating to Italy were discussed:

Status of SACMED Agreement

This agreement, dated 15 July 1946, became effective on 1 August 1946 and its purpose was to establish the conditions under which Supreme Allied Command in the Mediterranean Theater of Operations transferred to UNRRRA the responsibility for the care and maintenance and repatriation of non-Italian displaced persons in Italy who were eligible for UNRRRA assistance. The Director of Accounts had brought the settlement of the SACMED agreement to conclusion which briefly stated is as follows:

- (a) U.S. Army movable property; all cleared with payment to be made of \$7,941.69. British movable property, clearance given all items. British non-movable, all cleared with payment of £494. The only open question is a bill from the Director of Hirings and Disposals of British Army for rental of fixed assets £17,196. UNRRRA takes the position that such rentals are not chargeable and the matter has been referred to our office in London where it is now under negotiation.
- (b) Charges by British Military for handling of cargoes on Military quays.

A bill was rendered by the British Army for these charges covering a substantial period of time. All shipments were checked and steps taken to reimburse the British military in lire. This removes all open items which can be settled without reference to War Office in London.

E. As to Internal Audit

There is a permanent unit in Italy under Major Tweed which works in very close conjunction with the external auditors and which has kept the accounts under fairly constant, current audit. It is expected that they will complete considerably more than the minimum program agreed with the external auditors in March. They expect to finish the audit of the accounts through June 30th by mid-August and will then proceed to London to join the audit group there.

F. As to External Audit

A number of discussions were had with Mr. Winfield. Points raised by him were made the subject of special discussions with the Chief Accountant, the Chief of Finance and Administration and internal auditors. Adequate personnel and all necessary records will remain in Rome until released by the external auditors.



ALBANIA

There is no report as this Mission was not visited.

Internal audit is completed through 31st March 1947. As the Mission closed completely at the end of June, the remaining audit work will be carried out in London.

## SURVEY OF THE AUSTRIAN MISSION

### FINANCIAL AND ACCOUNTING OPERATION

Prior to the approval of a supply and relief program for Austria, UNRRA operated in Austria in connection with displaced persons under the SHAEF agreement. During this period, UNRRA was supplied by the British, American and French Armies, which, after the expiration of SHAEF, separately continued to provide currency, subsistence, POL, hospitalization, etc. even after commencement of the supply and relief operation and the consequent provision of local currency by the Austrian Government out of the proceeds of sale.

The Controller's visit to the Austrian Mission was prolonged to ten days due to the difficulty of negotiating settlements with the three Armies owing to lack of agreements. Particulars of these negotiations are covered in the section on Army settlements.

During the visit, various adverse statements and criticisms in the latest internal audit report were thoroughly investigated in a series of hearings conducted by the Chief of Mission. As a result, it was clear that the chief shortcomings were faulty documentation and less precision and promptness in handling some types of transactions than was required. While the Mission may not always have followed the regulations, there was nothing to show that, on the whole, they did not use good judgement in making decisions and in preserving the records necessary to support their action.

A summary of the conclusions reached follows:-

It was agreed that home stations should be notified without delay of travel charges against employees in view of termination and the possibility of loss.

It was agreed that, while the Mission had not conformed to the procedure for handling leave records, the way in which they had compiled their own version was accurate and that the Administration had suffered no loss because people had been paid for leave which they had actually taken.

The corrected inventory of the supplies at the Post Hotel showed that the overages and shortages were not sufficient to indicate unsatisfactory management, although it had been deemed advisable to institute more rigid control in an attempt to eliminate even this degree of inaccuracy. There was nothing to indicate that the funds of the Administration were not being correctly accounted for.

Apparently a bad situation reflected by what purported to be I.O.U.s in the cash box was not indicative of unsatisfactory administration although it did show slipshod accounting for what were really interest advances.

As to the payment of employees in excess of £12.00.0 in BAFVSs or MPCs, it was quite clear that there was no breach of the currency regulations of the pertinent countries. It is clear that UNRRA's own rules in regard thereto



were followed because the excess in each case was approved by the Chief of Mission after investigation of the facts, that the payments involved only emergency advances in reasonable amounts for obviously necessary purposes and the same person did not obtain such advances more than once.

In the approval of travel claims, the maximum allowance for personnel in travel status in the United States and Great Britain has been interpreted by the Mission as a flat per diem, but as this only applied to a few people who passed through these countries and the actual expenses may well have very closely approached the maximum, the loss, if any, is not substantial.

As to the repayment to the Mission of Austrian Schillings on travel advances incurred in hard currencies, this is a common practice and has an offsetting effect. At the time this was done, Austrian schillings were interchangeable with dollars and pounds, and the Mission is not subject to criticism on this point.

A special survey of the PX and NAAFI stores has been ordered in an attempt to ascertain whether full sales receipts have been accounted for and whether the reported sales of stock conform to the actual sales as reflected by the beginning and ending inventories and intervening transactions. It is not believed that any financial loss is involved, but the result of such an investigation should permit the preparation of a report showing the financial results of the operation.

It was agreed that the report of the auditors through 31st March, 1947, showed that the books and records were in satisfactory condition and that the entries, with the exceptions noted in the report, were fully substantiated.

The Chief of the Mission and the Chief of F. & A. agreed to keep constant pressure on this entire operation so that the work from now to the closing of the Mission would be completely satisfactory and so that the few remaining queries for the prior periods would be cleared up at the earliest possible moment.

It was agreed that the internal audit of the Missions accounts would be made in Vienna and, for that purpose, the internal auditors would arrive in mid-June and would complete the audit and, if necessary, assist in the preparation of financial statements for the period ending 30th June, 1947, which it is expected will be completed before the end of July 1947. Meanwhile an accountant at Vienna was assigned to the task of further detailed checking of vouchers and miscellaneous receipts.

The problems involved in the transfer of the D.P. Operation to PCIRO were discussed and plans for the joint utilization of the accounting staff evolved. These were later finalized in London and are covered in a separate report.

The following major questions were also discussed in a series of conferences with the results shown.

MATTERS COVERED IN SURVEY

A. In relation to Recipient Government

1. Proceeds of Sale

- (a) Reconciliation with the Government for accounting of local currency

The reconciliation was up to date

- (b) UNRRA's use of Local Currency

There had been no question

- (c) Reconciliation of charge shown for Services and Facilities

On the reports received to date no charge had been made and the Mission did not know of any services and facilities for which the Government might contemplate charging the proceeds of sale account.

- (d) Proceeds of Sale Report

The format and requirements for the proceeds of sale report and the agreement were discussed with the Chief of Mission in great detail. A draft of an agreement had already been prepared which was satisfactory and which included an unusual provision for the supervision of the allocation and distribution of the fund by a board of trustees.

The Mission and the Government were working in close conjunction on the preparation of the report and it was expected that it would meet the requirements.

2. As to Program and Commodity Accounting

Supply accounting was established on a firm basis early in 1946 under competent supervision, and the records for the prior period and to current date were in very good shape.

There has always been a difficult problem in reconciling the receipts obtained from the Government because of the fact that the goods come in from foreign ports and across other territories before being turned over. Nevertheless receipts were held for the bulk



of the shipments. Discrepancies between the outturn reports at Trieste for example and the receipt from the Government were under current investigation and, of some 203 cases of major differences, 180 had been settled.

It was arranged for the supply accountant, Capt. Smith, to remain in Vienna at least until August 31st to clear up the matter of receipts, obtain receipts for subsequent shipments and to complete the supply accounting.

London was instructed to investigate the question of double charges on 1,300 Canadian vehicles shipped to Austria. Bills were received from the British Army for parts and services although the source of supply had apparently billed UNRRA for complete vehicles.

The Chief of Mission stated that there had been no question by the Government as to the extent to which the program had been fulfilled.

Withdrawals from the program for administrative use and for DPs had been handled by proper receipting procedure and there were no questions.

3. Turnover of Properties to Recipient Government and to PCIRO.

This matter was very thoroughly covered and provision made for the joint taking of inventories and obtaining receipts from the recipients. Instructions were given for the pricing of these inventories in order to relieve the expense accounts.

4. Gifts in kind

Instructions were given for the preparation of a schedule of any gifts in kind made by the Austrian Government and the value there. This was to be forwarded to London for confirmation with supply records.

B. As to Accounting

1. Condition of books and accounts, status of interoffice accounts, status of trial balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities.

From the audit report and from an examination carried out at the time of the visit, the books and accounts appeared to be satisfactory. The Financial statements adequately reflect the position and are supported by the necessary schedules giving breakdown under the various headings. Interoffice account reconcil-

iations had been effected up to the date of receipt of the last transcripts. Transmittal letters were being forwarded by the Mission in accordance with instructions.

There is every reason to believe that the June 30th financial report will be satisfactory and fully equal to the standard of work in other Missions.

2. Use of Bulletin #9; disentanglement of currencies and preparation of Mission expense statements.

Bulletin #9 had been implemented and details were being forwarded with the worksheets.

Discussions took place on the work involved in reporting expenditures in the original currency for disbursement. It was felt that this work, though creating no great problem, should be carried out in London rather than at the Mission as the workload would not allow sufficient time to be allotted in view of the early closure of the Mission.

3. As to overdue accounts and claims, particularly advances made to employees in local currency or out of the hard currency float for such purposes as field entitlement, against home allotments, travel, etc., as to claims for uniform allowances, and as to any liabilities for repayment of goods and stores borrowed from Armies and the Government.

Outstanding advances to employees except for travel had been debited to Home Stations for collection and it was proposed to follow this procedure in respect to certain claims for uniform allowance. Instructions were given for the immediate debit to home stations of all travel expenses for which the employee should bear the cost.

There were no known liabilities for replacement of goods and stores borrowed from Armies or from the Government

4. Charges to other Agencies

Charges to other Agencies and to Voluntary Societies were being properly dealt with and the necessary advices were being forwarded to London for collection.

5. Write-off of Losses and status of Survey Reports

The procedure has been implemented and survey reports covered all write-off actions and known losses.

6. Disposal of Surplus Property



The only surplus property disposed of was some scrap metal and this had been turned over to the Government for the proceeds of sale account in accordance with the survey committee's recommendation.

7. Money transferred to other Missions or Offices

No money had been transferred to other offices

8. Financial Order #3

The provisions of this order had been carried out except for the reconciliation with the charge to Personal Services account.

9. Leave Records

The official system of leave records was not in use until very recently. The Mission contended that the personnel files provided all the necessary information. It was pointed out to the Mission that the requirements of Accounting Procedure #4 from ERO was not being complied with and that, when the personnel files were forwarded on termination, no record was left in the Mission for audit.

While the Mission had not conformed to the procedure for handling leave records, it was agreed that the way in which they had compiled their own version was accurate and that the Administration had suffered no loss because people had been paid for leave which they had actually taken.

10. PX Records

A special survey of the PX and NAAFI stores had been ordered and was in progress in an attempt to ascertain whether full sales receipts had been accounted for and whether the reported sales could be approximately checked against the gross acquisitions less the final inventory. This investigation was the result of an internal audit report statement to the effect that the PX accounting was inadequate and that a number of sales slips were missing.

C. Items discussed with Chief of Mission, CEA and Heads of Departments

1. Discussion of claims against UNRRA, commitments, etc.

No unrecorded liabilities or contingencies were disclosed.

2. Claims against the Administration for pilferage, destruction of properties, equipment, etc.

In view of the attitude of US Forces, Austria, in which they proposed to charge US dollars for billets (since withdrawn, by

action of the War Department) it was not known what attitude they would take in regard to the condition of the promises kept in Vienna. No claims should arise.

3. Disposal of UNRRA Funds

The instructions sent out by ERO were thoroughly understood. Plans were made for the retention of sufficient local currency to pay the expenses of UNRRA without the use of PCIRO money.

4. Transfer of title

A certificate giving the facts as to transfer of title to program items to which UNRRA had retained title was to be prepared and attached to the final financial statement.

5. Disposal of Records

All records would be retained in the Mission until released by the internal auditors and finally by the external auditors

D. As to Internal Audit

The accounts of the Mission had been internally audited through 31st March 1947. Arrangements were made for the internal audit to June 30th to be completed before the final closure of the UNRRA office in Vienna.

F. As to External Audit

Audit for 1945 had been completed, but it was not known whether the external auditors would audit the 1946/47 accounts in Vienna or in London.



BYELORUSSIA AND UKRAINE

Instructions to the Deputy Controller were as follows:-

"As we were unable to get permission to enter Russia, we made no examination of the accounts and records; therefore they should be examined with extreme care, and the interviewer should go over every question with the appropriate officials.

"In view of the fact that Governments pay all the expenses, the final expense accounts of these Missions will appear as an analysis of facilities and services rendered by the Government. There will be no schedule which purports to show local currency received from the Government, and the expenditure thereof, therefore Bulletin 9 is not pertinent.

"In Minsk there is the question of government receipts for shipments from Czechoslovakia, and it is not clear that the receipting situation is satisfactory.

"Special attention should be given to the proceeds of sales reports and the appropriate officials should be asked to give us statements showing the extent to which these reports did or did not comply, or the manner in which they differ from the format laid out in the material turned over to the interviewer.

"In the Ukrainian Mission there is still the question of charging the employees for personal expenses which must be settled before responsible officials are released.

"Please give the accounts of both of these Missions special attention because the events which prevented us from getting explanations in the field will have to be noted in the reports."

## SURVEY OF CZECH MISSION

### FINANCIAL AND ACCOUNTING OPERATIONS

The Czech Mission from inception was operated by a comparatively small staff. Its main functions were the distribution of commodities and the operation of relief and rehabilitation services.

The books and records were found to be in excellent shape and it is considered that the financial statements reflect the true position.

Every effort was made to develop all unpaid claims, contingent liabilities, etc. although these, compared with other Missions, were few.

The following major questions were also discussed in a series of conferences with the results shown. These questions will be reviewed again in London in the clearing of the accounts with the returned personnel.

### MATTERS COVERED IN SURVEY

#### A. In relation to Recipient Government

##### 1. Proceeds of Sale

- (a) Reconciliation with the Government for accounting of local currency.

The accounts were in reconciliation with the figures given by the Czech Office over the telephone. For purposes of verification, total balances at agreed dates were to be given in writing.

- (b) UNRRA's use of Local Currency

There had been no question or complaint from the Government of UNRRA's use of local currency.

- (c) Reconciliation of the charge shown for Services and Facilities

It had not been the practice of the Czech Government to furnish services and facilities charging them against proceeds of sale. Instead, the Mission had been billed and had paid for everything it had received.

A statement that no charges will be made against proceeds of sale was to be furnished by the Czech Office.



(d) Proceeds of Sale Reports

Discussions were held with Government representatives as to the final report of the proceeds of sale and the agreement covering the disposition of net proceeds, as a result of which, a complete proforma of the report was prepared by a working party of the Government and Mission officials which should enable the Government to prepare an adequate report at a later date.

(e) Nature of the final agreement

The Controller visited Prague in early May and, at this point, the agreement to be drawn up with the Government upon the closure of the Mission was only in first draft.

2. As to the Program

(a) Receipts from Recipient Government for all types of shipments

Receipts were held for all shipments to 31st January including those covering two items of procurement - fish and machine engine oil - from the US Army. 4 receipts for shipments in February, 4 for March and 15 for April were outstanding on 30th April. Every effort was to be made to obtain these receipts at the earliest possible moment.

The Mission raised the question of the obtaining of receipts after the close of the Mission, at the same time stating that some supplies - spare parts - were not expected to arrive before the end of the year. The Controller stated that the question of providing personnel to take care of the receipts and supply accounting to August 31st had been taken up in London and Washington and that it was essential that the work be continued (Later arrangements were made for one Class I employee assisted by two Class II employees to remain in Prague at least until the end of August.).

(b) Receipts withheld due to disputes as to quality, quantity or condition

In discussions with Czech Government officials, it was stated that there were no disputes of any kind and that no receipts had been withheld.

- (c) Any question as to the extent to which the program had been fulfilled

The Government did not appear to have a precise understanding as to what amount of the remainder of the program was to be expected. The Controller suggested that the Mission should obtain up-to-date information from Washington and pass it to the Government so that there would be no question about cancelled items.

- (d) Experience with Outturn Reports

Outturn reports and shipping documents agreed with Government receipts, except for a very small number of discrepancies, which had been reported to Washington for claims against shipping companies.

- (e) Difference between Outturn Reports and subsequent Receipts from the Government, particularly where certain goods had been used by the Mission.

No goods were taken from the program for use of the Mission. Food and other items for the use of the Mission were bought on the open market; UNRRA was exempt from any taxes on these goods.

### 3. Turnover of Properties to Recipient Government

Arrangements were made for an appraised value to be set on the inventory of properties to be handed over to the Government, the Controller explaining that this was necessary to relieve the hard money expense accounts and charge the program. Locally acquired goods need not be priced. The Mission were asked to get Government approval of the value of the goods turned over.

### 4. Gifts in kind

A list of all gifts in kind from the Czech Government was provided by the Mission and was forwarded to Washington.

## B. As to Accounting

1. Condition of books and accounts, status of interoffice accounts, status of trial balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities.



From the audit work already carried out and from the general inspection made at the time, the condition of the Mission accounts appeared to be excellent. Full reconciliation of interoffice accounts was maintained against the last available transcript from ERO and the balance was in agreement with the Washington control account. The financial statements were well prepared and the Chief Accountant was instructed that the final statement should be filled in as fully as possible, showing every known contingency and giving full explanations necessary to the complete disclosure of the financial position.

Arrangements were made for the Chief Accountant to stay in Prague until mid-July in order to complete the June 30th accounts instead of reporting to London on June 30th.

2. Use of Bulletin #9; disentanglement of currencies and preparation of Mission expense statements.

The operations under Bulletin #9 were set up in the financial statements

The question of reconstructing the Mission accounts recorded in crowns in order to separate expenditures under various currencies was discussed with the Chief Accountant. As a test of the work involved in this segregation of currencies, Mr. Krauss agreed to analyse the Mission expense account at once and he was able, within 24 hours, to complete the analysis. As a result, the final financial statement as of June 30th will reflect the expenses in the original currencies of disbursements.

3. As to overdue accounts and claims, particularly advances made to employees in local currency or out of the hard currency float for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowances and as to any liabilities for repayment of goods and stores borrowed from Armies and Governments

Only one advance to an employee was outstanding and steps had already been taken to clear this item. The Mission personnel had been told that any claim they had against the Administration must be submitted by May 15th, and, as a result, two claims for uniform allowance had been filed and passed to Washington for clearance.

There were no known liabilities for replacement of goods or stores borrowed from Armies or from the Government nor was it anticipated that there would be any liability under this heading.

4. Charges to other Agencies

The only expenditure that had been incurred was in respect of FAO for which a separate account was maintained.

5. Write-off of Losses and status of Survey Reports

Only two cases had been dealt with under this heading; both were in connection with minor stock losses relating to Mission stores. The necessary action was taken by the survey committee and the necessary recording action taken.

The Mission carries insurance coverage for property and an all-risk insurance to cover motor transport; indemnity payments had been received covering losses of jeeps and other items. As the carrying of insurance coverage is not the usual policy of the Administration, the Mission were asked on whose authority this had been done, and it was found that the expenditure for premiums was provided by way of budget allotment approved by ERO.

6. Disposal of Surplus Property

At the date of the visit, no disposals had taken place. However, a procedure had been set up whereby such disposals were to be authorized by a surplus disposal committee and notified to the Finance Office for collection of monies due before the property was released.

7. Money transferred to other Missions or Offices

The Mission has transferred no money of any sort to other offices and there had been no bulk drawings of any sort from other offices.

8. Financial Order #3

Summary of acquittance rolls called for in the above order had already been prepared and forwarded to home stations with copies to London and Washington. Two queries raised by the Chief Accountant were referred to Washington for clarification. Instructions were given to reconcile the summary total with the charges to Personal Services account.

9. Leave Records

An examination of the attendance records showed that they were up to date and satisfactorily kept. The Chief Accountant was asked to attach a statement to the final financial report to the effect that he was satisfied that no loss would accrue to the Administration



because of the payment of accrued leave to employees who had already taken it if he felt that such was the case.

10. PX Records

The quantitative and financial records relating to PX supplies were considered to be satisfactory.

C. As to Commodity Accounting

The major items under this heading were covered in the discussion of matters relating to recipient governments

The supply accounting records were very complete and well kept. Arrangements were made for the clearance of a number of queries submitted by ERO relating to receipts for Suruk and Surprop shipments and shipments of locally acquired goods to other countries.

An examination of the records covering procurement made in Czechoslovakia showed that they were satisfactory. Complete files were maintained for all transactions from the inception. The supply accounting staff had made an examination of all transactions and had set up complete and satisfactory commodity procurement accounts for such transactions.

Details and reconciliation of funds remitted had been set out in a separate procurement account which was rendered to ERO monthly.

D. Items discussed with Chief of Mission, CFA and Heads of Departments

1. Discussion of claims against UNRFA, commitments, etc.

All department heads were requested to report any verbal or written agreements, commitments, actions or transactions which would raise claims against UNRFA, regardless of how remote or unsound they might consider them, in order that every possible contingency would be reflected in the final report.

The Mission reported that, as the Port Officers had been thoroughly drilled in what they could and could not spend, there would be no unknown liability.

In this connection it was reported that reimbursement covering expenditure in crowns to the Elbe Shipping Company for the movement of supplies on barges through Germany was requested by the Czech Government. Facts and figures were agreed in a series of discussions with Government representatives. This matter is further covered in the section on Army settlements.

The following claims and liabilities, reported settled, were discussed in order to ascertain whether any residual problems were involved. None were found.

- (a) Final settlement of all inland transportation charges Antwerp and Rotterdam \$575,000
- (b) Final settlement cost of post-hostility refugees \$225,000
- (c) Final settlement inland transit claims Black Sea Port \$2,200,000

Of the total of the above charges, \$800,000 was credited against a reduction in the Czech program, and \$2,200,000 paid in cash.

2. Claims of Employees for Workmen's Compensation

Claims from employees of this type are covered by the Government Social Security Scheme.

3. Claims of Third Parties for any cause

The Mission had third party insurance coverage for the following:

- Third party car insurance
- Accident Insurance of professional drivers
- Accident Insurance of fellow travellers (excluding foreign members of UNRRA)
- Third party Insurance as tenant of premises

This had been authorized by ERO.

4. Claims against the Administration for pilferage, destruction of properties, equipment, etc.

The Mission stated that there would be no liability under this heading.

5. Pending Law Suits, Judgments, Attachments, etc.

None were reported in this Mission.

6. Disposal of UNRRA Funds

The instructions for the disposition of UNRRA funds and the return of local currency were discussed in detail. In view of the decision to keep certain of the Mission staff in Prague longer than was originally intended, ERO was requested to give instructions for



maintaining a bank account for the payment of expenses during this period and also to cover the termination pay of personnel working in other Missions with home station Prague.

7. Transfer of title

A certificate giving the facts as to transfer of title to program items to which UNRRA had retained title was to be prepared and attached to the final financial report.

8. Disposal of records

As it was thought that the final internal audit could very well take place in London, instructions were given, subject to clearance with the external auditors, to send all the books and records to London on completion of the accounting work.

9. Other matters discussed

In addition to the regular survey for all Missions, the following special points were discussed with the Mission and Government representatives:

- (a) Payment to US and British Armies for expenses incurred in connection with the Czech Armed Guard detachments in Germany

The Government was asked to produce the figures showing the tonnage of national goods going through Germany under armed guards in order to pro-rate the cost. (Later it developed that the Government was unable to compile these figures and the total tonnage per Army records in Frankfurt and the total UNRRA tonnage per ERO records were taken as the best available figures from which to determine the movement of national goods) For Further details see Section on Army settlements.

- (b) Question raised in Poland concerning the costs arising out of a treaty between the Polish and Czech Governments whereby they agreed to a mutual program for repatriation of their nationals, the cost being borne by each Government.

There had been some question in Poland that the expenses of such a program might be met out of the proceeds of sale fund, but this question was not raised by the Czech Government. Clarification from Washington was sought and the ruling given that UNRRA had no liability whatsoever in the matter and that the payment of these expenses was not a proper charge to proceeds of sale.

E. As to Internal Audit

Internal audit of the Mission accounts had been completed through 31st March 1947 and the report showed a very satisfactory state of affairs. Plans were made to audit the final statements in London.

F. As to External Audit

It was not known at the time of the visit what plans the external auditors had for auditing the 1946/47 accounts.



ETHIOPIA

Mr. Ted Smith, Chief of Finance & Administration of the Middle East Office, had recently returned from Ethiopia where he accompanied Miss Laughlin who took over the Mission. While there he made an examination of the accounts and records.

The Controller was informed by him that the status is approximately as follows:-

1. The financial books and records have been well kept and are in good condition and permit the drawing off of adequate financial statements. The expenditures are supported by vouchers signed by the Chief of Mission. Question has been raised as to the propriety of certain expenditures by the Chief of Mission and whether he acted within his authority in approving certain items for payment. This matter is now under investigation by the administrative officials.
2. The supply accounting is reported to be in bad shape and it was arranged to send two supply investigators into Ethiopia where they are now engaged in writing up the supply records, tracing the shipments into the country, checking receipts obtained from the recipient government and attempting to account for the goods that were held in warehouses under UNRRA control. These shortcomings and the administration of the supply operation have made it impossible to date to produce proper supply accounts. When the reports of the investigators and of Miss Laughlin are received, the Controller will be in a position to assess to what extent proper records can eventually be prepared.

## SURVEY OF GREEK MISSION

### FINANCIAL AND ACCOUNTING OPERATIONS

The Greek Mission was established in 1944 for the purpose of distributing commodities and operating relief and rehabilitation services. From November 1944 to March 1945 representatives of the Mission were acting on behalf of the British Military Authorities whilst hostilities were still in progress. This operation was more in the nature of liaison, but expenditures were made amounting to approximately £29,000. These expenditures were financed by disbursement of British Military currency. The unspent portion of advances from BMA was refundable and, prior to the time the refund was made, the currency was devalued and repayment was effected on a sterling basis thus causing the Administration a loss on the exchange of 7,502,170 drachmae.

From 1st April 1945 local costs of the Mission were financed from the proceeds of sale of UNRRA supplies.

Financial operations were complicated during 1945 and part of 1946 by a constantly changing rate of exchange as well as inflationary price phenomena. As a result, the expression of accumulative drachmae expenditure in terms of US dollars can be but an approximation of equivalent comparable values.

The following major questions were discussed in a series of conferences.

#### MATTERS COVERED IN SURVEY

##### A. In relation to Recipient Government

###### 1. Proceeds of Sale

- (a) Reconciliation with the Government for accounting of local currency

While no statement of proceeds was available from the Government, the Chief Accountant had maintained a control with the Disbursing Officer of the Government and stated that the amount of local currency turned over to the Mission was in reconciliation with the Government records.

- (b) UNRRA's use of Local Currency

No question had arisen under this heading in the discussion of the final agreement with the Government. Some local currency derived from other sources (sale of PX supplies, etc.) has supplemented local funds.

- (c) Reconciliation of the charge shown for Services and Facilities

The Mission paid for all services and facilities rendered to it and the Proceeds of Sale Report should show no charge.



(d) Proceeds of Sale Reports

The Chief of Mission explained that Government accounting was such that it would be extremely unlikely that they would be in a position to give a proceeds of sale report without considerable assistance from the Mission. No official reports had been received to date. It was known that, during the first year, there was a large deficit, one of the reasons, for example, being that the Government were selling wheat at loss than cost. Later on, it was discovered that the Government were selling some items of the program at excessive profits, but, after representations from the Mission, price ceilings were set.

The Chief of Mission discussed the required format for the proceeds of sale report with the Government, who agreed that it was in their interests to do everything possible to produce a good report along the lines suggested. However, the absence of any control of the regional accounting for proceeds of sale and the inadequacy of the central Government accounting in this connection made it extremely unlikely that the proceeds of sale would ever be known.

The Chief of Mission was of the opinion that the agreement must of necessity be based upon a computed figure of the c.i.f. dollar value of the program, which was estimated to be 1,138,609,000,000 drachmae. As of March 31st 1947, 746,944,000,000 drachmae had been credited to the State through sales of UNRRA imports. Capital goods equivalent to \$30 million have been distributed with no income to the State, but the drachmae equivalent of this will be shown on the total proceeds of sale and will be spent on relief and rehabilitation projects. No breakdown of distribution costs were available, but it was estimated that net proceeds would shrink to 772,609,000,000 drachmae and that the balance to be allocated to approved projects would approximate 424,092,000,000 drachmae.

The matter was discussed in detail and the Chief of Mission was not sanguine that a satisfactory report would be available before the closure of the Mission.

(e) Nature of Final Agreement

The final agreement was examined in draft and did not appear to be adequate. Various suggestions were made and the draft was to be amended and discussed further with the Government.

2. As to the Program

(a) Receipts from Recipient Government for all types of shipments

There were some receipts outstanding for early shipments by air,



but it was anticipated that at least 95% of all receipts would be obtained by June 30th. The Controller suggested that, where the Government was not in a position to give a full receipt, as probably was the case for the early air shipments, they should be asked to sign qualified receipts indicating that they were satisfied that the goods were received and used in the program. All receipts were held covering the Balkan stockpile and for goods handed over by the Military Liaison and instructions were given for their immediate forwarding to ERO.

Some question had arisen in Washington, both in UNRRA and in the office of the Greek Government representative, as to the policy of the Mission in asking the Government to sign duplicate outturn reports for goods for which they had already provided receipts. It was explained by the Mission that, for a time, the Greek Government had refused to sign the outturn reports unless stamped "Subject to check". This check would constitute a count of items at the time they were turned over by the Agricultural Bank to the designated recipient, which might be some months after unloading. Having in mind the fact that losses could occur during this period and during the count, the Mission took a firm stand and eventually the Government agreed to sign duplicate outturn reports without this qualification in place of the ones stamped as above. Some hundreds of outturn reports were involved. The Controller had full discussion with Government representatives who expressed themselves satisfied with this arrangement.

The Government signs outturn reports for all shipments, including those with consignments for other agencies including UNRRA, obtaining a receipt from the agency on release of supplies.

- (b) Receipts withheld due to disputes as to quality, quantity or condition

During the time the outturn reports were stamped "Subject to check", the Government committees after five months' work were able to find only very minor discrepancies and these could not be traced to errors in the outturn reports. Therefore no receipts have been withheld.

- (c) Any question as to the extent to which the program had been fulfilled

There has been no question.

- (d) Experience with Outturn Reports

See (a) above.



- (e) Difference between Outturn Reports and subsequent Receipts from the Government, particularly where certain goods had been used by the Mission

Certain program supplies were drawn from Government warehouses for administrative use. These chiefly were food, POL, automotive spare parts and coal. The system provided that, while a receipt was obtained from the Government for the turnover of the goods in the first instance, UNRRA gave receipts to the Government for all supplies withdrawn for administrative use. In discussions with Government representatives, no complaints were raised and apparently the system has been followed. On the Mission books, however, no definite records were raised and the disbursement of these supplies was handled administratively on a quantitative basis. Receipts for the sale of such goods were turned over to the Cashier and treated as miscellaneous revenue.

In this connection it was reported that Headquarters and ERO were asking the Mission to identify withdrawals by shipments in order to determine whether they represented a dollar or sterling initial outlay. Due to the great shortage of warehouse accommodation, resulting in non-segregation of items by shipment, and the state of the Government records, it was impossible for the Mission to supply this information with any degree of accuracy. They had sent forward what information they could and were dealing with the other items on the basis of "first in first out".

### 3. Turnover of Properties to Recipient Government

When the Regional Offices were closed, all administrative property, PX, etc. was turned over to the Government after an inventory had been made and a receipt is held by the Mission covering this turnover.

When asked to set an appraised value on property turned over, the Chief Accountant said that a good deal had already been given to the Government and the inventory contained items acquired locally for which an Assets Account had been set up on the books. After some discussion, it was agreed to go through the inventory and eliminate locally acquired items. In view of the fact that the Mission had full financial accounting for administrative property tied in with the property records, it should then be a comparatively easy task to assess the value of the turnover. Examination of physical inventories from the Regional Offices showed that the book-keeping records were more to be relied upon. These inventories included personal belongings, borrowed equipment, etc. and were of little use as a check against the book records.

### 4. Gifts in Kind

The Mission was asked to prepare a schedule of any gifts in kind made by the Greek Government and the value thereof and to forward it to ERO for confirmation with supply records.



B. As to Accounting

1. Condition of books and accounts, status of interoffice accounts, status of trail balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities.

From the audit work already carried out and the general inspection made at the time, the condition of the Mission accounts appeared to be satisfactory and the financial statements adequately reflected the position.

Arrangements were made for sufficient accounting staff to remain in Athens to complete the June 30th financial statements by the end of July.

The books themselves disclosed that losses on clubs run for the benefit of the personnel of the Mission had been written off to expense on the Administration's books and these entries caused certain investigations to be made by the Mission itself at the end of 1946. These investigations were continued during the Controller's visit and arrangements made for the internal auditor accompanying the Controller to remain behind in Athens to assist in cleaning up the remaining items. At the time, it appeared that these local currency losses, caused by poor administrative procedures, would be offset by local currency profits on the sale of PX/NAAFI supplies. Excessive costs of hotel accommodation reflected on the books were likewise the subject of investigation for the purpose of determining whether or not the agreement was properly entered into and whether all revenue had been returned.

2. Use of Bulletin #9; disentanglement of currencies and preparation of Mission expense statements.

Instructions contained in Bulletin #9 had been carried out.

Discussions took place on the work involved in reporting expenditures in the original currency of disbursement. As a result of discussions held with the Controller in 1946, a great number of items of expense, particularly in connection with personal accounts, had been debited back to London. The accountants were of the opinion that the only conversions standing on the books were in respect of travel advances and they undertook to look into the matter and made an attempt to do the analysis before returning to London.

3. As to overdue accounts and claims, particularly advances made to employees in local currency or out of the hard currency float for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowances, and as to any liabilities for repayment of goods and stores borrowed from Armies and the Government.



Items involving advances to employees were being settled currently and it was expected that none would be outstanding by June 30th. The largest amounts outstanding occurred in connection with the issue of six weeks' supply of PX, before the close of the store, for which a certain amount of credit was given, and for the loan of certain administrative equipment to employees.

The Mission had paid accounts of Government agencies on occasion at the request of the Government and these amounts stood on the books as Sundry Debtors. In view of the fact that collection of the money would involve its return to the Government on the closure of the Mission, it was felt that this matter could best be eliminated from the books and treated as a deduction from the Proceeds of Sale account. The item covering local currency received by UNRRA from the Greek Government would thus be treated as follows:

Gross receipts from Government	-----
Less amounts turned back	-----
Less bills paid on behalf of	
the Greek Government	-----

the entry for the net amount under Bulletin #9 being a charge to Accounts Receivable from Greek Government and a credit to Local Currency Receipts Accrued.

#### 4. Charges to other Agencies

The Mission had paid the expenses and kept the books for WHO from 1st January to 31st March 1947, at which time WHO obtained its own supply of local currency and became a separate entity. The Mission was currently paying the expenses of FAO. Separate accounts were set up on the books.

Some discussion took place on a cable received from ERO asking Missions to claim reimbursement in local currency from other agencies whose expenses they had paid. It was pointed out that, when these agencies submitted their budgets to the Greek Government, they had not included amounts for reimbursement of UNRRA and, in any event, if the Administration insisted on repayment, the money would have to be turned back to the Government on closure of the Mission. The only hard currency involved was for PX and canteen stores which had been sold to the agencies' employees and the sums involved were small. The Controller undertook to take this matter up in London and recommended that no claims should be submitted for reimbursement pending decision.

#### 5. Write-off of Losses and status of Survey Reports

The procedure had been implemented and those survey reports that required approval by ERO for write-off had been forwarded to London. The Controller asked that a special point be made of checking to see



that all known losses were covered by survey reports from the inception of the Mission and not just from the date of the write-off order.

6. Money transferred to other Missions or Offices

No money had been transferred either from or to other offices.

7. Financial Order #3

Summary of acquittance rolls had been forwarded to home stations, but no reconciliation with Personal Services account had yet been made.

8. Leave Records

The Chief Accountant stated that the Mission had complied with ERO orders in regard to Leave Records and it was his opinion that the records were such that no question of payment of accrued leave for leave already taken could arise.

9. PX Records

The statement on PX records from the Internal Audit Report, in which it was stated that the records were inadequate, was read and discussed. As in other Missions, the responsibility for PX accounting lay with Administrative Services Division. No financial controls existed, the books merely recording whatever receipts were turned over.

Large supplies of unwanted PX items arrived on an Army ship and were stored in warehouses without unpacking. Supplies on hand at the end of the operation were sold through regular surplus property procedure or were turned over to the Government.

Considerable discussion took place to determine whether or not it would be possible to reconcile the inventories turned over with a book inventory which was to be compiled by pricing all deliveries into PX stores by quantity and crediting all sales slips and withdrawal tickets in quantity. This seemed to be a task impossible to accomplish within the remaining life of the Mission.

No evidence can be found pointing to an improper handling of PX supplies that would warrant a complete reconstruction of the records. Administrative Services Division, ERO, had investigated the operation in the early part of 1947. It was agreed that, in the time available, the accounting staff, together with the internal auditors, would trace the most valuable items and certain classifications of goods from the Army shipment as a test check of the operation and that, if possible, a rough check on the receipts would be worked out by appraising the difference between the deliveries and the ending inventory at average selling prices.



In the running of the PX stores in the Regions, for which financial accounting was maintained in Athens, there was a loss of less than 5% over two years of operation. This loss had been carried in the Suspense Account until recently when it was the subject of a survey report for which write-off approval had been given.

C. As to Commodity Accounting

The major items under this heading were covered in the discussions of matters relating to recipient governments.

The program would not be completed on the date of the closure of the Mission and it was proposed to retain one man for the purpose of obtaining receipts from the Government who would do his work at the ports. It had not been considered necessary to retain a supply accountant, but the Controller asked that this decision be reconsidered, in view of the fact that very heavy shipments were expected during June and July, unless it was felt that the man retained for the purpose of collecting receipts could also handle the supply accounting.

The Mission had done a great deal of work and been reasonably successful in obtaining from Greek Government agencies the documentation on three outstanding matters of importance:

- (a) Reconciliation of schedule of POL issues to Greece with Greek Petrol Pool record of deliveries, and collection of all receipts and other documentation covering 1946 POL shipments.
- (b) Complete records including reconciliation to BMA receipts of Dodecanese 1946 transshipments through Piraeus.
- (c) Necessary documentation to substantiate credit claims for UNRRA imported coal issued to the British Army.

D. Items discussed with Chief of Mission, CFA and Heads of Departments

1. Discussion of claims against UNRRA, commitments, etc.

In response to a request from the Controller that every known agreement, commitment, action or transaction which would raise claims against UNRRA should be reported, the Mission raised the following points:-

- (a) Claim by the Acropole Hotel with respect to alleged rental due from 1st April 1945 through 31st March 1946 and to losses and breakages sustained during the entire period of association with UNRRA.

This claim was satisfactorily disposed of in a series of meetings.

(b) Liability accounts payable to the British Army

London reported sterling billing from the War Office for rations estimated at a value of 516,000,000 drachmae and had asked the Mission to remove this liability from their books as the matter was being handled in London. The Mission were of the opinion that it was a reasonable drachmae charge. Until UNRRA supplies came forward, the Mission lived exclusively off the British Army, but there had never been any agreement as to how the bills were to be paid. Rates of exchange had fluctuated during this period being 150 drachmae to the dollar prior to 6th June 1945 and from that date until 25th January 1946 being 500 drachmae to the dollar. The Mission were of the opinion that, if payment was to be made in London, the Army unofficial rate of exchange of 300 drachmae to the dollar should be used in converting the amount to sterling.

(c) Amount due to the Greek Government in connection with the refugee center and refund due to them for an exchange of tires.

The Chief Accountant said that he had made many attempts to settle these accounts, but that nobody in the present Government would take the responsibility of accepting the money.

(d) Claim of Hellenic Shipping Company

This claim was in connection with the cost of hiring a vessel to transport Greek DPs from Italy. The Italian Mission had already paid the account in lire cheques, but the shipping company were not satisfied with this method of payment. After some discussion, the Controller said that he would ask ERO to make settlement if the Hellenic Shipping Company returned the lire cheques. (Since settled)

(e) Claim of employees for living and quarters allowance after termination where they were unable to obtain re-entry to their home country and could not stay in Greece after termination.

While no claims were presented, these employees (1 Palestinian and 1 Yugoslav) did call attention to their desperate plight and the matter was referred to London.

2. Claims of Employees for Workmen's Compensation

Local employees were covered by the Government Social Security Scheme.



3. Claims of Third Parties for any cause

The Mission reported that, before the close of the Regional Offices, advertisements had been inserted in the local newspapers stating that UNRRA would receive claims up to a given date. The same thing had been done in Athens, as a result of which a large number of claims had been received. These, for the most part, had been settled, but some were still in process of review by the Arbitration Board of the Greek Government.

4. Claims against the Administration for pilferage, destruction of properties, equipment, etc.

In connection with a possible claim from the Army for damage to buildings requisitioned by them for UNRRA, the Controller requested that a statement be obtained and sent forward with the final financial report showing that the question had been raised and that no liability existed.

5. Pending Law Suits, Judgments, Attachments, etc.

None were reported.

6. Disposal of UNRRA funds

The necessary bank accounts for drawings of local currency for proper purposes after the closure of the Mission had been arranged.

- The Mission were to make an estimate of their local currency requirements up to the date of the departure of the accountants from Greece, retain this amount and return the remaining funds to the Government on June 30th.

It was agreed to embody a clause in the final agreement with the Government covering the payment of salaries to Class II employees who were retained to work with the officer obtaining receipts and the termination pay of the one Class I employee then working outside Greece.

7. Transfer of Title

Everything had been transferred to the Government in accordance with the ERO order except for some box cars which had not yet arrived. It was proposed to execute an agreement and make the transfer on their arrival.

8. Disposal of Records

The Mission agreed that the external auditors should be consulted with regard to the immediate transfer of all records, except those supporting the 1947 accounts, to London. The remaining records will be taken to London by the accounting personnel returning there.

9. Other matters discussed

(a) Dodecanese shipments

In connection with discrepancy reports, ERO had stated that of 21 shipments to the Dodecanese, only 4 could be cleared from information supplied by the Greek Mission. It was believed that only minor items prevented the clearance of the 21 shipments referred to by ERO and it was agreed that a full report should be prepared by the internal auditor left behind by the Controller.

(b) Losses arising from leasing of rooms at the Grande Bretagne Hotel, from the operation of the Minerva Club and from the operation of the Beach Club

The original reports of the Mission, together with the report of the internal auditors were made the basis for extensive hearings and discussions which developed the fact that the major difficulties lay in poor administrative methods. The situation was therefore reported to the Personal Representative of the Director General in London for investigation and settlement, as an administrative matter, by him.

(c) Staff Canteen

The Internal Auditors reported that no records existed to support the money turned over to the Cashier in connection with the operation of this canteen which provided meals for Class II employees at a time when transport difficulties made it impossible for them to get home to lunch. The Controller instructed that a survey be made of the number of Class II employees on the payroll during the period of operation of the canteen in order to approximate the proper amount of receipts so as to ascertain whether any loss to the Administration had occurred.

E. As to Internal Audit

Arrangements were made for auditors to go to Greece at once in order to complete the audit, if possible, through 30th June before the accounting records were transferred to London at the end of July.

F. As to External Audit

At the time of the Controller's visit, an audit was in process covering the 1946/47 accounts.

G. Later developments

At ERO further discussions were had re the documentation of coal supplied to the British Army to permit reimbursement; the verification of all



receipts for coal supplied under the program; receipts still outstanding for several early shipments to Salonika and the documentation of POL. While all these matters were in progress in Athens and London, it was urged that they be cleared up promptly in view of the imminent closure of the Mission.

H. Conclusions

It was not possible to avoid the conclusion that the functions of Administration had not been well carried out and that the financial and accounting implications of many transactions had been overlooked. In spite of the efforts of the present Chief of Finance and Administration and the accounting staff, some of the effects could not be overcome.

## SURVEY OF THE POLISH MISSION

### FINANCIAL AND ACCOUNTING OPERATIONS

The Polish Mission was originally represented by an advance delegation financed by the transfer of U.S. dollars from Headquarters. In October 1945 it was reconstituted as a Mission for relief and rehabilitation purposes financed by local currency made available by the Government out of proceeds of sale of UNRRA supplies.

A visit to the Mission in the summer of 1946 showed that the whole accounting position was most unsatisfactory and that the books and accounts would require to be reconstructed in order to present the true financial position. Changes in personnel were effected and an internal audit team was sent from London to assist in this work.

Messrs. Sabin, Hays, and particularly Mr. Smolt, deserve commendation for the manner in which they not only kept current work in order, but succeeded in reconstructing the records for the prior period.

The few existing shortcomings, which cannot now be cured, may be attributed to the familiar pattern of causative factors:

- (a) The organizational error of combining under one Chief the functions of finance and administration
- (b) The appointment of an unqualified person as Chief of Finance and Administration
- (c) The appointment of an unqualified person as Chief Accountant
- (d) Too wide a delegation of authority to Division Heads for approval of disbursements for which they were directly concerned.

There was also some understandable and possibly unavoidable reduction in the extent of desirable control in the field offices at Gdynia, Katowice, etc. in the early days. The officials at these points had to be given full delegation of authority due to their responsibilities and the isolation of these points from Warsaw.

The financial accounting records are now in satisfactory shape and there is every reason to believe that the June 30th financial statement will adequately reflect the position as shown from all available documentation and information.

The following major questions were also discussed in a series of conferences with the results shown.



MATTERS COVERED IN SURVEY

A. In relation to Recipient Government

1. Proceeds of Sale

- (a) Reconciliation with the Government for accounting of local currency.

Reconciliation was up to date

- (b) UNRRA's use of Local Currency

There had been no criticism whatsoever to date. The Mission thought, however, that some question might arise out of the use of an unofficial rate of exchange for the payment of field entitlements and particularly for the termination pay of Polish employees who had been working in other Missions. In this latter connection, Warsaw was never an official home station, but ERO had requested that termination pay be given in a certain few cases and at the unofficial rate of exchange. It was felt that payments of this kind could very well be criticized by the Government and the Controller cabled London to the effect that no more termination payments were to be made in Warsaw.

Considerable discussion took place on this rate of exchange problem, the Chief of Mission maintaining that there was little likelihood of the Government recognizing the rate of exchange used by UNRRA although, unofficially, they were aware of it. An alternative plan was to take the position that the Administration had, in effect, raised the hard currency value of field allotments and to note this fact in the accounts. However, after considerable discussion, ERO stated that they did not agree with this plan and stated that the rate of exchange used can be fully supported.

Any possibility of a criticism of expenses covering the extensive cost for an unauthorized erection of a garage had been met by recovery of a proportion of the cost from the employee arranging the deal who had been terminated.



(c) Reconciliation of Charge shown for Services and Facilities

It appeared that a 47 million zlotys charge for the office building facility had been reduced to 9 million zlotys early this year, this being the agreed valuation of the use of the facility for the entire period of occupation by UNRRA. It was pointed out that the services and facilities charged against local proceeds by the Government must be shown in a separate schedule as UNRRA cannot control such items and that it would be helpful to have an analysis of the total amount so charged so that the items could be grouped into the usual major classifications.

(d) Proceeds of Sale Reports

The format for the final proceeds of sale report was discussed very fully both with the Mission and with Government representatives, as a result of which a joint working party was set up.

The accounting for gross proceeds had been carefully kept and it was particularly gratifying to note that the cash had been carried by the Government in separate bank accounts and not intermingled with general revenue. An analysis of distribution costs was requested, and it was agreed that the tobacco tax would be deducted.

In discussing the agreement covering the projects for net proceeds, the Chief of Mission brought up the problem in connection with the repatriation of re-emigrants. Apparently an agreement had been entered into with the Czech Government for the repatriation of Polish citizens whereby the Polish Government agreed to pay the Czech Government for transportation costs. The Government was of the opinion that this was a perfectly legitimate item for payment from the proceeds of sale account, although it was apparent from the proceeds of sale reports received to that date that they had not yet made the deduction. The Controller later took this matter up with Headquarters who took the position that the matter had nothing to do with UNRRA and the expenses of repatriation should not be paid out of the proceeds of sale account.

(e) Nature of Final Agreement

The agreement was being prepared in draft form and desirable features to be included therein were discussed, including provisions for funds for successor agencies, assumption of Mission liabilities and detailed listings of projects for which the net proceeds were to be used.



2. As to Program

- (a) Receipts from Recipient Government for all types of shipments

Receipts had been obtained for all shipments (see (b)) except for a few items of Surprop. A list of the short items was sent to the Paris Surprop accountant for action.

- (b) Difference between Outturn Reports and subsequent Receipts from the Government

The Polish Government for more than a year has been giving receipts against shipping documents because of their inability to handle the necessary work in relation to outturn reports. Therefore there is no question of reconciling the receipt against UNRRA's outturn report. If, at the distribution or unpacking point major discrepancies are discovered that appear to have arisen prior to delivery at ships' tackle the Government brings a claim to the Mission for investigation.

It was expected that all major discrepancies on shipments prior to the closing of the Mission would be cleared up by June 30th. Whether these discrepancies were sufficiently large to warrant a credit against the program, in accordance with pertinent regulations, would be determined when settlement was reached, and an appraised value could then be used to determine the amount of the credit. A list of major discrepancies had already been sent to Headquarters for investigation against the loading records.

- (c) Receipts withheld due to disputes as to quality, quantity or condition

No receipts had been withheld (see (b))

- (d) Any question as to the extent to which the program had been fulfilled

The Chief of Mission reported that the Government now fully understood the position in regard to the fulfilment of the program though there had been some question previously.

3. Turnover of Properties to the Recipient Government and to Successor Agencies

It was agreed that an appraised value should be placed on the inventory of properties turned over to the Government for all but locally acquired items.

The Chief of Mission reported that an agreement had been drawn up with the Government for the turnover of property, which gave the Government the responsibility of handling it over to successor organizations.

With regard to turn back to the Government of property of loan, the Mission undertook to obtain a receipt and reported that there was no liability for wear and tear.

4. Gifts in Kind

The Mission was asked to prepare a schedule of any gifts in kind made by the Polish Government and the value thereof and to forward it to ERO for confirmation with supply records.

B. As to Accounting

1. Condition of books and accounts, status of inter-office accounts, status of trial balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities.

From the audit work in progress and from a general examination of the records, it was apparent that the accounting personnel had done excellent work in the reconstruction of the accounts found necessary a year ago. The current work was up to date, the trial balances were fully supported and the financial statements adequately reflected the position from all available data. Arrangements were made for immediate adjustments to be made, as recommended by the internal auditors, with the exception of some differences of interpretation of coding which, it was agreed, could be corrected by the Chief Accountant in consultation with ERO on his return to London. Certain adjustments in the inter-office accounts were also to be undertaken in London.

2. Use of Bulletin #9, disentanglement of currencies and preparation of Mission expense statements.

The Mission had not carried out the requirements of Bulletin #9 to the letter and certain adjustments were necessary.

Discussion took place on the work involved in reporting expenditures in the original currency of disbursement. The Chief Accountant was of the opinion that, owing to the pressure of work and the heavy burden placed on the small accounting staff with the closure of the Mission, this work should be undertaken in London.



3. As to overdue accounts and claims, particularly advances made to employees in local currency or out of the hard currency float for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowances and as to any liabilities for repayment of goods and stores borrowed from Armies and the Government.

There were 18 claims against employees outstanding including those for travel advances. Three accounts involving less than 12,000 zlotys required to be dealt with by write-off action and these were being referred to the Survey Committee. Only one account, it was thought, would involve transfer to home station and this was still under discussion with the employee concerned. There were no outstanding claims for uniform allowance.

There was no liability for replacement of goods, etc. borrowed from Armies. The Mission had borrowed cigarettes from the Government which it had not yet returned, but a request had gone forward to ERO for additional cigarettes in order to clear this liability.

4. Reflection of charges to other agencies

The accounts reflected the proper charges to the various agencies whose expenses the Mission had paid.

5. Write-off of losses and status of Survey Reports

The system of writing off losses and for survey reports had been put into operation and, by means thereof, the accounts and records would be cleared before closure of the Mission. However, one case requiring ERO approval had been held for nearly a year in London without action. This had been sent forward prior to the order requiring survey reports and arrangements were made for the preparation of such a report for immediate on-forwarding to ERO.

6. Disposal of surplus property

No disposals had been made to date, but the procedure was thoroughly understood.

7. Money transferred to other Missions or Offices

There had been no transfer of currency either to or from the Mission. It had been found necessary in the past to keep a hard currency float to provide Czech crowns for the payment of railway fares, but a new arrangement had been made whereby the Czech Mission paid these expenses in Prague on behalf of the Polish Mission.

8. Financial Order #3

The summary of acquittance rolls called for in this order had been prepared and forwarded to home stations. No reconciliation had then been made with Codo Ol. This was called for in a later cable from WRO and was to be undertaken before the accountants left Warsaw.

9. Leave Records

The leave records, as revealed by the internal audit report, were not adequate for the period prior to October 1946 when a new Personnel Officer was appointed. This matter was thoroughly discussed and it was finally agreed that a schedule of accrued leave should be prepared by the Personnel Officer, both for Class I and Class II employees, which would be accepted as indicating the finally accepted status thereof.

10. PX Records

It was recognized that the recording of the acquisition and disposition of PX supplies had not been adequate. The system called for a quantitative record and the accounting problems had been so great that the Chief Accountant had not found it possible to assist Administrative Service Division in this work. Very little could be determined from the revenue figures because the sales price had quite properly not been based upon cost but had been established by a committee in an attempt to correlate the price of the items, by treating them as supplementary to available indigenous elements of the cost of living.

C. As to Commodity Accounting

The major items under this heading were covered in the discussions of matters relating to recipient governments.

The supply accounting records were in excellent shape and arrangements were going ahead for the retention of a supply accountant in Gdynia after the closure of the Warsaw office to see that receipts were obtained and supply accounting carried on.

D. Items discussed with Chief of Mission, CFA and Heads of Departments

1. Discussion of claims against UNRRA, commitments, etc.

All department heads were requested to report any verbal or written agreements, commitments, actions or transactions which would raise claims against UNRRA.



None were discovered at the time.

2. Claims of employees for Workmen's Compensation

There was no liability for claims of this sort as the Mission paid the Government social security tax to cover local employees.

3. Claims of third parties for any cause

There were no third party claims outstanding, but it was agreed to ask the Government to take over any liability that might arise from claims submitted against UNRRA in the future.

4. Claims against the Administration for pilferage, destruction of properties, equipment, etc.

The only claim of this type was for rental and repairs to the villa occupied by the former Chief of Mission. It was considered to be excessive and discussions were taking place in order to settle the matter.

5. Pending law suits, judgments, attachments, etc.

There was no record in the Mission of any such items.

6. Disposal of UNRRA funds

The instructions on the disposal of UNRRA funds appeared to be thoroughly understood. London was requested to authorize the maintenance of a bank account to cover the expenses of any supply staff that might be retained at the ports after the closure of the Mission, using an ERO panel of signatories.

7. Transfer of title

A certificate giving the facts as to transfer of title to program items to which UNRRA had retained title was to be prepared and attached to the final financial statement.

8. Disposal of records

In view of the expected arrival of the External Auditors in late June, Mr. Smolt was requested to clear with London the transfer of records and the release of personnel.

E. As to Internal Audit

The internal audit team made a 100% audit of all transactions for 1946 and to 30 April 1947.

F. As to External Audit

The External Auditors had audited through 1945, but it was not known whether they expected to complete the audit in London or in Warsaw.



## SURVEY OF YUGOSLAV MISSION

### FINANCIAL AND ACCOUNTING OPERATIONS

The Mission to Yugoslavia was opened for the purpose of distributing supplies and operating relief and rehabilitation services with headquarters in San Spirito and bases at Split and Dubrovnik. It was financed to 15th April 1945 from B.M.A. currency and lire through the Balkan Regional Office. Headquarters moved to Belgrade in April 1945 and from thereon it was financed out of dinar proceeds of sale. Port operations in Bari and Trieste were financed from transfers of funds from the Italian Mission.

During 1945 and 1946 various attempts were made to rectify the unsatisfactory condition of the books, as revealed by external and internal auditors, which resulted from the employment of personnel lacking the necessary accounting experience and ability. These efforts, for a variety of reasons, were not satisfactory.

The latest internal audit report, together with a review of the books at the time of the visit, showed that the accounts subsequent to 1st April 1946 were satisfactory. However, it developed that the Mission had taken no action whatsoever to establish proper accounts for the period up to 31st March 1946 and that they had assumed no responsibility in this connection. A search disclosed primary books of account, vouchers, ledgers and worksheets which could form the basis of reasonably adequate accounting. The Chief of Finance and Administration was instructed to proceed immediately to put the accounts in order and plans for the dispersal of the accounting staff before the end of June were stopped. Steps were taken to supplement the accounting staff by the transfer of four men from London in order to write up a full set of books covering transactions, prior to 1st April 1946, from the documentation available, and search was instituted in Yugoslavia and Italy for some vouchers known to be missing. Instructions covering this work were as follows:

"1. As a result of the internal audit recently carried out, it is apparent that the books and accounts of the Mission from 1st April 1946 to 31st March 1947 are in good shape. The starting balance at 1st April was taken from financial statements prepared by Mr. Bradbrook. He also constructed the journal and the ledger from original source of entry, but the final balances shown by this ledger do not agree either with his financial statement or the balance brought forward as at 1st April.

"2. It is believed that the accounts for the period from the inception of the Mission to 31st March 1946 must be reconstructed and documented in such a way that, before the Mission closes, an adequate set of records will be available for the entire period.

"3. In order to accomplish this, we have instructed you to report as part of a team to work with the Division of Accounts here with the Mission. The job is an urgent one and it will be necessary to put in whatever hours are necessary to do the job, if possible, by 30th June, or certainly within a



few days thereafter. It does not appear that this can be done unless the group works on a 54 hour week basis. Please keep a memo of the time - to be turned in to London.

"4. Mr. Rosser and Mr. Fiddos will have a detailed program of work outlined but, in summary, it will be along the following lines:

- (a) Mr. Bradbrook's worksheets on which he developed his final financial statement must be traced into the journals and ledgers which he set up so that the final trial balance used in developing the worksheet is in agreement with the ledgers as at 31st March 1946 and those figures are in turn the exact figures used in setting up new ledger control at 1st April 1946
- (b) Once this has been done, the accounts in the trial balance which represents controls of subsidiary cards or ledgers should immediately be examined to see whether or not such subsidiary records are in balance with the control.

While the chief difficulty appears to be with the personal account control which may not be in balance with the personal account cards which are carried as a sort of memo ledger, there are other accounts in the trial balance which also must be fully supported by subsidiary details.

In this work of reconciliation, you will undoubtedly have to examine transactions or entries which took place for 1st April 1946 which acted as to correct or amend the 31st March ending balance.

- (c) The third step is to see that the journals, cash books and ledgers for this period are properly written up in such a way that they may be presented to the external auditors. If an analytical cash book has not been maintained, it should be possible to prepare one from the worksheets prepared by Mr. Bradbrook upon which he analysed the cash book entries.
- (d) The next step is to locate the original documents and vouchers supporting all entries in the cash books and the journals for the period, but this should be done in groups and units. For example, the vouchers of the Belgrade office for each separate month; the vouchers of each Regional Office similarly by months, so that we can quickly locate those units which may be missing and start searching in Yugoslavia and in Italy.

In examining these original documents and vouchers, it should be possible to make a specific audit of the major transactions and a test check of a sufficient number so that this work does not have to be done again in London.



As this job of audit examining and checking into the books and records goes on, will you please see that each bundle of documents and vouchers is carefully bundled and tagged and packed for transmission to London when the job is complete. Also please keep detailed worksheets showing exactly what you have done, what vouchers are missing, what vouchers have been questioned and the replies, that you have obtained from the Mission staff.

"5. It probably will be necessary to analyse the FRO inter-office control accounts in order to trace some of the entries. In this connection and in the course of this work, an analysis should be made of all debits and credits going through this account which do not represent an original disbursement in dinars, and where the Mission has converted those transactions into dinars, so that it is now reflected in their dinar accounts and an entry should be made on these worksheets showing the expense code, the original currency in which it should be reflected and the credit to the dinar account.

"6. These worksheets will be used in London to segregate the currencies so that the Mission account may be reflected separately for each currency that was used.

"7. We have asked Mr. Rossor to hold a short meeting twice a week at which the progress of the work will be reviewed and the approach to any particular problems which may arise will be agreed upon.

"8. You will note from the above that this is not an internal audit assignment but that you were sent in emergency to aid the Mission and therefore you will be guided by this memorandum and will be under the direction of Mr. Rossor while he is here and after that by Mr. Fiddes."

(It was later agreed to remove the books and records and the accounting personnel by the end of June from Belgrade to London where the work would be continued.)

The following major questions were also discussed and they will also be reviewed in London with the returned personnel.

#### MATTERS COVERED IN SURVEY

##### A. In relation to Recipient Government

###### 1. Proceeds of Sale

- (a) Reconciliation with the Government for accounting of local currency

The reconciliation was completely up to date

(b) UNRRA's use of Local Currency

There was no indication that the Government had any criticism of UNRRA expenditure. Class II salaries, although above those of Yugoslav workers outside UNRRA, were approved by the Government

(c) Reconciliation of the charge shown for Services and Facilities

All services rendered by the Government were paid for by the Mission in local currency provided by the Government. There will therefore be no charge to "Services and Facilities" on the proceeds of sale report

(d) Proceeds of Sale Reports

It was ascertained during the visit that the situation in this regard was very unsatisfactory. The Controller was informed that the Mission had never been consulted before the fact in any of the matters involved in regard to proceeds. Large parts of the program had been considered to result in no income whatsoever to the fund; for example, all capital goods have been distributed to Government agencies without reflecting any income. What purports to be a deficit as a result of UNRRA operations arises solely because of this position taken by the Government and acquiesced in by the Mission. There were also no satisfactory details of the deductions which had been made, which approximated 50% of the value of the goods distributed.

As to the record of projects upon which the money had been spent, the situation was unsatisfactory and apparently contrary to the intent of the agreement and the Council resolutions. Funds had been included in general revenue without identification. Apparently a list of projects, taken from the Government's relief budget had been selected and amounts assigned arbitrarily against the total spent as being those derived from UNRRA sources. These projects were not listed in detail, but covered broad general categories.

Memoranda covering the above were left for the Chief of Mission, who was absent from the Mission during the Controller's visit. (Evidently steps were subsequently taken in consultation with the Government as a result of which a proceeds of sale report has been received in London which apparently conforms much more closely to requirements)



(e) Nature of the Final Agreement

At the time of the visit, the Mission reported that there had been some discussion as to the need for an agreement, but, as the proceeds of sale fund showed a deficit, it was considered that such a procedure was unnecessary.

It is possible that the gift of capital goods by the Government to various Government agencies is in itself considered a rehabilitation project and that it should not be expected to contribute from its revenues a sum equivalent to the value of such capital goods which would be employed in further relief and rehabilitation projects. The question of whether or not this procedure is in conformity with the agreement and the Council resolutions will be referred to General Counsel on receipt of the final documents.

2. As to the Program

(a) Receipts from Recipient Government for all types of shipments.

Receipts were held for all shipments, including the Balkan stockpile, with one exception. This missing receipt covered a shipment of nine rail cars carrying surprop. Every endeavour was to be made to obtain this receipt and trace the disposition of the goods.

(b) Receipts withheld due to disputes as to quality, quantity or condition

There were no receipts withheld for any cause

(c) Experience with Outturn Reports and differences between them and subsequent receipts from the Government, particularly where certain goods had been used by the Mission

The receipts given by the Government did not disclose any discrepancies with the outturn reports and there were no outstanding problems regarding the withdrawal of program supplies for the use of the Mission

3. Turnover of Properties to Recipient Government

Turnover of properties was practically completed. Instructions were given for the pricing of the inventory of the turnover, which was to be agreed with the Government if possible. Survey reports for missing items had been prepared and were either under investigation or had been sent forward to London for write-off approval.

PX and canteen supplies had been turned over to the Government before the receipt of the ERO order requesting no turnover of these supplies without their prior approval. A priced inventory had been prepared and agreed.

4. Gifts in kind

A gift of 2,000 tons of cement to the Albanian Government was fully documented and reports had been forwarded to ERO.

The Mission was asked to prepare a schedule of any gifts in kind made by the Government and the value thereof and to forward it to ERO for confirmation with supply records.

B. As to Accounting

1. Condition of books and accounts, status of interoffice accounts, status of trial balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities.

The books and accounts as from 1st April 1946 were in a very satisfactory condition as revealed by the latest internal audit report and by a further examination. Inter-office reconciliations had been effected through 31st March 1947 and only four items were requiring action as at that date. These were the subject of correspondence with a view to clearing as soon as possible. The transmittal letter procedure had been implemented. The trial balances were fully supported by schedules showing the necessary detailed breakdowns.

The situation prior to 1st April 1946 has already been covered.

2. Use of Bulletin #9; disentanglement of currencies and preparation of mission expense statements.

The instructions contained in Bulletin #9 had been put into effect and this work appeared to be proceeding satisfactorily.

It was estimated that there would be no serious difficulty in segregating the currencies in the expense accounts to show expenditures under the various currency headings, although, in view of the backlog of work, it was felt that this task should be undertaken in London.

3. As to overdue accounts and claims, particularly advances made to employees in local currency or out of hard currency floats for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowances, and as to any liabilities for repayment of goods and stores borrowed from Armies and Governments



In so far as advances to employees were concerned, all open items had been cleared to home stations with the exception of those relating to travel advances for people still in travel status. All claims for uniform allowance had been dealt with.

There were no known liabilities for replacement of goods and stores borrowed from Armies or from Governments.

4. Charges to other Agencies

Any charges incurred had been detailed and schedules sent to ERO for collection.

5. Write-off of Losses and status of Survey Reports

Survey reports had been made out and write-offs approved in all cases of known loss which involve, in the most part, losses of vehicles. A survey committee had been set up and the procedure appeared to be satisfactory.

6. Money transferred from other Mission or Offices

Half a million lire had been transferred from the Port Office in Trieste for the purpose of paying train fares and for travelling expenses generally. The Mission kept a French franc float also for this purpose. The Chief of Finance and Administration, Mr. Rosser, stated that the accounting for these funds was complete. He was asked to produce a complete cash book statement covering this and any other advance that might have been made from other offices.

It later developed in Trieste that the Yugoslav Mission had been in the habit of sending paybooks of personnel to their Port Office in order to draw lire as field entitlement. This practice is contrary to UNRRA regulations and the matter is still under investigation by ERO.

In discussing the use of lire funds, Mr. Rosser stated that 35 fiat automobiles had been purchased in Italy, 28 of which had immediately been transferred to the Government as part of the program. (The source and use of lire for this purpose, together with the fact that it developed on return to Headquarters that this item was not charged to the program, is the subject of further investigation.)

7. Financial Order #3

This order had been put into effect in part only since the question of debits to Home Accounting Stations for advances by way of leave traveller's cheques was the subject of correspondence with ERO.

The advances referred to have been debited to Home Stations by way of debit notes and not acquittance rolls in accordance with instructions given previously by ERO. In order to avoid further confusion, it was decided that the debit advances should be allowed to stand and that the Mission should prepare an acquittance roll summary covering such debit notes, and request that the debit advances be treated as acquittance rolls in these instances.

8. Leave Records

Leave records were kept in the Division of Accounts in accordance with instructions from ERO. These records appeared to be satisfactory. Mr. Rosser stated that, for the period from 1st April 1946, he could vouch for their accuracy. He was not in a position to make a statement in regard to the records prior to that date. He was asked to attach a statement to this effect to the final financial report.

9. PX Records

Mr. Rosser stated that the Mission had a very clean bill in this regard and examination of the records showed that the accounting for these supplies was satisfactory. The PX store and the canteen were closed in May.

C. As to Commodity Accounting

The commodity accounting records appeared to be in excellent shape. Proper procedures had been covered in regard to discrepancy reports and had been presented to London and Washington as provided in the regulations.

At the close of the Mission, this accounting will be carried on in the Trieste Port Office.

Two items of local procurement were discussed:

(a) Purchase of 15,000 tons of coal for Italy

The Mission hold copies of the bills of lading, but complained that they had not received copies of the outturn reports on the Italian Mission. (The Italian Mission was later requested to supply these documents) The shipping of this coal was the subject of charter by ERO. Payment had been made by transfer of funds from London to the Bank of Belgrade. Local procurement accounts had not been set up on the books of the Mission although complete details were available.



(b) 600 tons of cement for Albania

Payment for the above had not been effected at the time of the visit, but it was anticipated that the same procedure as in (a) above would be followed.

ERO has been informed of the above two items and requested to clear them.

D. Items discussed with Deputy Chief of Mission, CFA and Heads of Departments.

1. Discussion of claims against UNRRA, commitments, etc.

All department heads were requested to bring forward for discussion any verbal or written agreements, commitments, etc. which would raise claims against UNRRA. Assurances were given that, while no such contingencies were known to exist, a very careful further examination would be made.

2. Claims of Employees for Workmen's Compensation

There is no contingent liability to UNRRA as Class II employees were covered under the Social Security Scheme of the Government

3. Claims of Third Parties for any cause

These claims had always been promptly settled by the Mission. The only item outstanding was for an accident in Trieste involving a fatality. This item was 12 months old, but had only just been received in Belgrade. The Senior Representative of the Trieste Office had refused to settle the claim, had passed it to the Italian Mission who had, in turn, passed it on to Belgrade. ERO has been instructed to follow up for settlement.

4. Claims against the Administration for pilferage, destruction of properties, equipment, etc.

There were no known claims outstanding under this heading

5. Pending Law Suits, Judgements, Attachments, etc.

There was no record in the Mission of any items under this heading

6. Disposal of UNRRA Funds

The instructions for the disposition of UNRRA funds and the return of local currency were discussed and found to be thoroughly understood. Sufficient local currency was to be retained, under an ERO panel of signatories, for post-closure expenses.

7. Transfer of Title

It was found that transfer to the Government for equipment for which UNRRA had retained title for some considerable time had already been effected by the Chief of Mission, although there was no definite record available. A memorandum was left asking for a statement in regard to such transfers, particularly as to whether the provisions of the ERO order had been followed.

8. Disposal of Records

Instructions were given that no records were to be transferred to London without the prior approval of the external auditors.

9. Other matters discussed

Yugoslav Port Office at Trieste (See Trieste survey)

E. As to Internal Audit

Audit had been completed for the period 1st April 1946 through 31st March 1947. Audit for the prior period will be carried on simultaneously with the re-writing of the accounts and will be the subject of final review in London.

F. As to External Audit

An audit was in progress at the time of the visit covering the period 1st April 1946 through 31st March 1947



SURVEY OF MIDDLE EAST OFFICE, CAIRO

FINANCIAL AND ACCOUNTING OPERATIONS

The Middle East Office succeeded the Balkan Regional Office and was concerned with the transshipment of supplies to the Balkan countries and procurement of supplies within the Middle East. It also maintained refugee camps and was concerned with the repatriation of refugees within the Middle East and from certain territories in Africa.

The financial and supply accounting records were in excellent shape and there was every reason to believe that all open items would be cleared before the closing of the accounts. The knowledge and control of transactions was highly to be commended.

Arrangements were made for the retention of the accounting personnel in order to conclude the 30th June statements in Cairo.

Up to a week before the transfer of responsibility for the DP function to PCIRO, no steps had been taken by PCIRO to establish its operations. Arrangements for the joint utilization of the accounting staff were made as set forth in a separate report.

The following major questions were also discussed in a series of conferences with the results shown.

MATTERS COVERED IN SURVEY

A. As to Accounting

1. Condition of books and accounts, status of interoffice accounts, status of trial balances, and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities

The books and accounts were very satisfactory. Reconciliations of interoffice accounts had been effected and the various control accounts and trial balances were fully supported

2. Use of Bulletin #9; disentanglement of currencies and preparation of expense statements.
3. As to overdue accounts and claims, particularly advances made to employees for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowances, and as to any liabilities for repayment of goods and stores borrowed from armies and governments:

All advances to personnel were to be cleared by June 30th. As a home accounting station, however, MEO could not deduct amounts from employees termination pay simply on cable advises from some other Missions and had to await the documentation. There were one or two instances of this kind.

4. Charges to other Agencies

MEO was paying the home allotments of two people working for WHO in Greece. The amounts were being debited through to Washington.

5. Write-off of Losses and status of Survey reports

The procedure for survey reports was understood, but no instances were known requiring their use. The Chief of Finance and Administration was instructed to examine the accounts carefully, to make certain that all survey reports required under the regulations were submitted.

For losses incurred in the operation of the DP Camps see section C.1

6. Disposal of Surplus Property

Goods to the amount of £90,000 had been disposed of in accordance with regulations through the disposals committee. This committee did not finally release the goods until the buyer produced a receipt of payment signed by the Finance Officer.

7. Money transferred to other Mission or Offices

No monies had been transferred.

8. Financial Order #3

This order had not been fully carried out and acquittance roll summaries had only been prepared from May 1946. Further work was in progress and instructions were given for the completion of the summary to cover the period from the institution of the paybook system and for the reconciliation with the Personal Services account.

9. Leave Records

The leave records were maintained by the Payroll Branch who kept individual cards for each employee. It was thought that the records were such that no loss to the Administration would result in termination payments for accrued leave.



10. PX Records

There was never a large PX store in MEO. Some supplies were bought from the US Army and, as receipts came in, this account was cleared because a financial account could be maintained. During 1947, some PX supplies were received from Washington, but only enough for the last 30 people for three months. The Accounts Division checked the inventory and the cash at irregular intervals and found no serious shortages. Shipping shortages had occurred and Washington had been informed of these.

B. As to Commodity Accounting

The commodity accounting records were in excellent shape.

Arrangements were made for the head of supply accounting, Miss Bridgman to take certain records to London early in July for clearance of both Eastern and Western hemisphere commodity accounts.

1. Local procurement

The Records covering local procurement were complete and well kept. ERO Technical Instruction #17 had been complied with and all accounting records were cross-referenced to the appropriate files. Because of the inclusion of accounting vouchers, these records were turned over to the Accounts Division for safe custody.

Procurement in Turkey and the accounting for the Turkish contribution was thoroughly documented.

A great number of individual transactions were examined including the following:-

- (a) MEO bought 204 railway wagons from the US Army Surprop in Egypt for the Yugoslav and Greek programs which later could not be included in their programs. These had been traded with the Turkish Government in exchange for cigarettes for the DPs in Germany. The British Army had been using these wagons for some time and UNRRA had agreed to make no charge if they would deliver them to Haifa where the Turkish Government wished to take title. As soon as this was done the Turkish Government representative and the UNRRA representative were to agree on the takeover price and it was thought possible that UNRRA would have to pay a small sterling balance to cover the whole cost of the cigarettes.
- (b) With regard to the Balkan stockpile, it had been thought that the last supplies had been shipped in May 1946, but, since that date, various odds and ends had turned up. MEO had instructed their agent to sell these supplies under the surplus property disposal procedure.



(c) With regard to military surplus procurement, all the bills for US and UK procurement had been forwarded to Washington and London respectively.

(d) The only outstanding item of the Egyptian contribution was 114 tons of cotton for which UNRRA had not yet taken delivery. This commodity is part of the Italian program.

2. Documentation of transshipments through the Middle East of shipments from Australia to recipient countries, and of shipping of Balkan and Dodecanese stockpiles. The supply accountant stated that there had been no transshipments during the period when the Army were in control. UNRRA took over control of shipping on 1st August 1945 and, since that date, UNRRA has complete documentation to cover unloading and loading for shipment to Balkan countries. Copies of outturn reports and discrepancy reports, which were made out by the receiving Mission, were also held by MEO.

The British Military Authorities handled the entire Dodecanese stockpile and they hold the records. When bills covering handling charges came in, MEO knew nothing about the shipments and had to refer them to the Dodecanese Mission for approval.

The British Military likewise handled the shipments from the Balkan stockpile located in the Middle East and such records as existed were those compiled by the military authorities. It will be recalled that the shipping records on the Balkan stockpile were inadequate and that eventually the bill was largely compiled from the records of receipt in the receiving Missions and the inventories of stocks in the warehouses, and that settlement was made on this basis, with the Army shipping records being used to substantiate wherever possible.

Among the liabilities on the books of the Command Secretary was an item of £ 7,000 for Balkan stockpile freight. After discussion with him, a letter was received dated 2nd July 1947 cancelling the obligation.

### 3. Claims against shippers

In cases of serious damage or loss, MEO arranged for a Lloyds survey report to be made and these reports had been forwarded to London.

### 4. Gifts in kind

There had been quite a few gifts in kind from individual donors. The Turkish Government donated almost as much as their contribution. A detailed statement giving the names of the donors and the amounts was to be appended to the final financial statements.



C. Items discussed with Chief of Office, CFA and Heads of Departments

1. Accounts of the DP camps

All records, which chiefly consisted of quantitative stock books had been collected and carefully sorted. The operation of the camps was originally a British Army responsibility, then an operation conducted with military personnel under the sponsorship of UNRRA and finally an UNRRA operation. The basic stock records were of the official British Army Quartermaster type. They were maintained more or less satisfactorily according to the type of personnel in each camp. No financial records existed, but the ultimate cost of the supplies can be reasonably well determined from the gross charges less the priced value of the stocks turned back to the Army or turned over to PCIRO

Calculation had, from time to time, been made of the cost per unit of DP population of such supplies and, while they did show variations, the MEO did not feel that they were out of line. Losses had occurred from armed raids on camps, from stealing, pilferage and, in some cases, from the action of the refugees themselves particularly when being repatriated, and the losses from these sources cannot be identified.

Thorough discussion of these problems with the Chief of the Office and the Chief of Finance and Administration developed the point of view that nothing further could be done by an inspection of records; that they were satisfied that the costs were not excessive; and that there was no way of running down the reason why the cost in one camp might be higher than another or of proving that such excessive cost arose from avoidable losses. ERO regulations providing for the administrative control of such supplies had been carried out to the extent that it was possible to superimpose them or substitute them for the military system in effect at the time the camps were taken over.

All files, documents and records relating to the UNRRA camp operation have been collected, sorted and filed, and await the disposition of the external auditors.

2. Transfer of equipment to PCIRO and property records

Properties at El Shatt Camp had been used by UNRRA by agreement with the British Army and there was no liability for wear and tear or depreciation. Full and complete arrangements for the turning back of this property to the Army had been established and agreed with the military authorities, as well as proper arrangements for the clearing of the charge to UNRRA and its transfer to PCIRO where the transfer of possession by UNRRA directly to PCIRO had been approved by the Army.



Instructions were given for the pricing of the inventory of all UNRRA-owned properties which were turned over to PCIRO. The figure arrived at was to be agreed with PCIRO and a statement attached to the final financial report. Due to the absence of PCIRO personnel, under the special authority granted to Mr. Ted Smith, he would act officially for PCIRO in approving the inventory.

In order to assist other Missions in the clearance of their property accounts, complete lists of vehicles, with appropriate identification, were obtained from the British military authorities and forwarded to the Missions and to ERO. The covering letter reads as follows:

"Attached are two copies of a list of vehicles issued by the British Army to the various Voluntary Groups seconded to the Balkan Mission of UNRRA. Most of these vehicles were shipped forward to the Missions, i.e. Greece, Yugoslavia, Albania, Italy for the use of these teams.

"Under Middle East General Order 711, these vehicles were issued free of charge to UNRRA."

3. Liability to British Army

See separate report on Army settlements

4. Polish Program Budget

For the movement of displaced Poles, the Administration entered into an agreement for a commitment up to £1,700,000 and an agreement to cover all the expenditure up to June 30th 1947 to the extent the funds might be available in excess. The MEO has kept precise and accurate records of the cost. The commitment to 30th April 1947 amounted to £1,594,784. This included care and maintenance to 31st March 1947. It was arranged for reconciliations to be made of the cost, both actual and contingent, to 30th June and to report to Headquarters for their decision as to the extent to which the amount of £1,700,000 might be increased.

5. Liability to Governments of Kenya, Uganda, Tanganyika and Northern and Southern Rhodesia

MEO reported that bills for the costs incurred by the above Governments in connection with DP operations in their territories were very much in arrears.

The Office was able to make extremely accurate estimates of the cost and it was proposed that, after one more attempt had been made to get the bills, efforts would be made in London to settle with the representatives of these Governments on the UNRRA figures.



## 6. Lawsuits

Discussions were held with Mr. Golding, an attorney who was handling legal cases for UNRRA, on the following:-

- (a) The judgment against UNRRA for the purchase price of wire rope upon which execution had been held up because of a criminal action involving the question of whether or not the vendor had title. The Controller agreed with the recommendation of counsel that nothing would be gained by paying the money over to the court at this time or trying to effect a settlement before June 30th.

The Chief of Finance and Administration was asked to show the full details of the case and the status thereof in the report for June 30th, establishing appropriate reserves for the judgment, costs and lawyers fees.

- (b) The second case involved a suit for damages for unjust dismissal. It was agreed that UNRRA should take no steps of its own motion.

The Chief of Finance and Administration was to note the facts regarding this case, as well as certain compensation and injury cases in the hands of other lawyers, with estimates of necessary reserves on the June 30th report.

These cases are in competent hands and, while the Egyptian courts are very slow to act, there seemed to be no reason why the contingent liabilities could not be adequately reflected in the final financial report coming from MEO.

### D. As to Internal Audit

Internal audit was arranged to June 30th 1947

### E. As to External Audit

It was not known whether the external auditors planned to complete their audit in Cairo or in London.



## SURVEY OF UNRRA TRIESTE OFFICE

### FINANCIAL AND ACCOUNTING OPERATIONS

The operation at Trieste consists of a co-ordinating office - Office of the Senior Representative - and representatives of various Missions known as Port Officers. At various times, Austria, Czechoslovakia, Yugoslavia and Hungary have been so represented, but, at the time of the Controller's visit, only the Austrian and Yugoslav Port Offices remained open.

The closure plans provided for the absorption by the Yugoslav Port Office of all work after June 30th.

Although the accounts received from Trieste were subject to various adjustments, etc. which had been advised to Trieste by ERO, the monthly accounts had been rendered on a relatively up-to-date basis. By the end of March, London had received the consolidated statements covering the Trieste operations, under terms of ERO Order #52, through 31st December 1946, together with statements covering the UNRRA Trieste Office, the Yugoslav Port Office, the Austrian Port Office and the Czech Port Office under terms of ERO Order #96 through February 28th 1947.

In reviewing the accounts of the Office of the Senior Representative, it was found that, while they were in good shape, the advances made to the Port Offices in gross sums were unsupported.

In the Spring of 1946, the Controller when in Rome had noted that these offices were run independently, drawing lire for their expenses, and had requested ERO to establish a single control of the financial and accounting operation. This was done under date of 20th August 1946 in ERO Order #52. The accounting effect of this order was to control disbursements and to consolidate all accounting transactions in the Trieste and Venezia Giulia area into one set of books for the purpose of rendering a monthly consolidated statement.

However, on 1st January, 1947 a new order - ERO Order #96 - was issued which materially changed this arrangement. While it provided for a minor degree of control by the Senior Representative's Office in limiting the advances to be made to the budgetary allotments, the fact that certain offices had not filed these budgets and had interpreted this order to establish their full independence had resulted in bringing about a complete divorce of the records and controls. ERO stated that this order was issued to reflect a change made in the organizational arrangements for Trieste and inter alia allowed for the accounting methods to follow that reorganization. Whilst there were disadvantages in disturbing both the organizational structure and the accounting methods, this action was taken after considerable deliberation at a high level. Under terms of ERO Order #96 each Port Office rendered a separate return to ERO, being related to the Senior Representative's Office only by way of advance accounts carried between that office and the various Port Offices.



The Controller gave immediate instructions for audits to be made of the Yugoslav and Austrian Port Office records. The Czech and Hungarian Port Office records were not available in Trieste having been sent forward to ERO, but instructions were given in London for the audit of these records at once.

An analysis of the total cash account of the Office of the Senior Representative from inception to 1st May 1947 was made and showed receipts of lire from Rome in the amount of approximately 972,000,000 lire. In reviewing the disbursement of this sum, the amounts advanced to the Port Offices were drawn off and detailed audits of the disposition of these sums by the Port Officers were put into progress. It was found that, in addition to the administrative expenses of the Port Offices, the money had been used for field drawings (particularly in the case of Yugoslav Mission) and, in some cases, for the transfer of cash direct to the parent Mission. Analysis of the field drawings, to determine those that were properly made by personnel in Trieste against acquittance rolls signed at the time of the drawing and those which might have been made in some other manner, was ordered. London was advised to obtain an explanation from the Chief of the Mission of those cases where field drawings were made by people who remained at the Mission and were not in Trieste. As to the items of cash transferred directly to the Missions, those Missions involved were instructed to produce a detailed disbursement record with supporting vouchers showing the disposition of the lire funds.

Upon return to London, the Controller discussed the effect of ERO Order #96 and of the proposed transfer of full responsibility for the Trieste operation to the Yugoslav Port Office as of 1st July, and, as a result, it was arranged that the Office of the Senior Representative should continue to operate so long as shipments continued to go into Trieste and the authority of the Senior Representative to control all expenditures was reinstated.

The books and records of the Trieste Office maintained by Mr. Vaccari were in excellent shape. Furthermore, the Senior Representative, Air Vice-Marshal Saul, had maintained complete records of all liabilities, actual or contingent, with full documentation of figures and an analysis of the issues.

Because of the bulk of the disbursements covered rail, shipping and handling charges, it was gratifying to find that the Trieste Office had an extremely competent staff of experts and that a technical audit of the rates, classifications, etc. had been carried on which had resulted in substantial refunds.

The following major questions were discussed in a series of conferences with the results shown.

#### MATTERS COVERED IN SURVEY

##### A. As to Accounting

1. Condition of books and accounts, status of interoffice accounts, status of trial balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities.



From the audit work just completed and from a further examination made of the books the accounts appeared to be in excellent shape and the financial statements adequately reflected the position. Inter-office reconciliations had been effected. The procedure in respect of transmittal letters was being carried out. The trial balances were fully supported by schedules giving the necessary breakdowns and all debit advices had been cleared to date.

2. Use of Bulletin #9; disentanglement of currencies and preparation of expense statements.

Not applicable

3. As to overdue accounts and claims, particularly advances made to employees for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowances, and as to any liabilities for repayment of goods and stores borrowed from Armies and Governments.

All outstanding advances to employees had been cleared to home stations. There were no outstanding claims in respect of uniform allowances and there was no known liability for the replacement of goods and stores borrowed from Armies and Governments.

4. Charges to other Agencies

No expenses had been paid on behalf of other agencies.

5. Write-off of Losses and status of Survey Reports

The only case calling for write-off action was in respect of one jeep and full details, including a survey report, had been forwarded to IRO to enable the write-off action to be taken.

6. Financial Order #3

The summary of acquittance rolls had been prepared and forwarded in accordance with instructions. The Office were instructed to make a reconciliation of the total of the summary with Personal Services account.

7. Leave Records

Leave records had not been maintained in accordance with the regulations as the number of Class I employees was only four. However, personnel records are kept and these disclosed all the necessary information.

8. PX Records

There was no PX store maintained in Trieste, the Office drawing the necessary supplies from the Italian Mission on a nominal roll for which they were charged.



B. Discussion of liabilities, actual and contingent, raised by the Senior Representative

1. Freight and onforwarding charges for Yugoslav, Austrian and Czech program movement.

Several thousand railway way bills were in the course of examination covering movement over the Italian State Railways through Italian territory to Zone A, as well as onforwarding through Zone B to the borders of recipient countries. A very careful audit was being made by the Trieste Office which resulted in many corrections for improper billing.

In the course of the discussions, it developed that the bulk of the cost was incurred within Italian territory and as such was payable by the Italian Government out of the proceeds of sale fund.

The Controller felt that the handling of all of these invoices, particularly as they represented way bills from the Italian State Railways, was a matter that properly should be handled by the Italian Delegation. As a result, Mr. Travers was sent from the Rome office to make an investigation and report.

As a result of meetings with representatives of the Mission, the Ministry of the Treasury, Italian Delegation and the Italian State Railways, it was agreed to transfer all bills, totalling in excess of 400,000,000 lire, to the Delegation for audit and payment from the proceeds of sale fund.

However, as way bills rendered by the Italian State Railways covered the entire journey from Trieste to the border, they included the UNRRA liability in respect of Zone A. In order to arrive at a computation applicable to Zone A and the Italian line sector, an apportionment was made on a mileage basis, the allocation varying as to the location of border towns. The amount of this computation will be a proper charge to UNRRA and will probably involve dollar expenditure to purchase lire.

2. 3% Turnover Tax

In the middle of April of this year Allied Military Government became aware of the fact that certain suppliers of services and facilities to UNRRA were not adding the tax to their invoices because they considered UNRRA exempt and were therefore not paying the tax to AMG. AMG had no knowledge of the amount of such services, (and therefore the amount of tax), but proposed that UNRRA should collect its bills, compute and pay the tax direct to them. The Trieste Office estimated that this would amount to 29,000,000 lire.



In discussions with Colonel Beard of AMG, the Controller pointed out that (waiving for sake of argument the question of exemption) the tax was not assessable against the Administration in any event; that while the vendor might have a right to action against UNRRA that was not equivalent to AMG having the right to collect the tax from UNRRA instead of from the vendor.

The result of long discussions was as follows:

- (a) UNRRA claimed that under the resolutions and by reason of practices of the nations composing the Control Commission in Trieste, it was exempt from such tax and that the vendors were correct in so treating it, and that this question would be referred to the Governments concerned.
- (b) Should a ruling come down to the effect that UNRRA was not exempt from tax, UNRRA would reimburse those vendors who furnished corrected bills, providing, however, that it was understood that AMG had been at fault in not raising sooner its decision to deny UNRRA exemption. Therefore UNRRA did not feel that it should pay the tax prior to the date of notification of claimed liability.
- (c) AMG accepted their responsibility in this matter and stated that, if UNRRA was not to be exempted, they would instruct vendors that from 1st April 1947 they were to bill UNRRA for the tax.

The Controller ascertained that this would save 22,000,000 lire and involve a payment of approximately 7,000,000 lire if all the vendors corrected their bills.

The matter was discussed in London with HMG who took the position that UNRRA is exempt from tax and the matter was referred to Washington to ascertain the views of the United States Government.

3. Charges claimed by AMG arising out of POL program for Yugoslavia

Claims have been raised by AMG approximating 150,000,000 lire made up as follows:-

	<u>Million</u>
Handling charges from ships' tanks to storage tanks	\$11.5
Hire of storage tanks	38.7
Ordnance maintenance	28.0
Handling charges from storage tanks to railway systems	57.0
Rehabilitation repairs	12.0

These charges were disputed on the grounds that they were covered by the surcharge paid to the Army and Navy by UNRRA under its contract with ANPB.



Meetings were held with Colonel Board and other officials of AMG and the figures examined. It was agreed that the charge for rehabilitation repairs should be reduced by the cost of those that had permanent value to the owners - approximately 7,000,000 lire.

AMG took the position that they could not bill ANPB for these costs and that somebody had to pay the bills.

UNRRA took the position that all charges were included in the surcharge and specifically that no charges could be made against UNRRA for handling charges from ships' tanks to storage tanks, for the hire of storage tanks, for the ordnance maintenance of POL installations other than Aquila. UNRRA felt that the charges for movement from storage tanks to railway traffic cars and wagons might be analyzed to determine how much of the cost represented the movement after UNRRA had signed for the product in bulk; in other words, where UNRRA took title at a storage tank, subsequent charges were payable by the Administration; otherwise the surcharge included pumping into the tank cars.

As to rehabilitation repairs at Aquila and S. Sabba, UNRRA took the position that it was not responsible for any installations which were of permanent value to the owner and this was agreed. It also stated that it had no liability for such temporary installations or for such apparatus installed for the chemical analysis of products from which the AMG benefitted and which they would have installed in any event. It suggested a breakdown of the charges to ascertain what portion of the temporary installation was installed solely for UNRRA's benefit and agreed to consider the question of liability when this figure was arrived at.

In as much as the decision rested with the interpretation of the ANPB agreement, the matter was referred to Washington and London for decision on questions of interpretation while the work of analysis was proceeding in Trieste.

4. Charge from AMG for the excess costs involved in an exchange of shipments of coal involving s.s. "Lou Gehrig" discharged in Trieste and s.s. "Brandstreet" discharged in Venice.

This charge was determined to be a liability of the UNRRA Mission to Italy and was transferred to Rome.

Later, in London, the question of liabilities with AMG were discussed with the War Office where it was indicated that a sterling settlement on a lump sum basis was preferred to the receipt of lire purchased from the Italian Government with sterling or dollars.

#### C. As to Internal Audit

Internal Audit of the Trieste Office was completed through 30th April 1947

but special instructions were given, as previously stated, for the analysis of the Port Office accounts and other matters developed during the visit.

D. As to External Audit

It was not known when the external auditors planned to complete the audit or whether they would do so in Trieste or in London.



SURVEY OF PARIS OFFICE AND OF THE THREE ZONES IN GERMANY

FINANCIAL AND ACCOUNTING OPERATIONS

D.P. Operations Headquarters moved to Paris from Arolsen in February 1947 when the accounting staff was amalgamated with that of the Paris Mission and of the Surprop Operation, both of which operations have since been closed.

Recognising that the Paris Mission accounts were unsatisfactory, various reassignments of personnel were made during 1946 in an attempt to improve the situation. Definite progress was made with the appointment of Mr. Rowe as Chief Accountant in the fall of 1946, but considerable work still remains to be done.

Paris Surprop accounting, in spite of administrative difficulties, has been well handled and, we understand, has been under continuous audit by the external auditors. Only a few items remain unsettled.

The most important matter taken up in Paris concerned the retention of the necessary personnel to complete UNRRA's accounting work in view of the arrangement for their transfer to PCIRO. This is covered in a separate report.

In addition to the foregoing, the following matters were discussed in Paris and in the three Zones in Germany.

MATTERS COVERED IN SURVEY

1. Condition of books and accounts, status of interoffice accounts, status of trial balances and detail supporting trial balances, condition of financial statements and footnotes reflecting contingent liabilities.

The condition of the books and accounts in Paris, US Zone and French Zone appeared to be satisfactory. The visit to the British Zone was of very short duration and this, together with the fact that the Chief Accountant was on leave, made it impossible to carry out a thorough examination of the books; the accounts of this Zone, however, were reported to be satisfactory by the Chief of Finance and Accounts of DP Operations.

The Zones estimated that there would be no difficulty in finishing the accounts in time for their receipt in London by mid-July. In the case of Paris, however, the backlog of work was such that the Chief Accountant thought the June 30th financial statements could not be ready for transmittal to London before the third or fourth week in August. Consequently, the Controller made arrangements for the transfer of five men to assist in closing the accounts in order that the work might be completed by the end of July.



2. Payroll - Home Accounting Station function

Paris is acting as a home accounting office for personnel from Norway, Denmark, Holland and Belgium as well as for French personnel. One of the problems involved in the delay in closing the accounts was that of termination pay for personnel being transferred to PCIRO as personnel action forms were reported to be very slow in coming forward. This was occasioned by the work being done in writing up the personnel actions for employment by PCIRO. (Later arrangements were made for bulk documentation to cover PCIRO employment which would permit more rapid processing of UNRRA termination papers.)

Another problem was that of personnel with home station Paris who would not, in spite of repeated requests, give instructions as to payment of their final emoluments. Instructions were given to notify these employees that the cheques would be drawn in the same manner as home allotments if specific instructions were not forthcoming promptly.

Personnel action forms, which had come in from the field in the early days, were signed by Personnel Officers whose signature was unknown to the auditors and thus could not be accepted by them. Mr. Kramer, Chief Personnel Officer, stated that in every case he knew the signature on the forms and had accepted the documents as official and would prepare a statement to that effect also stating that the signature was that of a responsible officer and officially validate the action.

3. As to overdue accounts and claims, particularly advances made to employees in local currency, military currency or out of the hard currency float for such purposes as field entitlements, against home allotments, travel, etc., as to claims for uniform allowance, and as to any liabilities for repayment of goods and stores borrowed from Armies and Governments.

The Chief Accountant reported some bad debts that had resulted from delayed personnel action forms arriving in the office after the termination of employees. All these cases happened in the early days of DP Operations and there were one or two cases where the office could not identify the ex-employee. Where the overpayment was to an employee with home station other than Paris, debit note action had been taken at once. Where the home station was Paris and all efforts to collect had failed, a survey report was filed and write-off action taken.

There had been one case of borrowing from the US Army, but the goods had been returned.

It later developed that the French Government had drawn emergency supplies for use at Caen for which there was an accounts receivable on the books for 17 million francs. ERO is negotiating settlement.



4. Write-off of Losses and status of Survey Reports

Survey reports had been filed to cover all losses. Instructions were given that, where authority had not yet been received for write-off action from either Washington or London, a tentative journal entry was to be made, subject to approval of the appropriate headquarters, which would reflect all survey report accounting in the final 30th June report.

5. Disposal of Surplus Property

The procedure for disposal was correct and appropriate safeguards had been instituted to guard against misappropriation of funds. At the time only one disposal had been effected, but there were other properties awaiting disposal.

6. Financial Order #3

The summary of acquittance rolls called for in Financial Order #3 had been prepared and forwarded to home stations. The Paris Office were working on the reconciliation with the Personal Services account.

7. Leave Records

Adequate leave records had been maintained in Headquarters since April 1946 first by the Personnel Division and latterly by the Accounts Division. The controls were such that the Chief Accountant thought that the Administration would suffer no loss for payment of accrued leave that had in fact been taken during the period covered by leave records. Field conditions in 1945 did not permit of accurate leave records, but a statement had been taken from each employee as to the amount of leave taken prior to April 1946 and accepted as the official basis for calculation after inspection.

8. PX Records

DP Operations PX when in Arolsen was run by the American Army, and when it came under the Administration, adequate quantitative records and administrative controls were installed. Very minor losses were covered by the profits made.

9. Discussion of Claims against UNRRA, commitments, etc.

All department heads had been asked to send in a schedule showing any liabilities they had incurred or were cognisant of as of June 30th. The Chief Accountant said that he would discuss with the Legal Adviser the suggestion that advertisements should be inserted in the Paris newspapers asking for claims against UNRRA to be filed by a given date.

Appearing under Sundry Debtors in the accounts was an item for money deducted from employees' pay as a withholding tax due to the French Government for 1945. The Government had made no demand for this money, but it was felt that it was due them and that steps should be taken by the legal department to get a ruling. In any event, the money does not belong to the Administration and, if it was legally proper to return the money to the employees, credits should go forward to the home stations at once.

Appearing under Sundry Creditors in the accounts were two items owing to the British Army for mess facilities at Marseilles. The Controller took details for these charges for inclusion in the items that were then being negotiated in London.

The DP Headquarters Controller reported that payment of the 13 million francs to the French Government in settlement of its claim against UNRRA in the French Zone of Germany was unpaid as it was not desirable to acquire francs with sterling in view of a possible contribution of francs from the Government. Delay in obtaining this contribution in London not only affected this settlement, which it was desirable to make promptly, but also required the constant use of sterling for the acquisition of francs. It was felt that a request for small current contributions might be more promptly granted, thus reducing the sterling expenditure, instead of a request for a large sum requiring such lengthy negotiations that the money would be received after the bulk of the expenditures had been made in purchased francs. The Controller expressed this point of view further in London.

#### 10. Claims of Third Parties for any cause

A number of claims from third parties were in process of settlement and the Chief Accountant agreed to make a review with Counsel of the entire field.

#### 11. Disentanglement of currencies

It was agreed that the current account would be analysed, if possible, while the work was still going on in Paris so that the expenses might be shown in the original currency of disbursement.

#### 12. As to Internal Audit

A considerable amount of work has been programmed. The minimum schedule agreed with the external auditors is as follows:-



1. Cash Count.
2. Vouching for month to date of count.
3. Reconciliation of Bank Accounts as at 30th June, 1947.
4. Cash Book - vouching receipts and disbursements for 3 months.
5. Journal - 3 months vouching.
6. Check all Bank Transfers for full period.
7. Check personal account postings and reconcile with Control.
8. Vouch remainder of Acquittance Rolls and check summaries for full period.
9. Check current termination, i.e., subsequent to 31st January, 1947.
10. Vouch and test all imprests.
11. Test check and check latest Reconciliation E.R.O. Current Account.
12. 3 months postings to all Ledgers.
13. Check reconciliation of Provident Fund Account and endeavor to locate details of difference.
14. Report on Drs., Crs., and other balances outstanding as at 30th June, 1947
15. Vouch Surplus Property Disposals and check write offs of non-expendable property.
16. SURPROP

Examine one month's operations and carry out such test checks as deemed necessary.

The status of the work in mid-July was such that its completion required 259 man days. As soon as this minimum program approaches completion, the situation will be again discussed with the external auditors to see what additional work should be undertaken.

It is understood that the external auditors have currently checked the Surprop accounting and, while this in no way relieves the Administration of the responsibility of internal audit, the work would be substantially a post-audit following that of the external auditors. There are other similar situations arising because of the fact that the external auditors have maintained a permanent staff in Paris and have covered a very large part of the work.

It is planned to explore the situation with them later in the year and to report to the Audit Subcommittee.

Preliminary calculations show that over 1,250 man days will be required to complete a full audit including the coverage of the work done by the external auditors. As personnel cannot be deployed for this additional work until later in the year, it is not a matter for present decision and will be referred to the Audit Subcommittee in due course.

13. As to External Audit

The external auditors maintain a permanent staff in Paris and, as already stated, they have done a very great amount of work on the Paris accounts which has been of material assistance in current accounting operations. It is understood that the audit will be completed in Paris and, in any event, the records and necessary personnel will await their disposition.



PLAN FOR THE JOINT UTILIZATION OF THE ACCOUNTING STAFF TO HANDLE UNRRA  
AND PCIRO WORK FOR A TEMPORARY PERIOD

Due to the inability of PCIRO to take over the displaced persons functions as of 1st July 1947, UNRRA was obliged to act on their behalf in many respects, particularly on the administrative and financial and accounting sides. A plan of joint utilization of the staff was an unwelcome burden to which, however, there was no better alternative.

In the first place, the actual rundown for UNRRA's operations proceeded at a much slower pace than the scheduled rundown used in developing closure and termination-of-staff plans. Instead of having a substantial group of people who would be free of UNRRA duties in ample time to be transferred to PCIRO, the fact was that, as of June 30th, a vast amount of UNRRA work still had to be done. On the other hand, PCIRO had not assembled a staff and, in fact, had little chance of doing so except from UNRRA sources.

The issue was raised immediately in Paris where the closure plan contemplated that the entire accounting staff in Paris and in the three Zones in Germany would cease operating for UNRRA on June 30th and commence working for PCIRO on July 1st. All their books, accounts and documents would be sent to London where an attempt would be made to finish the accounts with a "Closure Accountant". To avoid collapse of the accounting work, this plan had to be changed. On the other hand, PCIRO had no substitute organization that could take over and many of the UNRRA employees had already been notified of their termination and had received letters of appointment to PCIRO effective July 1st.

In an effort to meet these two basic problems, it was decided that the staff had to be used jointly to finish the UNRRA accounting records and to start and operate the PCIRO records. It was realized that this would delay UNRRA work to some extent, but no other solution seemed possible.

It should be made clear that the plan calls only for joint utilization of the staff; all bank accounts, cash books and other accounting records are entirely separate. Cross-transactions between UNRRA and PCIRO during the period of joint operation should be extremely small and instructions have been given to avoid them wherever possible. After the close of UNRRA bank accounts, cash books and the completion of accounting, it is possible that PCIRO, as a service to UNRRA, may make advances to auditors and casual travellers which will involve some cross-transactions, but these can be handled in the ordinary course of business.

In order to see that the entire group placed under the joint accounting plan would be under UNRRA control so far as UNRRA work was concerned, Mr. Campbell was appointed Controller of Displaced Persons Operations. He was given the task of supervising the joint utilization of staff in ERO to see that UNRRA priorities of work and all other aspects of the accounting were maintained and kept in order.



To summarize, the joint accounting plan is this:

Due to unpreparedness of PCIRO, UNRRA has agreed:

1. To keep accounting and financial staff in field offices for a period not to exceed 30th September to permit work to go on while PCIRO is surveying, selecting and establishing an organization.

This staff will perform both UNRRA and PCIRO work which, however, will be kept entirely separate with transactions segregated to maximum extent and intermingling kept at minimum.

UNRRA work will proceed on schedule and in all field offices will be completed on or before 31st July except for internal and external audit which is fully protected under agreement.

Value of service will be shared on lump sum basis at end of period.

2. At Washington and London, UNRRA has agreed to keep employees home accounting work going for a period not to exceed ninety days. As most of the PCIRO employees are ex-UNRRA, it means no more work for UNRRA and meets an obligation to these employees who have joined PCIRO at UNRRA's suggestion. In addition and because PCIRO funds to date are mostly derived from an UNRRA loan, UNRRA has handled the banking arrangements and has agreed to carry the cash books and primary records for a period not to exceed ninety days and until PCIRO is prepared to take over. UNRRA has not undertaken to maintain accrual accounting, ledgers, or to prepare financial statements.

3. All the above is fully documented, agreed with Council's Auditors and under control, and represents a cooperative attempt to meet a difficult situation with minimum unfavorable impact on either side.

Other documents relating to the plan are attached.



Annexure I

JOINT ACCOUNTING PLAN - ORIGIN AND  
ABSENCE OF ALTERNATIVE

The possibilities of a joint accounting plan for UNRRA/IRO were first discussed at a meeting held in Paris on Monday, April 28th, it was agreed that the first priority of work was to complete UNRRA's accounting and all records without delay. It was pointed out that full and complete financial accounting and statistical reports for the period ending 30th June 1947 must be issued in Washington prior to 30th September 1947. It was, therefore, impossible to turn over the whole or any part of the accounting and financial organization to IRO as of 1st July as had been originally contemplated. Equally it was agreed that it would be unsatisfactory to include in the so-called "Closure Teams" an accountant who would take over the work of the regular accounting staff after 30th June.

An effective compromise was therefore sought, which would meet UNRRA's minimum and unavoidable requirements, whilst at the same time giving IRO the benefit of a competent staff at the earliest possible moment, and likewise to assure, so far as possible, that the competent UNRRA personnel whom UNRRA would be obliged to retain would not lose the chance of transfer to IRO. At the same time there had to be taken into consideration the fact that there could be no reduction in UNRRA staff from now until the end of operation unless UNRRA's own functions were reduced; in other words any attempt to cut the UNRRA accounting and financial personnel established to meet the exigencies of the IRO budget, would not be in order as far as UNRRA was concerned. It was therefore agreed that should it be necessary for some reason to carry the total establishment on two budgets, one to represent the excess of UNRRA personnel over the estimated final requirements of IRO, there would be no objection in doing it.

In accordance with the above, the Controller, UNRRA, proposed that there should be a joint operation of the accounting, finance and related functions for the full time necessary to complete UNRRA work after 30th June. It was estimated in the field that a minimum of six weeks would be required and that at Headquarters, Paris, a reasonable estimate would be ninety days. The importance was appreciated of meeting the 30th September deadline because IRO expected to recast their accounting and related procedures about that date. It was decided, therefore, that the joint operation would continue until UNRRA work was completed and in order to carry on this joint operation, the UNRRA budget, which provides for cost beyond 30th June, would be utilized to supplement the IRO budget.

A point which arose during this discussion was that IRO would have to set up within its Headquarters an Internal Audit Branch. Again UNRRA stated that it had a well trained Internal Audit Organization particularly familiar with



displaced persons operations and that, whilst it would have to retain them for some considerable time, there would not be a great amount of IRO work to audit at once, and that again a joint operation should be undertaken. After discussion it was agreed that it was not necessary however to commence this joint operation as of 1st July. In fact that it would be preferable to get the bulk of the UNRRA internal and field audit completed up to a point where there were only a few items left, and at that time the staff selected by IRO should be turned over, together with such additional internal auditors as were required to finish UNRRA work, who would be covered by the UNRRA supplementary budget, and the operations conducted jointly.

At subsequent meetings and discussions the conclusions reached may be thus summarized:-

Effective 1 July 1947, PCIRO would have, within the terms of the formal Agreement between UNRRA and PCIRO, taken over the control of the present UNRRA Offices in Paris, all Zones of Germany, Austria, Italy and the Middle East Office, Cairo. Insofar as the accounting staffs in these offices were concerned, all accountants would be held either on the UNRRA payroll or the PCIRO payroll, and all accountants working at these offices would be under the control of PCIRO, reporting through the established channels of command to ERO. Accounting staffs at these offices would be assigned to two main functions: the completion of UNRRA's fiscal accounting closure functions at these offices, and the processing and accounting of PCIRO fiscal functions.

At all other offices in the European region which remain under the control of UNRRA, including ERO, UNRRA would act as the agent for PCIRO in handling such fiscal functions as might be necessary from time to time.

In brief, therefore, the present accounting machine throughout the whole of the European region would remain intact and continue to function within the same general framework and technical organizational structure as at present. The functions of that machine for priorities of work which it undertook in various locations would, however, be a matter of policy which would be jointly agreed between Robson Morrow & Company, the authorized representatives of the PCIRO for this purpose, and the Deputy Controller, UNRRA. Progress reports at all levels would be reviewed by Robson Morrow & Company, and the Deputy Controller, or their delegates as appropriate, in connection with the determination of the priorities of work.

It was agreed that Robson Morrow & Company would issue instructions in ample time to operate on 1 July 1947, covering the completion of UNRRA's accounting work in accordance with a memorandum from the Deputy Controller. It was agreed that IRO would make no change without prior agreement which would affect the present locations of the accounting personnel and records during the period of the joint operation. Appropriate arrangements would be made effective by 1 July 1947 for necessary fidelity and guarantee coverage.



It was further agreed that in any instances where UNRRA had accounting personnel redundant, that particulars of such personnel would be reported through the normal channels of UNRRA to Robson Morrow & Company before such personnel were terminated by UNRRA, in order that PCIRO might have the opportunity to approach these personnel with offers of appointment with PCIRO. Similarly, any accounting personnel employed by PCIRO in the European region would not be declared redundant by PCIRO without similar consultation with UNRRA.

Financial arrangements for the reimbursement by UNRRA to PCIRO for work performed by them as UNRRA's agents, and reversely reimbursement by PCIRO to UNRRA as appropriate, would be determined later on a basis to be mutually agreed between Controller and PCIRO.

It was understood:

- (a) That the representative of PCIRO with whom the Deputy Controller of UNRRA would deal in carrying out the above agreement was Messrs. Robson Morrow & Company, and consequently the terms of this arrangement remain effective during such time as Robson Morrow & Company remained for these purposes the authorized representative of the PCIRO or its successor.
- (b) That this agreement is subject to agreed variations in the light of the development of the joint plan.
- (c) That the dates of termination of the joint plan in the several offices will be decided by mutual agreement resulting from the joint continuous review of the operation as provided for in Paragraph 3.

Finally, it was pointed out that the inception and implementation of such a joint accounting plan had no possible alternative, by virtue of the fact that there was only one body of accountants to perform two tasks, viz: that of setting up IRO and that of closing the affairs of the Administration. Thorough examination proved to everybody's satisfaction that the single body of accountants would never suffice for both tasks if it were divided into two operations, but could only perform two operations if it carried them out concurrently. Whilst it was admitted by both the Controller, UNRRA, and the external auditors in London, that it was obviously not the ideal solution, equally obviously there was no alternative, and it was generally agreed that it would not prevent the Administration from producing good and auditable accounts given that cooperation so essential to the carrying through of this joint accountancy plan. Washington have now also agreed that they feel that this present arrangement is the best that could be accomplished under difficult circumstances. Equally, from the point of view of IRO, it was agreed that

whilst again this might not be the ideal solution, there would be no alternative which would not adversely affect IRO to the point where they might well be unable to operate, thus preventing the discharge of our moral obligations both to IRO and to the employees who would be transferred to it.

The Director General has ruled, however, that this assistance cannot be provided beyond 30th September and that UNRRA cannot undertake any additional functions other than those specified in this memorandum.



Annexure II

6th July, 1947

TO: Mr. L. W. Robson, PCIRO  
FROM: Controller  
SUBJECT: Field Conditions

Having had an opportunity to examine and to schedule the completion of the work in the UNRRA offices which are involved in the joint accounting operation with PCIRO, we can now give you definite information as follows:-

1. Cairo

UNRRA's work will be completed and brought to London by the end of July. It is expected that the internal audit will be fully completed by that date also. While the records will be held in Cairo, or, if taken to London, returned to Cairo, for the use of the external auditors, it is possible that they may complete their work in Cairo earlier than originally scheduled.

Therefore the joint accounting operation will cease as of July 31st and PCIRO should make whatever arrangements are necessary to operate this unit as a PCIRO operation from 1st August 1947. Exclusive of the people who will come to London with the documents for the final closure of UNRRA, there will remain in Cairo sufficient people to carry on PCIRO finance and accounting as operations are now contemplated. However, due to the fact that PCIRO has not set up an organization in Cairo, apparently has made no survey of the extensive operations that must be carried on in Egypt, Palestine, Uganda, Tanganyika, Southern and Northern Rhodesia, and Kenya, and because of the possibility that PCIRO may require more detailed accounting and budgetary controls than UNRRA, it is suggested that the present organization be taken over intact until there has been time for a careful survey of this entire operation.

I have requested Mr. Ted Smith, who is the Chief of F. & A. and the Chief Closure Officer for UNRRA, to accept the task set out in the cable from PCIRO appointing him the temporary acting head. However, this is purely an emergency arrangement and there should be some clarification of the entire problem before this becomes a 100% PCIRO operation on 1st August 1947.

2. Italy

Since the meeting attended by Mr. Altmeyer in Rome on June 15th, arrangements and appointments, under which the existing UNRRA organization commenced their



functions for PCIRO on 1st July, have kept the situation in control. The UNRRA accounts will be completed and brought to London before the end of July. It is expected that internal audit will be completed before the end of August. It is possible that external audit in Rome will be completed about the same date. This means that the joint accounting operation will cease 31st July.

PCIRO should immediately take steps to permit operation as a 100% PCIRO unit by 1st August.

Because some of the key personnel in the UNRRA finance and accounting group do not wish to transfer to PCIRO, Major Hodgetts has had to reconstruct his staff to carry on PCIRO work. His recommendations should be ratified at once and personnel advised, or, if this is not considered desirable, appropriate survey and selection of personnel should be undertaken at once.

In this connection the need of a Financial Adviser, as part of the PCIRO set-up in Rome, is apparent unless some entirely new method of financing is developed by PCIRO.

### 3. Austria

UNRRA accounting and finance will be finished by the end of July. PCIRO should plan to operate this unit from 1st August. We have already written you regarding the type of organization best suited for carrying on the finance and accounting work in Austria, but apparently no change in the set-up is planned by PCIRO and its representative in Vienna wishes to appoint a new staff. If such is the case, plans must be approved and personnel selected by PCIRO at once, as the UNRRA personnel will not be available after 31st July. We have already advised PCIRO that Messrs. Smelt and Krauss will not be available at this early date for PCIRO and, in any event, UNRRA would not be willing to release them for work in Austria in view of their own needs for men of this competence.

### 4. Germany

UNRRA accounting operations in the French, American and British Zones will be completed by the end of July. Definite arrangements for operating as PCIRO units should be in effect by 1st August. The matter is further complicated in the American Zone because Messrs. Stierhout, Hungrige and Hartogs are not willing to be transferred to PCIRO; replacements should be found at once. In accordance with the understanding that UNRRA would do what it could to give PCIRO 90 days to make final arrangements, these men have been persuaded to carry on for such time as may be necessary, but not later than 30th September. As PCIRO will have to supply men who are not familiar with the operation in this Zone, personnel selections should proceed immediately in order to permit some period of training before UNRRA personnel leave.



5. Paris

UNRRA accounting work will be completed in Paris by the end of July. Very extensive audit work will remain to be done, the location of which will depend upon the decision of the external auditors. The organization can be turned over intact to PCIRO, not only as a joint operation but as the final PCIRO unit if that is desired. It has been pointed out, however, that it will be inadequate to perform the functions of an accounting and financial headquarters and that UNRRA did not carry on such operations in Paris.

It will be seen from the above that the UNRRA part of the joint accounting operation in the field will end in July. This should avoid a difficult intermingling of costs and accounts and will permit the early establishment by PCIRO of its permanent organization.

While UNRRA will do all that it can for the period of 90 days up to 30th September to assist PCIRO with its accounting and financial work in the field, it will become increasingly difficult to do so as personnel come to London for closure functions and as personnel, not desiring to transfer to PCIRO, feel they have the right to terminate upon the completion of UNRRA work. May we therefore urge immediate action.

The joint accounting operation in London and in Washington is discussed in a separate letter.

/s/

H. E. Howell  
Controller

Annexure III

7th July, 1947

TO: Mr. L. W. Robson, PCIRO  
FROM: Controller  
SUBJECT: Joint accounting operation - Washington and London

1. Washington

At the meetings held with Robson, Morrow & Co. and with Mr. Altmeyer it was contemplated that the only work to be performed by Washington was the home station accounting function for U.S. based personnel on PCIRO's payrolls. It was stated that UNRRA could not agree to perform this function for more than 90 days and that, in the meantime, PCIRO would have to work out their plan for home station accounting, either centralized at Geneva or decentralized at various points, or some plan of payment through commercial banking channels.

UNRRA did not think it would be possible to segregate payroll personnel and machines until some time in August when it was expected that the reduction in UNRRA staff would free sufficient personnel and equipment to segregate a special PCIRO unit in Washington which would be available for absorption at the end of 90 days by PCIRO if they wished.

2. London

The identical plan was contemplated for London.

This operation has now commenced. It should be noted that, due to the failure to process the necessary personnel action forms, as of July 1st, the home accounting records for PCIRO employees in Washington, London and Paris were not set up. As of this date, an emergency plan, based upon the use of a blanket P2 which would permit the setting up of home accounting records, is still in process.

UNRRA urgently recommends a prompt decision as to whether or not the eventual PCIRO plan will be based upon the use of commercial banking channels or modelled upon the UNRRA method. If it is to be the latter and the work is to be centralized in Geneva, it is quite unlikely that it would be desirable to transfer groups of personnel from Washington and London to Geneva, and steps should be taken at once to obtain the necessary accounting machinery and the necessary key personnel to train local employees in the operation of the payroll system so that PCIRO may take over the entire operation not later than 30th September.

H. E. Howell  
Controller



SETTLEMENT OF THE CLAIMS OF THE UNITED STATES, BRITISH AND FRENCH ARMIES  
FOR SERVICES AND FACILITIES RENDERED

These settlements constitute one of the largest outstanding items involving

- (a) the immobilization of reserves of funds,
- (b) the use of estimates and provisions in the financial statements,
- (c) uncertainty as to expenses and the consequent effect on budgets,
- (d) uncertainty as to whether or not all charges had been made against payroll accounts,
- (e) the contingency that a great amount of accounting and auditing work might develop at a later date.

One of the major purposes of the Controller's visit to Europe was to bring these matters to a settlement. This required some 22 days in Germany and Austria and the coordination of the very effective work that had been done by the zone accountants, by Mr. Goldman, Chief of Finance and Accounts of Displaced Persons Headquarters, by Mr. Monkman of ERO and by Mr. Mayne of Headquarters.

SETTLEMENT WITH THE UNITED STATES ARMY

All settlements were based upon figures supported by vouchers that had been audited both by the Army and by UNRRA.

As a result of a series of meetings in Frankfurt, following investigations in the United States Zone, the agreed total of charges to be discussed, from the beginning of operations to the period up to approximately March 31st, 1947, was \$5,603,444.94 for which detailed schedules were prepared in Germany and Austria by classifications. The question of how much of this was reimbursable by UNRRA and how much should be charged to War Department appropriations depended upon the interpretation of the agreements.

Germany

The pertinent agreements were:

- (a) the original SHAETF Agreement,
- (b) U.S. Army documents which superseded the SHAETF agreement upon its dissolution,
- (c) USFET Agreement.

In a series of meetings all questions were resolved to a point where EUCOM and the Controller made a joint proposal to their respective headquarters for the settlement of the account for Germany, which proposal was subsequently approved by the War Department and UNRRA Headquarters.

The main points of this agreement are as follows:

I. The first group of costs is related to UNRRA's function in connection with the displaced persons operation in Germany. The items consist of the following:-

A. Charges prior to the USFET agreement, i.e. 19 February 1946

It is our understanding that all charges prior to this date are not reimbursable by UNRRA under the terms of the SHAEF agreement.

B. Charges subsequent to 19 February, 1946

1. Cash transfers

It was agreed that dollar backing would be provided for Allied Marks drawn for salary payments to UNRRA employees for the period 19 February 1946 to 31 July 1946 at the rate of 65% of such drawings.

The computation shows drawings of  $\text{AM } 6,304,944$  requiring dollar backing for  $\text{AM } 4,098,213$  with a value of  $\$409,821$ .

2. Currency Control Record

From 1 August 1946 to 15 September 1946, cash transfers were made from the Currency Control Record for which payment has been agreed at  $\$56,100$ .

From 15 September to date, and it is expected until the end of UNRRA operations, UNRRA has and will purchase for cash Military Payment Certificates.

3. Subsistence

It was agreed that UNRRA would provide dollar backing for bills paid in Allied Marks for the period 19 February 1946 to 30 June 1946. This amount totals  $\$330,848$ .

It was not possible to determine the actual total of invoices from 1 July 1946 to 31 March 1947. The outstanding bills total  $\$576,840$ , but it was agreed that this did not represent the final billing. From the personnel establishment tables, showing UNRRA personnel



and voluntary agency personnel attached to UNRRA, computations were made at an average price per ration of 85 cents for each month for the entire period and this shows that the total charge should be \$845,286 for that period. This amount was agreed as a proper charge.

Therefore the total charge for subsistence from 19 February 1946 is \$1,176,134. As from 31 March 1947 to date, and it is expected to the end of the UNRRA operation, subsistence bills will be paid monthly in MPCs which have been purchased for cash.

It was agreed that the "one meal a day" supplied to indigenous personnel employed in the operation was not chargeable to UNRRA.

4. Travel outside Germany

The audited figure of outstanding unpaid bills from 20 February 1946 to 31 March 1947 was \$36,068. It was agreed that this was the proper settlement. From 31 March to date, and it is expected until the end of UNRRA operations, travel outside Germany has been and will be paid for in advance in purchased MPCs.

5. Hospitalization and medical supplies

The audited figure of outstanding unpaid bills from 20 February 1946 to 31 March 1947 was \$19,019. It was agreed that this was the proper settlement. From 31 March to date, and it is expected until the end of UNRRA operations, travel outside Germany has been and will be paid for in purchased MPCs on discharge of patient.

6. POL used in the performance of functions classified as "organizational overhead"

The total POL for the period 20 February 1946 to 15 March 1947 was ascertainable with exactness because coupons for the entire Zone were drawn at one point. It was further possible to determine the total POL used by Central Headquarters because of the records maintained by UNRRA showing the distribution of coupons.

There is no way of precisely determining the amount of POL used in performing "organizational overhead" functions and it was agreed that, rather than take a percentage of the total POL, it would be more accurate to take the issues to CHQ less that proportion which represents functions classified as "operations". It was agreed that 75% was the correct percentage. Detailed records of POL coupons issued for CHQ consumption for the period 1 August 1946 to 31 March 1947 were maintained and represent an actual cost of \$47,066.51. It was considered reasonable to apply the same average consumption for the



prior period of  $5\frac{1}{2}$  months back to 20 February 1946 which would involve a cost of \$36,980.83. 75% of this total amount of \$84,046 was taken as the figure for settlement, to wit \$63,034.

Actually, CHQ finally closed on 15 March, 1947, but it was agreed that all POL consumption after the period covered by this settlement would be considered as used for "operations" and therefore non-reimbursable.

#### 7. Ordinance and QM stores

Certain expendable items such as stationery and office supplies were obviously reimbursable, but a considerable part could not be classified as between "organizational overhead" and "operations". Discussion of the items indicated that of the amount of expendable office and mess equipment charged against "operations", some unknown amount represented non-expendable supplies. It was agreed to transfer 50% of the total, to wit \$36,365.33, to non-expendables.

In determining the ratio to be used, it was considered reasonable to apply the POL percentage of reimbursement to total POL drawn - 5%. The total QM and Ordinance expendable supplies costs amounting to \$67,780.59 were considered reimbursable to the extent of \$3,389 and settlement was made at this figure.

The total of the open items - \$1,763,565, represents the reimbursable charges against UNRRA for its functions in connection with the displaced persons operation in Germany.

A number of possible minor liabilities was discussed relating to miscellaneous services and facilities supplied by the Army, including, for example, licence plates for vehicles, as well as the possibility of errors in some of the estimates used in arriving at the settlement. In connection with its displaced persons operation in Germany, it was agreed that all outstanding claims against UNRRA arising out of the pertinent agreements covering the total period in question would be considered fully discharged by the payment of \$1,765,000 as a negotiated full and complete settlement.

It was also agreed that the present procedures for the acquisition of MPCs and the payment currently of bills rendered in accordance with the understandings set forth in this letter would enable UNRRA to discharge its liabilities for reimbursement under the USFET agreement currently.

#### II. Miscellaneous charges not connected with displaced persons operation, Germany

It was agreed that the following charges were proper and would be settled in the amounts stated:-



	\$
Charges against the Paris Mission	1,631.94
" " " Luxembourg Mission	8.17
" to UNRRA for AJDC requisition	55.72
" against UNRRA for AES purchase by UNRRA French Zone (to be settled directly with AES)	2,600.00
" against the Czech Mission for miscellaneous items	1,256.32

III. Commodities supplied by U.S. Army for UNRRA's supply program

It was agreed that the following items were a proper charge against UNRRA and would be settled in the amounts stated:-

	\$
Charges against the Czech Mission for shipments of fish	24,500.00 *
" against the Czech Mission for machine engine oil	88,000.00 *

Austria

In determining the reimbursable portion of the Austrian charges, it was finally determined that no agreement existed covering the operations in the Zones and that the agreement dated 26th November 1945, setting up the Vienna Headquarters, was silent as to financial responsibility. However, under date of 20th July 1946, the Administration was notified of an Army directive under which services rendered and facilities supplied were considered to be reimbursable. USFA took the position that all costs were reimbursable and added a further item requiring the payment of the cost of billeting in dollars.

After very considerable negotiations, UNRRA stated what it considered to be a fair basis of settlement and USFA agreed that, if the War Department accepted such a proposal and requested their confirmation, they would give it. As a result, such a settlement was reached.

The main points of this settlement are:

1. Advances of 775,000 Austrian Schillings prior to 20th February 1946 are non-reimbursable.
2. Advances of 936,000 Austrian Schillings between dates 20th February and 20th July 1946 are non-reimbursable under WD cable WX 97414.

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\* These shipments were subsequently discussed in Prague where receipts from the recipient government are held for the items.

3. Dollar backing to extent of 65% of salaries for period 20th February to 30th June 1946 non-reimbursable - net amount \$28,143.50.
4. Dollar backing POL and subsistence paid in Austrian Schillings to 30th June 1946 non-reimbursable - net amount \$58,762.50.
5. Currency Control Books 1st July to 20th July 1946, \$3,638, non-reimbursable.
6. Currency Control Books, 20th July to 15th August 1946, \$4,710 reimbursable but UNRRA requires reimbursement by the Army of equivalent Austrian Schillings because original disbursements derived from Austrian Government.
7. Agreed figures POL, subsistence, medical services, travel outside Austria, sundry QM and Ordnance totals prior to 20th February 1946, \$2,454.27 is non-reimbursable. 20th February to 20th July 1946, \$29,917.03 non-reimbursable. 20th July 1946 to 31st March 1947, \$122,420.61 reimbursable. Charges subsequent to 31st March 1947 are automatically paid by purchased MPCs except POL for which estimate to 30th June 1947 is \$11,000.
8. Payment for billets was specifically reserved for settlement in Washington where agreement was reached that this was a non-reimbursable cost.

Final settlement was as follows:

POL	20 July 1946 to 31 March 1947	\$46,989.00
Subsistence	" " "	69,947.00
Ordnance	" " "	3,903.00
Medical services	" " "	1,404.00
Transportation	" " "	165.00
Stationery	" " "	12.00
Entries in Currency Control books		
	20 July 1946 to 15 August 1946	4,710.00
POL estimate to 30 June 1947		11,000.00
		<u>\$ 138,130.00</u>

Other settlements with the U.S. Army

1. Under an agreement for the acquisition of Army Surprop through OFLC, it was originally contemplated that the goods would be sorted, selected and shipped to the border of the recipient country by the Army. However, it became necessary for UNRRA to maintain the depots, sort and select the stock, and to arrange for the shipment of the goods by rail and by truck convoy.



Military bills of lading were used and the charges from the Belgian and French railways were collected on the books of the U.S. Finance Officer at Frankfurt. These bills will continue to come in for a long time. UNRRA wished to settle its liability for the transport of Surprop and entered into negotiations for settlement with the U.S. Army at Frankfurt.

After a number of discussions, in which figures were agreed as to the tonnage drawn from each depot, the mileage involved, the cost to the German border and several pertinent matters, a settlement was reached, on the basis of a flat price of \$7.20 a ton, for a total amount of \$437,738.

2. In addition to this, it was agreed to pay for the cost of subsistence, POL, etc., supplied to Surprop installations in France and Belgium and to the truck convoys for invoices approximating \$158,300 which had been audited and agreed, with the Army agreeing to absorb any belated charges not included in this figure.

3. In regard to the charge for the Czech Guard detachment, all figures have been agreed and settlement awaits State Department interpretation of certain agreements covering the supply of reichmarks. The charges involved are \$133,000 from the U.S. Army and \$5,000 from the British Army. The Czech Government representative in London agreed to assume all such costs after 1st July 1947 in consideration of UNRRA waiving its claim for partial reimbursement of costs prior to 30th June 1947 which were applicable to movement under guard of non-UNRRA goods.

#### SETTLEMENT WITH THE BRITISH ARMY

##### Germany and Austria

Similar audits and examination of figures as carried out with the U.S. Army resulted in agreement as to the amounts involved. The settlement, however, was not within the jurisdiction of BAOR Headquarters and negotiations were carried on with the War Office in London.

A settlement has been proposed and accepted by the negotiators and is now waiting for final confirmation. Further details will be given when the settlement is finally approved.

##### Middle East

The Middle East Office had an excellent record of the liabilities, actual and contingent, to the military authorities. The items were discussed and the figures agreed, and the Chief of Finance and Administration entered into negotiations for settlement with the following results:-

1. In regard to stores and supplies taken on charge by UNRRA when the Administration took over the MERRA camps on 1st May 1944, a letter was received from the Command Secretary, under date of 6th May 1947, stating



that no charges were required to be raised against UNRRA in respect of these stores and supplies.

2. A letter was received from the Command Secretary, under date of 30th June 1947, verifying that no rent would be charged to UNRRA in respect of WD buildings handed over to MEHRA in 1942 and subsequently turned over to UNRRA.
3. In regard to supplies, services and facilities furnished to UNRRA during the whole period of displaced persons operations, a letter was received from the Command Secretary, under date of 2nd July 1947, certifying that, for the period ending 31st March 1945, he had no further vouchers and a similar statement covering the period ending 31st December 1946 has been agreed on, although it was not expected that he would release such a statement without the prior approval of the War Office. An agreed figure for the period ending 30th June 1947 was to be available on 12th July and it was thought that the outstanding unbilled amount from the British Army would be very small. MEO was able to make a very firm estimate of any charges that might arise as they were in receipt of copies of the Army vouchers. It was anticipated that, by the time the last of the UNRRA accounting staff leaves Cairo, firm billing would have been received.
4. In reference to bills covering freight vouchers on Balkan stockpile goods totalling LE7,000, a letter has been received from the Command Secretary, under date of 2nd July 1947, cancelling UNRRA's obligation in this regard.

#### Other British Army charges

Charges in process of negotiation are listed below. It should be noted that all figures have been audited and agreed and the facts set out in proper documents. All that remains is the necessary time for negotiation and settlement. Discussions with British officials indicate that they are willing to consider a deadline for the raising of new items and possible a flat settlement in full discharge of liability for all those items not settled by 31st August 1947, or which may arise subsequently thereto.

1. Turnover of marks for payment Elbe Shipping Company charges. A complicated situation involving the Czech Government, the Elbe Shipping Company and the British Element of the Allied Control Commission in Germany was discussed in Prague, Hamburg and London. The detailed schedule of shipments and costs applicable to each barge movement was audited and agreed, and the principles underlying the question of responsibility for reimbursement analyzed and set out in a final memorandum. The matter is now awaiting settlement with the Foreign Office in London and a report will be made as soon as the issue is settled.
2. Settlement of minor charges for account of Czech guard detachments is under advisement by UNRRA.



3. Greece - The particular problem here is military relief vehicles. UNRRA is awaiting action of the War Office to whom bills have been returned to the value of £90,000 on contention that:

- (a) such vehicles were of Canadian origin, and
- (b) that they were covered by Balkan stockpile.

War Office is prepared to cancel the charges if satisfied that the British Government has not paid, and he is at present checking his records.

4. Italy - Rental charges for camps. Clear understanding with War Office that indigenous supplies and services are not chargeable and that any ground rentals will be either waived or recovered in Lire. Some difficulty has arisen in certifying small accounts by Italian Mission and War Office is agreeable to the principle of bulk settlement of these items. UNRRA is not able to agree to rental charges for camps taken over.

5. Haaren - Bills raised for rations supplied during the period 20th November 1945 to 31st March 1946 are in accordance with the BAOR agreement and no exception can be taken. No charges have been raised for the SHAEF agreement period.

6. Vehicle assembly charges - The following charges have been raised on Canadian trucks:-

- (a) £10,000 for 600 light trucks in Germany - acceptable
- (b) £23,000 for 800 light trucks in Naples - acceptable
- (c) £22,000 for 200 trucks in Graz - War Office is reconsidering with a view to reducing the charge.

7. Polish and British Army units in U.K. - The original negotiations indicate no reference whatsoever to financial liability and Major-General Stein, who made the arrangements, said that that point had not been considered. The decision as to whether UNRRA should make an offer or resist the charge has been turned over to PRDG Gale.

8. Army uniforms - billing £150,000. Administrative Services are having difficulty in checking due to deficient records, particularly in Granville. The War Office is considering a flat settlement at a negotiated figure.

9. Coal supplies to Greece - billing £420,000 - ERO is awaiting information from Washington on the terms of the Balkan stockpile agreement which the War Office contends does not include this coal.

10. Loan supplies - The Department of Supply has stated that outstanding matters include:

- (a) 5 tons of paper pulp in Greece, and
- (b) 7,000 tons of flour in Italy.

It has now been determined that the flour borrowed from the British military authorities was not replaced and invoices will be presented for payment.

11. Royal Air Force - discussion with RAF accountants resulted in a provisional agreement that they would present final billing to UNRRA on the basis of UNRRA's own schedule of travel undertaken, with estimates where information is difficult. This matter is in hand.

12. Other matters still under investigation concern:

- (a) The settlement of charges in Trieste, which, however, appear to be a Control Commission rather than a War Office matter.
- (b) An investigation into the reported supply of POL for the operation of Canadian trucks.

#### SETTLEMENT WITH THE FRENCH ARMY

##### Germany

Charges raised on the French Army Finance Department's books were examined and audited in detail and the total figures agreed. The question of what part was reimbursable by UNRRA depended upon the interpretation of any existing agreements. The only document that can be discovered was the French Army's memorandum which supplanted the SHAEF agreement. This made no mention of financial liability.

The French Army took the position that the entire costs were reimbursable. UNRRA stated that there was no legal liability, but that it would make a voluntary offer of settlement along the lines of the settlement with the U.S. Army in Germany. Discussions were then resumed in Paris with the Ministry of Finance, as a result of which agreement was reached and approved as follows.

It was agreed that, by payment of a total sum of 1,080,000 marks, convertible at the rate of 12 francs to the mark, all liabilities and obligations of UNRRA arising out of the pertinent agreements covering the entire period from the commencement of UNRRA operations in Germany and up to 30th June 1947, would be discharged, it being understood:

1. that this sum also covers the expenses in marks up to 30 June 1947;
2. that the General, Commander in Chief in Germany, will continue to furnish, free of charge, the necessary marks in pursuance of the terms of the agreement dated 18 February 1946;



3. that the expenditures in occupation francs will be paid in occupation francs obtained by transfer from Paris to the French Zone of Occupation in Germany.

The composition of this settlement is as follows:

1. Reimbursement for the mark expenditures of Class I and Class II UNRRA personnel in PX for a total of..... Mks 162.000
2. Reimbursement for good..... " 685.000
3. Reimbursement for travel expenses of UNRRA personnel outside Germany..... " 140.000
4. Reimbursement for representation costs..... " 7.500
5. Reimbursement for hospitalization costs..... " 60.000
6. As a reserve and as settlement of certain minor expenditures (including the cost of communications up to 30th June 1947) to cover errors in estimates and to release UNRRA of the necessity to maintain personnel to check minor bills in the future, it was agreed to add the sum of..... " 25.500

The total settlement arrived at is..... Mks 1.080.000

The payment of this 12,000,000 francs awaits an expected contribution from the French Government.

#### Austria

Negotiations similar to those for the French Zone in Germany were conducted in Austria where the absence of any document establishing financial liability made it necessary to transfer the discussions to the Ministry of Finance in Paris.

It was agreed that the figures involved were the cost of rations, amounting to Fr. fcs 515,280, and the supply of POL, amounting to Fr. fcs 1,567,600. Settlement was offered and accepted in the amount of Fr. fcs 1,000,000 in full and complete settlement of all obligations, claims and liabilities arising to the French Army for services, supplies and facilities provided to UNRRA for its operations in the French Zone in Austria, and Headquarters, Vienna, for the entire period.

## INTERNAL AUDIT IN EUROPE

As will be noted from the reports covering the various Missions, considerable special work over and above the minimum audit program is authorized. Discussions were had with the external auditors, particularly in Italy, and their views as to what should be covered were put into effect.

An outline of the program of Mission Audit, which was agreed as the minimum with the external auditors, follows. It is expected that a considerable amount of work in excess of the minimum will be accomplished before the end of the year.

### Cash

#### 1. Cash count.

#### 2. Vouch:

- (a) Receipts and disbursements for month to date of cash count, and reconcile latter with Cash Book balance.
- (b) Receipts and disbursements for three selected months.
- (c) Test check for other months as may be deemed necessary.
- (d) Check analysis in conjunction with vouching for months mentioned.
- (e) Check all Bank transfers for full period.
- (f) Vouch and test all Imprests for above periods.

#### 3. Bank

- (a) Vouch Bank transfers for full period.
- (b) Verify Bank Reconciliation for month ended immediately prior to visit.
- (c) Vouch all Bank transactions from reconciliation to date of visit and obtain Bank certificates.
- (d) Vouch receipts and disbursements for periods as above.
- (e) Reconcile all receipts from Governments or military authorities.

#### 4. Payrolls

##### Class I

- (a) Check details to payroll for one month from FI-23s for all personnel with Home Station at Mission.



- (b) Check all postings to personal earning cards and personal accounts.
- (c) Vouch all acquittance rolls to Cash Book or Journal.
- (d) Verify and check acquittance roll summaries.

Class II

- (a) Payroll detail to be checked for two periods as against letters of appointment, etc.
- (b) Examine payrolls for six months and check reconciliation of unclaimed wages account.
- (c) If possible attend pay-off for employees.

5. Employees Personal Accounts

- (a) Vouch for full period to date of audit.
- (b) Vouch all accounts for termination settlements.

6. Journals - General

- (a) Vouch in detail for three months of period and see that journal vouchers are properly authorized, correctly coded and supported by necessary data.

7. Ledgers

Control Ledger

- (a) Check postings for three months.
- (b) Check all balances to last Trial Balance.

Advances (Sundry Debtors)

- (a) Check postings for three months.
- (b) Agree balances at end of last month with Control Account.
- (c) Enquire into and report on all balances outstanding for 60 days or more.

Sundry Debtors (General)

- (a) Check postings for three months.

- (b) Agree balances at end of last month with Control Account.
- (c) Enquire into and report on all balances outstanding for 60 days or more.

8. Sundry Creditors

- (a) Check postings for three months.
- (b) Agree balances at end of month with Control Account.
- (c) Scrutinize all outstanding and enquire into reason for any delays in settlement.

9. Inter-Office Account

- (a) Reconcile with latest transcript.

10. Special Reserves (Provident Fund etc.)

- (a) Check postings for full period.
- (b) Verify balances as against Control Account.

Relief and Rehabilitation

- (a) Check postings for three months.
- (b) Verify balances as against Control Account.

Revenue

- (a) Check postings for full period.
- (b) Verify balances as against Control Account.

11. Expendable and Non-Expendable Property

PX Mission Stores and Mess Accounts

- (a) Examine whole procedure and see whether it complies with A-201.
- (b) Examine and test source of supply.
- (c) Examine warehouse records.
- (d) Vouch and check sales for one month.
- (e) Reconcile cash.



Non-Expendable

- (a) Examine records and see that provisions of A-201 are being complied with.
- (b) Test inventories to cards, etc.
- (c) Check write-offs etc.

12. Commodity Accounts

- (a) Check operations for one month.
- (b) Check F1-160s as against receipts held for given period.

13. Supply Records

- (a) Make general survey.
- (b) Test check records.

14. Surplus Property Disposal

- (a) Examine records and verify any transactions.
- (b) See that transactions are in keeping with Administrative Order 75.

15. Local Procurement

- (a) Examine procedure.
- (b) Vouch all disbursements.

16. Control of Motor Vehicles and POL

- (a) Examine control and use of vehicles.
- (b) Examine source of supply of POL.
- (c) Examine and check use and control of POL.

GENERAL

Do all such other things as may be necessary to determine that all monies and property of the Administration are being properly accounted for and dealt with.

Note: For detail work see the standard program.

ITINERARY - MAJOR TOPICS AND MEETINGS

Saturday, April 12th - Left New York for London by air at 11:30 a.m.

Sunday, " 13th - Arrived London 2 p.m.

Monday, " 14th - London  
Meetings with accounting staff; Lewis; Jackson re funding.

Tuesday, " 15th - London  
Meeting with Robson on IRO; Jackson on funding, etc.

Wednesday, " 16th - Left London 10 a.m. with Campbell and Bishop -  
by train and boat to Paris arriving 6:30 p.m.

Thursday, " 17th - Paris  
Meetings with accounting staff; and Myer Cohen on problem of finishing UNRRA work with IRO takeover of accounting staff

Friday, " 18th - Meeting with Mr. Meyer of Ministry of Finance on French Army settlement  
Left by night train for Frankfurt with Goldman

Saturday, " 19th - Arrived Frankfurt 9 a.m. Went by car to Heidelberg, US Zone Headquarters. Meeting with accounting staff on Army charges and transfer to IRO.

Sunday, " 20th - Heidelberg - Telephone call to Paris on IRO problems

Monday, " 21st - Left Heidelberg by car 9 a.m. for Frankfurt Meeting all day with US Army on army charges

Tuesday, " 22nd - Left Frankfurt 9 a.m. by car for Spenge, British Zone Headquarters arriving 6:30 p.m.

Wednesday, " 23rd - Spenge. Meeting with Director of Zone and accounting staff on survey matters and transfer to IRO. Went by car to Bad Oeyenhausen for meeting 3 p.m. with British Army on army charges. Went by car leaving at 6 p.m. to Hanover to catch night train for Frankfurt.

Thursday, " 24th - Arrived Frankfurt 7 a.m.  
Meeting in office of liaison officer with US Zone accountants at 9 a.m.  
Meeting with US Army at 2 p.m.



Friday, April 25th - Left by car for Haslach, French Zone HQ, at 9 a.m. arriving 2 p.m. Meeting with accounting staff on army charges and transfer to IRO

Saturday, " 26th - Left by car for Baden-Baden at 7:45 a.m. for meeting with French Army on army charges. Returned to Haslach

Sunday, " 27th - Haslach. Left by car for Strasbourg to catch night train to Paris

Monday, " 28th - Arrived Paris 8 a.m. Meetings with Robson, Lewis, Burnett on joint plan of operation with IRO

Tuesday, " 29th - Paris. Held meetings all day up to midnight.

Wednesday, " 30th - Paris. Meetings re joint operation with IRO, appointment of Campbell as Controller, DP Ops. etc.

Thursday, May 1st - Left Paris at 8 a.m. for Prague by air arriving 2 p.m. Meetings with Henninger

Friday, " 2nd - Prague.  
Meetings with Mission Chief, Henninger, Bowring on supply matters

Saturday, " 3rd - Prague  
Meeting with Czech Govt. officials on proceeds of sale

Sunday, " 4th - Prague  
Discussions with Henninger and Krauss on matters covered in survey

Monday, " 5th - Prague  
Meeting and luncheon with Government officials  
Left 11:30 p.m. by train for Warsaw

Tuesday, " 6th - Arrived Warsaw 5 p.m.

Wednesday, " 7th - Warsaw  
Meetings with Mission Chief, Supply Chief and accounting staff, and with ERO internal audit team

Thursday, " 8th - Warsaw  
Meeting with Government officials on proceeds of sale, etc.

Friday, May 9th - Warsaw  
Meeting with Foreign Office officials and American Embassy

Saturday, " 10th - Warsaw  
Left at 2 p.m. by train for Prague

Sunday, " 11th - Arrived Prague 10 a.m.

Monday, " 12th - Prague  
Meetings with accounting staff all day

Tuesday, " 13th - Prague  
9 a.m. meeting with Chief of F. & A. Left 10:30 a.m. by car for Vienna, arriving 5:30 p.m.

Wednesday, " 14th - Vienna  
Meeting with US Army following discussions with Chief of F. & A., Legal Adviser, etc.

Thursday, " 15th - Vienna  
Meetings with Mission Chief and accounting staff on wind-up of operations and transfer to IRO

Friday, " 16th - Vienna  
Meetings with French Army and US Army  
Left on night train for Salzburg, US Zone HQ

Saturday, " 17th - Arrived Salzburg 6:30 a.m.  
Meeting at US Zone HQ

Sunday, " 18th - Salzburg  
Left on night train for Vienna

Monday, " 19th - Arrived Vienna 7 a.m.  
Meeting on internal audit investigations

Tuesday, " 20th - Vienna  
Meetings with Chief of F. & A. and accounting staff

Wednesday, " 21st - Vienna  
Meeting with French Army

Thursday, " 22nd - Vienna  
Meeting with US Army

Friday, " 23rd - Left Vienna 8 a.m. by plane for Belgrade, arriving 11:30 a.m. Meetings with Rosser, Chief of F. & A.



Saturday, May 24th - Belgrade  
Meetings with Deputy Chief, Johns, and with CFA  
Rosser and Director of Accounts on survey matters

Sunday, " 25th - Belgrade

Monday, " 26th - Belgrade  
Discussion with external auditors  
Meetings re 1945-46 accounts

Tuesday, " 27th - Belgrade - continued discussions on above matters

Wednesday, " 28th - Left Belgrade by plane for Ljublyana at 7 a.m.  
Went by jeep to Trieste arriving 5 p.m.

Thursday, " 29th - Trieste  
Meeting with Saul on outstanding items

Friday, " 30th - Trieste  
Meeting with accounting staff on survey matters  
and with Allied Military Government

Saturday, " 31st - Left Trieste 2 p.m.

Sunday, June 1st - Left Venice on night train for Rome

Monday, " 2nd - Arrived Rome 9 a.m.  
Discussions with external auditors; Hopkins on  
lire fund

Tuesday, " 3rd - Rome  
Meetings with Hodgetts, Chief of F. & A., and  
other accounting staff, also with Mission Chief  
on survey matters

Wednesday, " 4th - Rome  
Continued discussions

Thursday, " 5th - Rome  
Discussed entire IRO set up - transfer of personnel  
and properties

Friday, " 6th - Rome  
Continued discussions. Phoned Washington and London

Saturday, " 7th - Rome

Sunday, " 8th - Rome

Monday, June 9th - Rome - Prepared London docket

Tuesday, " 10th - Rome  
Meetings with Hodgetts and Mission Chief

Wednesday, " 11th - Left Rome 9:30 a.m. by plane for London arriving  
5 p.m.

Thursday, " 12th - London  
Reviewed all matters with Burnett, Gale & Lewis  
Had telex talk with Washington

Friday, " 13th - London  
Continued discussions, including IRO

Saturday, " 14th - Left London 2 p.m. for Geneva arriving 5 p.m.

Sunday, " 15th - Geneva  
Meeting with Hall of IRO 9 a.m.  
Left at 2 p.m. by plane for Rome arriving 5 p.m.  
Meeting with Altmeyer, Keeny, etc. on IRO

Monday, " 16th - Left Rome by air for Athens arriving 4 p.m.

Tuesday, " 17th - Athens  
Discussions with Sampson, Internal Auditor,  
on points covered by him.  
Meetings with Mission Chief, Chief of F. & A.,  
etc. on survey matters

Wednesday, " 18th - Athens  
Continued discussions on above

Thursday, " 19th - Athens  
Continued discussions. Due to leave for Cairo  
but plane delayed

Friday, " 20th - Athens  
Continued discussions with Sampson on schedule  
of work for him to cover. Left by plane for  
Cairo at 7:30 p.m. arriving 11 p.m.

Saturday, " 21st - Cairo  
Meetings with Chief of F. & A. Smith and with Chief  
of Office Waddington, particularly on camp situation

Sunday, " 22nd - Cairo



Monday, June 23rd - Cairo - Discussed IRO situation. Cabled Altmeyer re deficiencies per his request.  
Meeting with Smith and Miss Bridgman on supply accounting matters

Tuesday, " 24th - Cairo  
Meeting with lawyers. Continued discussions including examination of supply records

Wednesday, " 25th - Cairo  
Continued discussions. Due to leave but plane delayed

Thursday, " 26th - Cairo  
Discussions on DP costs incurred in certain territories in Africa.

Friday, " 27th - Left Cairo by air for Athens at 7 p.m. arriving 11 p.m.

Saturday, " 28th - Athens  
Meetings with Mission Chief, Chief of F. & A., etc. also with representatives from Acropole Hotel on claim submitted against UNRRA. Review of work with Sampson

Sunday, " 29th - Discussions with Sampson

Monday, " 30th - Athens  
Meeting 8:30 a.m. for final review. Left by plane at 12 noon arriving 4:30 p.m.  
Discussion with Hodgetts

Tuesday, July 1st - Rome  
Discussions with external auditors; Hopkins on lire fund. Take over by PCIRO caused some difficulty

Wednesday, " 2nd - Rome  
Discussions with accounting staff and auditors

Thursday, " 3rd - Rome  
General review all items with Hodgetts in a.m.  
Discussion with Wyatt on Athens office  
Called Washington on phone

Friday, " 4th - Left Rome 9 a.m. by plane for Paris, arriving 4 p.m.  
Discussion with Campbell on PCIRO matters

Saturday, July 5th - Paris  
Meetings with accounting staff on PCIRO matters  
and UNRRA accounting. Meeting with Myer Cohen.

Sunday, " 6th - Left Paris 1 p.m. by train and boat for London.  
Prepared ERO docket. Arrived 10:30 p.m.

Monday, " 7th - London  
Meetings all day on army matters with Goldman,  
PCIRO with Finn and Morrow, etc.

Tuesday, " 8th - London  
Continued meetings

Wednesday, " 9th - London  
Continued meetings

Thursday, " 10th - London  
Meeting with Sir Alan Ray-Smith, DPG's London  
office in morning  
Meeting with Sir Edward Bridges of Treasury in  
afternoon.

Friday, " 11th - London  
Final review in morning  
Left by plane at 3 p.m. for the States

Saturday, " 12th - Arrived Washington 11 a.m.