



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/TIMOR-LESTE'S STRENGTHENING PROPERTY RIGHTS IN TIMOR-LESTE PROJECT

AUDIT REPORT NO. 5-472-11-004-P  
JANUARY 11, 2011

MANILA, PHILIPPINES



*Office of Inspector General*

January 11, 2011

**MEMORANDUM**

**TO:** USAID/Timor-Leste Acting Mission Director, Cheryl A. Williams

**FROM:** Regional Inspector General/Manila, Bruce N. Boyer /s/

**SUBJECT:** Audit of USAID/Timor-Leste's Strengthening Property Rights in Timor-Leste Project (Audit Report No. 5-472-11-004-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments on the draft report and have included those comments in Appendix II of this report.

This report contains three recommendations to assist the mission in improving the efficiency and effectiveness of its property rights project. On the basis of information provided by the mission in its response to the draft report, we determined that management decisions have been reached on Recommendations 1, 2, and 3. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close these recommendations.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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# SUMMARY OF RESULTS

Prior to gaining independence in 2002, Timor-Leste experienced a history of occupation—first by Portugal and more recently by Indonesia—which caused the displacement and (frequently forced) resettlement of the population in many urban and rural areas. Among other things, these changes have created confusion over land and property holdings, resulting from overlapping land and property claims established under different legal systems (Portuguese, Indonesian, and Timorese customary tenure systems), which has led to increased tension and limited Timor-Leste's economic growth.

To address this problem, USAID/Timor-Leste developed the Strengthening Property Rights in Timor-Leste Project<sup>1</sup> (the project), which is designed to support the Government of Timor-Leste (GOTL) in its efforts to institute its own laws and regulations governing property rights, including the establishment of a national land registration and titling system. To implement the project, the mission awarded a 5-year, \$9.9 million task order to Associates in Rural Development, Inc., effective from October 1, 2007, to September 30, 2012. The project's overall purpose is to assist the GOTL in developing laws, systems, institutions, and capacity to secure property rights for all Timorese.

In pursuit of this objective, the project consists of the following components (activities):

- Increase public awareness of land issues, including national policies and laws to improve and record property rights.
- Assist the GOTL in drafting additional legislation, following the adoption of the country's proposed Immovable Property Land Law (Land Bill), which would include regulations covering such areas as property registration and valuation.
- Work with the GOTL to establish a National Land Commission that would serve as a policymaking and coordination body for property-related matters.
- Develop land administration and information systems, including (1) a national cadastre (land registry) to record property locations, boundaries, and claims and (2) a system for registering and titling these properties.
- Establish procedures for mediating and resolving competing property claims as land is demarcated, registered, and/or titled.

In implementing the project, the implementer works in close collaboration with the National Directorate for Land and Property and Cadastral Services within the GOTL's Ministry of Justice. As of September 30, 2010, cumulative obligations under the project totaled approximately \$8.9 million and disbursements \$7.3 million.

The objective of this audit was to determine whether the project is achieving its main goal of assisting the GOTL in the development of laws, systems, and institutions, as well as building capacity to secure improved property rights for the Timorese people.

The audit found that the project was only partially achieving its goal due, in part, to delays on the part of the GOTL in adopting its Land Bill. This key piece of legislation was originally expected to be passed at the start of the project, and its delay has

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<sup>1</sup> This project was established under the *Prosperity, Livelihoods and Conserving Ecosystems (PLACE)* Indefinite Quantity Contract (contract number EPP-I-00-06-00008-00) with Associates in Rural Development.

deferred or curtailed a number of activities and deliverables. Despite this setback, the project still managed to provide much-needed support to the GOTL. For example, the project has worked closely with the Ministry of Justice to help move the legislative process forward in developing a finalized Land Bill, which at the time of the audit was awaiting review by the National Parliament.<sup>2</sup> The project was also in the process of developing a national land registry that is expected to cover 50,000 land parcels nationwide. In carrying out this labor-intensive task, the project developed detailed procedures and systems for surveying parcels and recording data on claims filed on those properties, with the data collected by teams of data collectors and then entered into a database. Upon completion, this massive database will serve as the basis for land registration and titling.

In reviewing the data in this database, however, the audit found that key supporting records were not always complete or usable, and in some cases were missing. A review of the data and records relating to a sample of 1,140 property claims, representing approximately 5 percent of the total claims filed as of September 30, 2010, revealed that 441 of these claims (39 percent) had some form of record-related deficiency. Examples include missing property folders, missing claim forms, missing property sketches, and unreadable records owing to poor image quality (page 3). The audit also noted that the project was accumulating a large backlog of property claims that had been collected but were awaiting final processing, which entailed a final review of the claims data and records and a public display of the recorded parcels (page 5). Additionally, site visits to selected data collection areas revealed that field staff were not adequately following up on disputed property claims to facilitate a resolution as required (page 7).

The report recommends that USAID/Timor-Leste:

- Require its implementer to develop improved data quality control procedures to ensure that the data and records maintained in the project's central database are accurate, complete, and of an acceptable quality (page 4).
- Require its implementer to (1) reassess the results that can be realistically achieved under its land administration activity during the remainder of the project and (2) develop a detailed plan for completing this work, including corrective action to address the operational issues identified by the audit, to ensure that all property claims collected undergo final processing by the end of the project (page 6).
- Require its implementer to (1) provide training or guidance to its project field staff to ensure that they adhere to prescribed procedures in the followup and resolution of disputed property claims, and (2) establish appropriate procedures to ensure that data on disputed property claims reported from the project's disputed claims log are accurate and complete, as well as regularly reconciled with data in the project's database to maintain the reliability and accuracy of both records (page 8).

Our evaluation of management comments is on page 9. Appendix I describes the scope and methodology. USAID/Timor-Leste's comments, without attachments, are in Appendix II.

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<sup>2</sup> Due to other government priorities, this legislation was not expected to be adopted until later in 2011.

# AUDIT FINDINGS

## Records Supporting Recorded Property Claims Data Were Not Always Complete or Usable

To facilitate efforts to establish a national land registry, the implementer developed detailed procedures and systems for surveying individual properties and collecting and recording data on those properties. These procedures, designed to be carried out by data collection teams operating in the field, included the collection of data on land claims through a physical inspection of each property. During these inspections, data collectors survey the land parcel, measure its boundaries, and interview claimants to the property. The data collection teams document property and claimant data on property claim forms, which include a sketch of each property showing its boundaries and measurements. These forms are supplemented with electronic images of supporting records (e.g., identification cards, property deeds). Following collection, the data and supporting records are both entered into a database maintained at the project's central office. Upon completion of the activity, the database is expected to be handed over to the Government of Timor-Leste (GOTL) to serve as the national land registry and facilitate the registration and titling of the properties.

As of September 30, 2010, records showed that 25,159 property claims relating to 23,909 parcels had been entered into the database, indicating that the project had achieved almost half of its planned target of 50,000 parcels.

In reviewing a sample of the property claims on file in the database, however, the audit found that the recorded data and supporting records for these claims were not always complete or accurate and, in some cases, were of such poor quality as to be unusable. Specifically, the results of this review, which included claims from 5 of the 10 regional districts and represented approximately 5 percent of the total claims filed nationwide, revealed that 441 of the 1,140 claims reviewed (39 percent) had some form of record-related deficiency. Table 1 shows examples of these deficiencies.

**Table 1. Record-Related Deficiencies Identified Based on Audit Testing**

Description	No. of Cases	% of Total Sample
Property claim form (electronic copy) missing from database	137	12
Property sketch missing from database	104	9
Property claim folder missing from database	50	4
Record(s) found to be unreadable (poor image quality)	114	10
Property disputes not properly recorded in database	103	9
Claimant's identification # in database found to be incorrect	137	12

Although the project had data quality control procedures in which central office and district field office staff were responsible for reviewing the data and records before they were entered into the database, the number and types of deficiencies identified indicate

that this review was not always adequate. This problem stemmed primarily from field staff not adequately reviewing the property records to ensure that they were complete and of an acceptable quality before sending them to the central office to be entered into the database. This forced central office staff to perform a more thorough (rather than cursory) secondary review of the data and records, which exacerbated their already heavy workload and increased the risk of errors going undetected.

If left uncorrected, these record-related deficiencies may create problems later on for a number of property claims because the records for these claims may be deemed unacceptable for the registration and titling of property. To avoid possible problems during this phase of the process—brought on by the omission of key documents or documents deemed unusable—the project needs to improve its data quality control process to be able to detect and address such deficiencies. Given the significance of the national land registry to the government and people of Timor-Leste and the sensitivity surrounding property rights, it is essential that the data and records in the registry be complete and accurate before the registry is handed over to the GOTL. Consequently, a higher standard of data quality (lower tolerance for errors) must be maintained. To ensure that appropriate corrective action is taken, this audit makes the following recommendation:

**Recommendation 1.** *We recommend that USAID/Timor-Leste direct the implementer of the Strengthening Property Rights in Timor-Leste Project to develop improved data quality control procedures that will address the record-related deficiencies identified during the audit and ensure that the data and records maintained in the project's database are accurate, complete, and of an acceptable quality.*



Data collectors measuring land parcels in Timor-Leste. (Photos furnished by implementer.)

## **Project Faced With Backlog of Property Claims Awaiting Final Processing**

The project's *Manual of Procedures for Field Operations* outlines detailed procedures for collecting, recording, and processing data on property claims. In collecting these data, the project relies on its district field offices, which are staffed with teams of data collectors who are assigned to cover a designated data collection area or "zone," often a neighborhood or other small subdivision within a city or town. Within these assigned zones, the data collection team systematically visits each parcel and assists claimants in completing a property claim, while also collecting and documenting data on these claims. The district field office staff later review the recorded data and related records gathered from the collection zone before transmitting both to the project's central office in Dili, where they are entered into the main database and consolidated with data collected from other areas.

The final phase of this process involves a "public display," in which the results of the data collection effort are presented to the community for public viewing. During each display, the project posts a list of all of the recorded claims and claimants within a given collection zone along with a map showing the location of the claimed parcels and their boundaries. The intended purpose of these displays—which are held over a 6-week period at a designated site within the collection area—is to give claimants an opportunity to visually inspect a spatial image of their claimed parcel as it appears on the map and confirm whether their claim has been correctly recorded. In preparation for this event, the project's central office staff performs a final review of the property claim data and related records to ensure that they are complete and that the list of claimants and map printed for display are accurate. This review typically takes about a week to complete.

The audit, however, found that the project was accumulating a growing backlog of property claims that were awaiting final processing (final review and/or public display). In Dili alone, about 64 data collection zones, consisting of more than 10,000 claims, were awaiting final processing as of September 30, 2010. This backlog was attributed, in part, to insufficient staffing at the project's central office to handle the high volume of data and records that needed to be processed in preparation for public display.

In addition, the audit identified another operational issue that was creating a major bottleneck and delaying the processing of claims filed for Dili, the country's largest and most heavily populated city. According to project staff, the director of the GOTL's National Directorate for Land and Property and Cadastral Services (DNTPSC) was requiring that all project-generated maps printed for public display in Dili first be sent to DNTPSC's head office for clearance so that the maps could be checked. In March 2010, the project submitted an initial batch of maps for review for five collection zones. As of September 30, 2010—6 months later—the project was still awaiting clearance on this batch, which was preventing these and other collection zones in Dili from proceeding to public display.

With less than 2 years remaining under the project and only about half of the planned target for this activity achieved to date, the project can ill afford to maintain or accumulate a large backlog of unprocessed claims since doing so will seriously jeopardize the completion of this activity. Addressing the existing backlog, as well as



reviewing claims and holding public displays for all of the remaining collection zones planned, already appears to be a daunting challenge.

To illustrate, the project is expected to collect 50,000 property claims from approximately 600 collection zones nationwide. As of September 30, 2010, however, the project had completed the final processing of property claims for only 166 of these zones, with an additional 11 dropped from the project, leaving a balance of 423 zones that need to be processed by the end of the project. Part of this processing—the final review of the data and printing of the claimant list and map for public display—takes a week on average per collection zone. At this rate and at current staffing levels, it would take more than 8 years to complete the remaining 423 zones. Meanwhile, the processing of the 174 remaining zones in Dili alone would require 3.3 years, not including the additional 6-week period required for each public display. Even if the project managed to process the claims for several collection zones concurrently, it was estimated that there would still be insufficient time left under the project to complete the remaining processing required. To address this problem and help ensure that this activity is satisfactorily completed, the audit makes the following recommendation:

**Recommendation 2.** *We recommend that USAID/Timor-Leste direct the implementer of the Strengthening Property Rights in Timor-Leste Project to (a) reassess the results that can be realistically achieved under its land administration activity during the remainder of the project period and (b) develop a detailed plan for completing this work, including corrective action to address the operational issues identified by the audit, to ensure that all property claims collected under the activity undergo final processing by the end of the project.*



**Public display of project-generated maps showing individual land parcels in two collection zones in Liquica District along with a list of the claimants filing property claims in each collection zone. (Photo furnished by implementer.)**

## **Disputed Property Claims Were Not Receiving Adequate Followup**

Under the project, the implementer was required to establish and implement procedures for resolving and mediating conflicting property claims that arose in connection with the demarcating (land claims data collection), registering, and titling of land parcels. Since the project was unlikely to progress beyond the land claims data collection phase, owing to the delay in the passage of the Land Bill and related implementing regulations, activities under this component focused on the resolution of disputed property claims arising during the initial data collection phase only. Efforts to follow up and resolve such claims were further limited to disputed claims between private parties and excluded disputes with the state (over state-claimed property), because the latter involved matters to be taken up with the courts, and their resolution was awaiting further legislation. With regard to disputes between private parties, operating procedures required project staff (community facilitators) assigned to each district field office to regularly follow up with the disputing claimants for 6 to 8 weeks after the disputed claims are identified to facilitate a resolution, either directly or through local community leaders or mediators.

The audit, however, found that the project was not adequately ensuring that its field staff was following up on disputed claims between private parties. During site visits to selected land parcels in three sampled districts, interviews with selected claimants involved in a disputed claim revealed that most of the claimants had not been contacted or received any visits from project staff to follow up on the disputes.

This lack of followup was attributed primarily to deficiencies in the project's tracking system for monitoring disputed claims. This system relied on the use of a master dispute log, maintained by the project's central office, which was intended to provide a comprehensive list of all disputed property claims recorded nationwide (supposedly replicating the data in the project's central database). This log was updated weekly based on disputed claim data furnished by the district field offices, which maintained their own district-specific logs. Together, project staff used these logs to track the status of disputes related to each land parcel in order to identify disputes requiring followup, those awaiting court action or future legislation, or other circumstances in which no further action was deemed necessary.

Unfortunately, the master dispute log was not always complete. During site visits, the audit identified eight claimants with disputed claims who had not received any followup visits, and later found that five of the eight claimants were recorded in the central database but not listed in the master dispute log. The reliability of this log, which was used for reporting purposes, was also called into question based on the fact that its data could not be readily reconciled with data in the central database. This was due in part to differences in how disputed claims data were maintained and organized in the two records—differences that were further complicated by the fact that the data were not always properly and consistently recorded.

By not effectively tracking and following up on all disputed property claims to the fullest extent practical, the project is missing an opportunity to assist a number of claimants and initiate action that may resolve at least some of the disputed claims filed to date. Although the nature of some disputes may be beyond the project staff's ability to resolve, such as those where the disputing parties either refuse to meet or elect to take matters up with the courts, the project staff can facilitate a resolution in some cases. This was

evident during the audit team's site visits, during which the team interviewed claimants involved in a disputed property claim who indicated a willingness and desire to resolve the issue, but who were waiting for project staff to contact them to arrange a face-to-face meeting. If project staff do not follow up on such disputes and take advantage of these opportunities, the project will not be able to reduce the number of outstanding disputes that arise during the data collection process. As a result, the GOTL will later be forced to assume responsibility for a larger number of disputed claims than it should, which places additional strain on an already weak system and jeopardizes the overall sustainability of this activity. To address this concern, the audit makes the following recommendation:

**Recommendation 3.** *We recommend that USAID/Timor-Leste direct the implementer of the Strengthening Property Rights in Timor-Leste Project to (a) provide training or guidance to its project field staff to ensure that they adhere to prescribed procedures in the followup and resolution of disputed property claims, and (b) establish appropriate procedures to ensure that data on disputed property claims reported from the project's disputed claims log are accurate and complete, as well as regularly reconciled with data contained in the project's database to maintain the reliability and accuracy of both records.*



**A landowner in Liquica District places a stake in the ground to mark one of the boundaries for his property in the presence of neighbors and data collectors. (Photo furnished by implementer)**

# EVALUATION OF MANAGEMENT COMMENTS

The Office of Inspector General has reviewed the mission's response to the draft report and determined that management decisions have been reached on all three recommendations. The status of each of the three recommendations is shown below.

In response to Recommendation 1, the mission stated that its implementer, ARD, Inc. (ARD), is strengthening its data quality control procedures and has already developed a software program to identify key documents that are missing from the database. In addition, the implementer plans to establish a Project Audit Squad to review the completeness of the property claim reports filed in the database and to perform spot checks to ensure data quality. Staff will also receive training that emphasizes the importance of data quality and the need to ensure that data input into the database are of the highest accuracy. Final action is expected to be completed by May 31, 2011.

In response to Recommendation 2, the mission stated that it will direct ARD to perform a pipeline analysis of the existing project, develop a plan for completing the work, and determine the additional budgetary resources necessary to ensure that planned results can be achieved within the remaining project period. ARD plans to create an additional 13 positions (four field coordinators, three central office data specialists, and six electronic file processors) to address the existing backlog of data. In addition, the implementer plans to work with the Government of Timor-Leste (National Directorate for Land and Property and Cadastral Services) to resolve the issue discussed in the report that was resulting in delays in the final processing of property claims in the country's capital, Dili. Final implementation of the proposed actions is expected to be completed by May 31, 2011.

In response to Recommendation 3, the mission stated that it will direct ARD to (1) provide additional instruction to project staff on the need to adhere to prescribed procedures for the followup and resolution of disputed property claims, and (2) establish procedures to ensure the reliability and accuracy of data on disputed property claims. According to the mission, ARD has already begun to address this recommendation and has initiated procedures that involve a monthly check on the status of any unresolved disputes where the claimants have requested project support and the reconciliation of field data on existing property disputes prior to being input into the central office's main property claims database. Final action is expected to be completed by May 31, 2011.

# SCOPE AND METHODOLOGY

## Scope

We conducted this audit in accordance with generally accepted government auditing standards.<sup>3</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Timor-Leste's Strengthening Property Rights in Timor-Leste Project was achieving its overall objective of assisting the Government of Timor-Leste in developing laws, systems, institutions, and capacity to clarify and secure property rights for all Timorese. To implement the project, USAID/Timor-Leste signed a \$9.9 million task order with Associates in Rural Development, Inc. (the implementer) covering a 5-year period from October 1, 2007, to September 30, 2012. As of September 30, 2010, cumulative obligations under the project totaled approximately \$8.9 million and disbursements \$7.3 million.

The audit covered project activities over the 3-year period from October 1, 2007, through September 30, 2010. In general, the audit involved (1) determining the project's main accomplishments to date under its five components or activity areas and assessing the status of key deliverables specified in the task order, (2) verifying the reliability of the property claims data in the project's central database by testing the data relating to a sample of property claims against supporting records, (3) reviewing existing systems for facilitating the resolution of disputed property claims identified during the property claims data collection process, and (4) conducting site visits to selected land parcels to interview claimants and validate certain recorded property data.

In validating the reliability of the recorded property claims data, the audit reviewed a sample consisting of 1,140 property claims judgmentally selected from 5 of the 10 regional districts—Dili, Liquica, Manatuto, Aileu, and Baucau—where this activity was taking place. The sampled claims represented 7 percent of the claims filed in the five districts (16,755) and almost 5 percent of the claims filed nationwide (25,159) as of September 30, 2010. In carrying out this test, the audit team checked selected data from each sampled claim against supporting records, and verified that required records were on file and were complete and usable. Since this testing was based on a judgmental sample, the results and overall conclusions related to this review were limited to the items tested and could not be projected to the entire audit universe.

In planning and performing the audit, the audit team assessed relevant controls used by the mission to manage the project and ensure that its implementer was providing adequate oversight of project activities. Additionally, the audit team examined the mission's fiscal year 2010 annual self-assessment of management controls, which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act of 1982,<sup>4</sup> to determine whether the assessment cited any relevant weaknesses.

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<sup>3</sup> *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).

<sup>4</sup> Public Law 97-255, as codified in 31 U.S.C. 3512.

Audit fieldwork was performed from September 7 to October 8, 2010, at the USAID mission in Timor-Leste and at the implementer's main field office (central office), both of which are located in Dili. Also, field trips were made to three regional districts (Dili, Liquica, and Aileu), during which the auditors conducted site visits to selected land parcels in order to interview claimants about their claims and validate selected property data. During these visits, the auditors interviewed 27 claimants or their representatives concerning property claims related to 25 parcels.

## **Methodology**

To determine whether the project was achieving its overall objective, the audit team initially examined the project's quarterly progress reports to assess the status of key project activities and the accomplishments and deliverables achieved under these activities in the context of the results specified in the project task order. This information was supplemented with information obtained through interviews with the project's agreement officer's technical representative and the implementer's chief of party. Correspondence and other supporting records, including evidence of deliverables, were also examined to substantiate assertions concerning project activities.

Given the curtailment of certain activities, resulting partly from the delayed passage of key property legislation, additional work to answer the audit objective focused on two areas: (1) assessing the reliability of recorded property claims data in the project's central database—for five sampled districts—by checking the data against supporting records, and (2) reviewing procedures for resolving disputed property claims identified during the project's property claims data collection process.

In validating the reliability of the property claims data, the auditors selected a judgmental sample of recorded property claims that had been processed, reviewed, and entered into the project's central database. Selected data related to these claims were then checked against supporting records (electronic images) maintained in the system to verify that the data in the database were accurate and that the supporting records on file were complete and included all required documents and information. Data on the claimants and their property (e.g., boundary measurements) were also substantiated through physical inspection during site visits to a small sample of properties.

In reviewing the project's system and procedures for resolving disputed property claims, the auditors interviewed project staff to gain an understanding of the procedures in place for monitoring and following up on disputed property claims. The audit team reviewed a log maintained by project staff to track property claims involving disputes and attempted to verify the accuracy of the log by comparing it with corresponding data in the project's central database. During site visits, the auditors also interviewed claimants involved in disputed property claims to ascertain whether the claimants had received followup visits from project staff.

To assess the test results, the audit team established a materiality threshold of 10 percent. For example, if the total deficiencies identified in connection with the testing of the recorded property claims involved at least 10 percent of the claims tested, the auditors concluded that these claims were not always accurate or adequately supported.

# MANAGEMENT COMMENTS



**USAID**  
HUSI POVO AMERICANO

**TIMOR-LESTE**

## MEMORANDUM

**TO:** Regional Inspector General/Manila, Bruce N. Boyer

**FROM:** USAID/Timor-Leste Acting Mission Director, Cheryl A. Williams /s/

**DATE:** December 21, 2010

**SUBJECT:** Mission Response to the Audit of USAID/Timor-Leste's Strengthening Property Rights in Timor-Leste Project (Audit Report No. 5-472-11-00x-P)

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Thank you for the opportunity to respond to the draft audit report regarding USAID/Timor-Leste's Strengthening Property Rights in Timor-Leste Project (Report No. 5-472-11-00x-P).

The stated objective of this audit was to determine whether USAID/Timor-Leste's Strengthening Property Rights in Timor-Leste Project was achieving its goal of assisting the Government of Timor-Leste in developing laws, systems, institutions, and capacity to clarify and secure property rights for all Timorese. The overall conclusion was that the program is partially achieving its goal, and the audit team made three recommendations to strengthen overall program implementation. USAID/Timor-Leste accepts these recommendations, and has begun taking steps to address the concerns as discussed below.

**Recommendation 1:** We recommend that USAID/Timor-Leste direct the implementer of the Strengthening Property Rights in Timor-Leste Project to develop improved data quality control procedures that will address the record-related deficiencies identified during the audit and ensure that the data and records maintained in the project's database are accurate, complete, and of an acceptable quality.

Management Response: USAID/Timor-Leste agrees with this recommendation. To remedy this deficiency, the implementing partner, Tetra Tech ARD Inc. (ARD), has developed a File Completeness Report Program that will be used to identify any missing key documents in the database. A Project Audit Squad will be established to review the completeness reports and to perform spot checks to ensure data quality. Training staff to input data of the highest accuracy and insisting data collectors check photo imagery before leaving the land parcel will further emphasize the importance of data quality. Implementation of these actions is expected to be completed by May 31, 2011. (See attachment.)

**Recommendation 2:** We recommend that USAID/Timor-Leste direct the implementer of the Strengthening Property Rights in Timor-Leste Project to (1) reassess the results that can be realistically achieved under its land administration activity during the remainder of the project period and (2) develop a detailed plan for completing this work, including corrective action to address the operational issues identified by the audit, to ensure that all property claims collected under the activity undergo final processing by the end of the project.

Management Response: USAID/Timor-Leste agrees with this recommendation and will direct ARD to perform a pipeline analysis of the existing program, develop a plan for completing the work and determine the additional budget request to ensure that results can be achieved in the remaining project time. In response to the draft audit report, ARD has already begun to develop plans to create an additional 13 positions (four Field Coordinators, three Central Office Data Specialists and six Electronic File Processors) in order to address any backlog in data processing. Moreover, ARD plans to work with the National Directorate for Land and Property and Cadastral Services to resolve the delayed clearance of maps for public display in Dili. (See attachment.) Implementation of these actions is expected to be completed by May 31, 2011.

**Recommendation 3:** We recommend that USAID/Timor-Leste direct the implementer of the Strengthening Property Rights in Timor-Leste Project to (1) provide training or guidance to its project field staff to ensure that they adhere to prescribed procedures in the follow up and resolution of disputed property claims, and (2) establish appropriate procedures to ensure that data on disputed property claims reported from the project's disputed claims log are accurate and complete, as well as regularly reconciled with data contained in the project's database to maintain the reliability and accuracy of both records.

Management Response: USAID/Timor-Leste agrees with this recommendation and will direct the implementing partner to provide additional instruction on adherence to procedures as well as to establish procedures to ensure reliability and accuracy of disputed claims records. In response to the draft audit report, ARD has already begun enhancing procedures on unresolved disputes. For example, monthly checking on the status of unresolved disputes in areas where the claimants have requested project support will be performed to ensure proper follow-up. To maintain the reliability and accuracy of the project's database, District Community Facilitators and Field Coordinators will reconcile their lists every week before the data is sent to the Central Office Claims System Database. Furthermore, to ensure that claimants are informed about claims update procedures, staff will be reminded that, at Community Meetings, they should emphasize to communities the process for recording claims. (See attachment.) Implementation of these actions is expected to be completed by May 31, 2011.

**Attachment:**

Attachment - RIG Audit Response Plan, dated October 20, 2010.



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