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HISTORY

OF

CLAIMS SERVICE

and

ADJUSTMENT DIVISION

Policy File No. 32
History of Claims Service

1. April 1945 - History - Claims Office - USASOS
2. 1 June 45 - 31 Dec 45 - History of Claims Service
3. 3 July 45 - History to 3 July 45
4. 30 Sept 47 - Report of Status of Claims
5. April 1948 - Resume of Claims Activities
6. 31 Dec 1949 - History of Adjustment Division, AGRD, and Antecedent Units Oct 1944 - 31 Dec 1949

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HEADQUARTERS
 ADJUTANT GENERAL RECORDS DEPOSITORY
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 APO 900

HISTORY OF ADJUSTMENT DIVISION, AGRD
 AND ANTECEDENT UNITS

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HISTORY OF CLAIMS SERVICEOctober 1944 to September 1948

SECTION I

ORIGIN AND EARLY TRENDS

1. The history of Claims Service, now Claims Service Branch, Adjustment Division, Adjutant General Records Depository, is a history of rapid changes in jurisdiction, organization and policies. Theater Claims Service was created on 4 October 1944, a special staff section of the USAFFE, located at Brisbane, Australia, to supervise the investigation, processing, and settlement of claims, relative to Army activities, by and against the United States in the Southwest Pacific area. An advance section moved forward from Australia to Leyte, and to the Manila area in 1945, as our troops advanced. An office was established and claims were received in the Manila area in April 1945. On 10 June 1945, Claims Service was reassigned as a special staff section of Headquarters, AFWESPAC, becoming Claims Service, PHILRYCOM, on 1 January 1947, and Claims Service, PHILCOM, on 1 August 1948. The consolidation of Claims Service with the activities of the Recovered Personnel Division as the Adjustment Section on 1 September 1948, produced the Claims Service Division to which Claims Service activities were transferred, mission and personnel unchanged. Adjustment Section was redesignated Adjustment Division of the Adjutant General Records Depository when the latter was constituted a subordinate command effective 25 February 1949, and the former Claims Service Division became the present Claims Service Branch.

2. Because certain other claims agencies were not available for sometime after liberation, a dominant feature of Claims Service, AFWESPAC, 1945-1946 was broad-side reception of heterogeneous claims and claims problems. Among the numerous types of claims accepted for investigation and processing or for examination and reference were claims by or against Post Exchanges; the American Red Cross; unit funds; employees compensation claims; war damage claims; claims under Military Claims Act, 1943; Foreign Claims Act, 1943; Military Personnel Claims Act, 1945; wage claims of temporary employees of the War Department; as well as the claims which constitute the major problem, procurement and wage claims against the United States Army and the Philippine Army and its components. On 1 July 1948, military claims under the AR 25 series were placed under jurisdiction of Staff Judge Advocate, PHILCOM, and completely removed from Claims Service.

3. Claims for property requisitioned in the Philippines by units of the Armed Forces, and for services of civilians employed by said units, constitute a problem of extraordinary scope by reason of the circumstances that, over a long period of time, supply lines from the United States were more or less obliterated. Of necessity, the United States Army and Philippine Army forces in 1941 and 1942 seized properties of every type and description, on each major island, for use in the struggle. Guerrilla units,

components of the Philippine Army, conducted their activities for nearly three years with such supplies as could be taken from local individuals and institutions. In 1944 and 1945, units of the United States Army obtained certain necessities without immediate payment in their sweep through the Islands, and the reconstituted Philippine Army obtained much of its supplies in this manner. The above described taking of private property for military use gives rise to legal causes of action against the United States which might be presented in a court. Certain very large units of property were taken as well as hundreds of thousands of minor items. For example, numerous ships were taken by the United States Army in 1941 and 1942, as well as entire factories and public utility systems, whereas thousands of individuals contributed to recognized guerrilla units such items as a few eggs or a few gantas of palay. In the investigation and settlement of procurement and wage claims, considerably more than 90% of the total man hours of claims work on those claims listed in paragraph 2 have been expended.

4. For final processing, Claims Service received from the United States Army units in the theater, completed investigations of claims arising from said units in current operations. All other claims were investigated and processed completely by Claims Service personnel, including the great bulk of procurement claims. Claims Service undertook the research and study of all legal problems pertaining to claims in the theater, which, in view of the unusual array of legal complexities arising from the occupation, required much time of competent legally trained personnel.

5. From its inception in the Philippines, Claims Service was handicapped by difficulties in obtaining sufficient qualified personnel to handle technical problems of considerable scope. After officers were made available by the conclusion of hostilities with Japan, and trained for investigation or for the final determination of claims, or studied in the local legal problems, the redeployment program continually interfered with efficient claims operations for a year or more following the surrender. In 1945, problems of obtaining competent clerical help and training of investigators and stenographic personnel presented endless difficulties especially in the operation of branch offices. By the middle of 1945, branch offices had been installed in seven of the major islands of the Philippines to offer a direct service in the acceptance and investigation of claims, and the bulk of investigation was conducted in the field, or as close as possible to the source of incidents which gave rise to the claims.

6. In this report on Claims Service, attention will be focused upon the reception and processing of procurement and wage claims, for the reason that as other types of claims have been processed to completion or taken over by other sections or agencies, less benefit will be derived from their discussion here. They will be touched upon incidental to their place in the development of the organization.

SECTION II

AUTHORITY FOR PROCUREMENT CLAIMS

1. In the procurement claims, the liability of the United States arises from the provisions of the Fifth Amendment of the Constitution which provides that the Government is liable to pay just compensation for the taking of private property for public use. That a taking of property by an authorized agent of the Government within the provisions of the Fifth Amendment raises an implied contract for the payment thereof has been determined in an unbroken line of court decisions.
2. The authority of the Commanding General, PHILCOM, and of Contract Claims Commissions of the Command stems originally from Act, December 18, 1941, Chapter 594, 55 Stat. 838, commonly designated as First War Powers Act, 1941. By virtue of the First War Powers Act, the President of the United States issued Executive Order No. 9001, dated December 27, 1941, providing authority in the War Department, in the Navy Department and the United States Maritime Commission broadly to enter into contracts and amendments or modification of contracts heretofore and hereafter made. The Secretary of War had authority to delegate such power to any officer or civilian official of the Department who was in turn empowered to make further delegation of such powers.
3. Within the War Department, now the Department of the Army, authority was successively delegated to the theater commander through War Department Circular 330, 1944 and War Department Circular 53, 1946, and War Department Circular 217, 1947, as amended by DA Circular 50, 1948, and by the Commander-in-Chief, Far East Command, through FEC Circular 92, 1947, and successor commands and by further sub-delegation to the Contract Claims Commissions of this Command.
4. As courts have established that a taking of property will give rise to a contract under the constitution, it follows that a Contract Claims Commission has authority to determine and render an appropriate award for the fair and reasonable value of property where taking of the property by War Department personnel for public use has been established.
5. Awards for taking of property by units of the United States Army have been paid by the Finance Office of the command based upon determinations prepared by Contract Claims Commissions. Payment from appropriated funds is strictly limited to the use and purpose authorized by Congress. Funds for payment of expenses of the Army of the Philippines is provided in the Military Appropriations Law 126, 79th Congress, Military Appropriations Act of 1946. Without going into extended discussion, rules and regulations governing the matter of expending this fund are provided by virtue of authority delegated in the First War Powers Act and by Executive Order No. 9001 cited above. Once the liability of the procuring authority is

established, under contract, the obligation is payable by the command, if within the appropriation limitation. Funds for payment of awards for property taken by units of the Philippine Army serving with the United States Army were advanced from appropriated funds by this command to the Army of the Philippines for payment to individual claimants upon proper determination by Contract Claims Commissions of this command. This arrangement was instituted during the time of the Commonwealth, and continued in effect after the inauguration of the Philippine Republic. In June 1948, prior to the lapse of the above cited Military Appropriations Act of 1946, an advance of \$93,778,000.00 was made by this command, in conformity with instructions from the Secretary of the Army, to the Headquarters, Armed Forces of the Philippines, in part for the payment of awards during the ensuing twelve months on claims reconsidered by Contract Claims Commissions of this command. Under terms of Military Appropriations Acts, no funds were available to the Finance Disbursing Office of this command after 1 July 1948 for the payment of awards on property taken by units of the United States Army, and reconsiderations for payment presently made by Contract Claims Commissions of this command, pertaining to such claims, are forwarded to the Judge Advocate General for ultimate disposition by the General Accounting Office.

6. Authority from the Far East Command increased the capacity of Contract Claims Commissions to finally determine claims in larger amounts. The original authority of Contract Claims Commissions of USAFFE provided authority in the one-man commission to determine claims not in excess of \$500 and required that determinations of a two-man commission be approved by the Commanding General if in excess of \$2500. Letter authority from the United States Army Forces, Pacific, dated 5 October 1946, later incorporated into Circular 92, Far East Command, 29 August 1947, and current Circular 50, 27 November 1948, provides one-man commissions with jurisdiction up to \$2500, two-man commissions with jurisdiction up to \$50,000, and three-man commissions to consider and recommend for the approval of the Commanding General, claims filed for more than \$50,000.

7. Claims which arise from guerrilla activities are not accepted as contractual obligations unless the guerrilla units involved have been recognized by order of the command as components of the Philippine Army, serving with the Armed Forces of the United States. From such recognition, in theory, the guerrilla unit retroactively derives the authority of an agent to bind the United States to certain contractual obligations arising within the period of recognition.

SECTION III

EARLY ORGANIZATION AND PROCEDURES

1. The greatest of the early problems of Claims Service in handling procurement and wage claims related to the assembly of information. The weakness or lack of factual evidence in support of many procurement claims resulted from the chaotic conditions of the campaigns, the occupation and liberation from the Japanese forces, as well as the upset conditions which followed liberation. Primary records were largely destroyed. During the operation of the United States Army and the forces serving with it in 1941-1942, amid the emergency, regular procedures were disregarded. Units took materials and vehicles that they needed with or without the consent of the owners, sometimes giving receipts but oftentimes lacking time for clerical details. Property was borrowed and never returned, supplies and equipment frozen and never called for, labor hired but never paid. During the years of guerrilla activities most procurements were performed by men without training in military procedures, and the clandestine nature of the activity obviated the use of normal business practices in most cases. When informal receipts, or other indicia of procurement were issued, they frequently were lost, destroyed, or hidden to prevent detection by the Japanese. To obtain information needed to adjudicate procurement claims of the United States Army, it was necessary to locate hundreds of officers, enlisted men and employees of the United States Army, and to obtain from them stories of the transactions preceding the Japanese invasion. The guerrilla procurement claims presented broader problems, as did certain claims for procurements by regular Philippine Army units.

2. Among the earliest claims presented were those of procurements of considerable properties in 1941 and 1942 by various units of the United States Army. Authority to make awards for procurements of the recognized guerrilla units was first received from AFPAAC in October 1945. The larger number of guerrilla claims arose in the mountainous regions of northern Luzon and Mindanao, where the terrain was an asset in safeguarding the guerrilla personnel, but a detriment to the processing and completion of claims that arose in such areas for supplies and services furnished the guerrilla units. Investigating teams were assigned claims that were filed, or received claims while in the field. These teams consisted of local civilians who were skilled in the local dialect, supervised by officers and military personnel who were available or United States civilian employees skilled in investigation work. In most areas, an advance party preceded the team, securing source information as to the dates of the guerrilla's occupation of the area, the size of the guerrilla forces, and an estimate of the normal requirements of such a guerrilla unit for the activities involved. This allowed an estimate to be prepared in advance of the expected volume of claims from that area, which might be used as a control over the number of claims to be accepted

from such area, and provided a better chance of detecting fraudulent claims. This information was compiled by the advance party from the barrio or municipal officials, witnesses to the guerrilla occupation, the meager records of the guerrilla units, and statements from surviving guerrilla personnel or officers. A large majority of the guerrilla claims were for small amounts, and the claimants offered in support of their claims receipts from the original guerrilla personnel or from persons designated by the guerrilla units in such barrios to collect and forward supplies to the guerrilla forces. Unusual circumstances were encountered in certain areas of the Visayas and of Mindanao, wherein trading associations were established to obtain supplies for the guerrilla forces within the framework of independent governments of the resistance movement. These claims were complicated by the issuance of emergency currency in part payment. Guerrilla claims give rise to many problems novel to military organization.

3. From the beginning, Claims Service embarked upon a policy of intensive, highly detailed investigation. Claimants were furnished a painstaking investigative service to assist them in eliciting proofs. Investigators of Claims Service counseled with claimants, and followed up leads and suggestions by personal interviews and correspondence. Claims filed were carefully assembled and indexed. General information was compiled and extensive cross references made so that it might be readily used. Elaborate checking of prospective witnesses was closely followed as a matter of policy. Claims were retained within the investigative team until a detailed and exacting study had been completed of the available facts, and were not forwarded for Commission action until the team examiner and the team director were satisfied that all points had been thoroughly covered. It was estimated that in early 1946 completion of the average claim required two and one-half days' work by a claims officer. The larger claims frequently entailed months of effort by Claims Service personnel to unearth and closely check all available evidence. As many cases involved witnesses who after the war were living in other parts of the Islands, extensive correspondence between various branch offices and investigative teams was carried on as a matter of policy to proceed carefully and to complete the investigations. Claims files were frequently sent to two or three branch offices, and specific requests dispatched to other offices in furtherance of investigations. Statements were taken at length on any material related to the claim and frequently negative statements were taken from witnesses to rule out possibilities. Personnel were enjoined to do whatever was possible to make investigations full and complete. It is not inaccurate to state that in general a paternal attitude was adopted toward performing of investigations for claimants in the operation of Claims Service, APWESPAC. Of necessity, the number of claims that could be investigated over a monthly period under such a system was limited. Claimants who called at the Manila office or at branch offices to present their claims were frequently advised to leave the original papers, and to do nothing further until called for an investigation.

4. As most of subject property was requisitioned or commandeered in the heat of emergency, few claims contained evidence of agreed prices. In order to determine the fair and reasonable market value at the time of taking of property, extensive records had to be compiled detailing market prices in various parts of the Philippines in the various periods of the operations. The inflation and multifarious changes of prices during the occupation created a many-sided problem. For the purpose of correct pricing, source information and statistical records of the pre-war and the war-time activities were compiled including price-ceiling regulations of the Commonwealth, and records for the valuation of commodities from commercial houses and other sources. A policy was developed whereby valuation of locally produced property taken in the later years of the occupation was determined by applying a scale of percentages of increase to the established 1941 prices. In general, this provides for increase of price by 50 percent in 1943, 150 percent in 1944, and 200 percent in 1945 with certain adjustments.

5. Early in its operations, Claims Service was reorganized into Divisions for the purpose of effectively processing a vast flow of claims. The Investigation Division was charged with receiving claims, maintenance of docket records, and completion of all stages of investigation. Under the Director of Records and Fiscal Division were all activities related to receiving claims from the Investigation Division, ultimate docketing, transmittal to the Commission Division, preparation of vouchers and transmittal to the Finance Disbursing Offices for final payment, and maintenance of the records and statistics of Claims Service in general. The Commission Division received completed investigations, and made final determinations of the claims as well as reconsiderations on disputed awards. An Administrative Division supervised the organizational direction, paper work and supply arising from the maintenance of branch offices, the teams in the field, and the Manila headquarters, comprising a strength of several hundred military and civilian personnel.

6. To solve the numerous legal problems that arose from so many types of claims, some of them without precedent in Army claims activities, officers of the Judge Advocate General branch were assigned to serve as Legal Research officers, in a so-called Legal Division, until late in 1946 when War Department civilian employees were available in a professional capacity. The amount of research performed throughout the early period of Claims Service was extremely large. Detailed studies were performed on many problems and compiled in a series of memorandums, instructive bulletins, declarations of policy, and reports necessary to provide working rules for dealing administratively with a mass of novel claims.

7. Within the Commission Branch careful painstaking review was applied to the cases which had already been carefully investigated. Each Contract Claims Commission was provided with local employees possessing legal or accounting experience to serve as Examiners in the careful review of details.

A considerable proportion of cases were returned to the Investigation Division for more details or for special investigation. A backlog of cases pending commission action developed early in 1945 and was not appreciably cut down until 1947, because cases accumulated faster than they were finally determined. In 1946, commissioners to handle and dispose of the smaller cases were appointed for service at the branch offices; however, the bulk of small claims and all of the larger ones were determined by commissions at the Manila headquarters.

8. Although Claims Service was relieved of several types of claims originally filed in 1945 and 1946, its reception of certain guerrilla claims was greatly enlarged in June 1947 when authority was received from the Far East Command to make awards for loans of cash furnished to recognized guerrilla units in the form of United States or Philippine pre-war currency or Japanese war notes or under certain conditions some forms of emergency currency. Concomitant was the large scale expansion of the recognition of guerrilla units in 1946 and 1947 together with the setting back of many recognition dates which entailed the reception of tens of thousands of claims rejected in the earlier period. As the activity of Claims Service became known to the public at large, the volume of claims presented multiplied in an expanding progression which made it necessary to revise time and again estimates made as to the number of claims that might be submitted.

9. The far flung nature of Claims Service activities in 1945 and 1946 must be kept in view. A branch office remained in Brisbane, Australia, until November 1946, at which time several hundred incomplete claims were forwarded to Manila for final disposition later. Considerable claims activities were carried out on the island of Okinawa. The maintenance of large United States Army Forces in this Command entailed the final processing of thousands of military claims arising from non-combat activities. It was necessary for Claims Service to send out officers from time to time to train unit claims officers for the preliminary investigations of claims later to be submitted to Claims Service for final processing. A number of special problems, indirectly related to claims activities within the Command were referred and dealt with. For example, in March and April 1947, Claims Service sent a detachment of three claims officers and four Civil Service personnel to the island of Macao for investigation of damage caused by inadvertent air bombardment in 1945. Munition explosions required the use of numerous investigators. Not until after the staff was enlarged by fifty Civil Service employees recruited locally and in the United States, could the main strength of Claims Service be concentrated in a full production effort on the disposition of the procurement claims in the Philippines.

SECTION IV

STATISTICS

1. Due to the numerous shifts and developments in the types of claims processed in Claims Service, records of the reception and processing of claims were not distinctly segregated, and at the present time cannot be accurately broken down. The extent of claims in the various categories can only be indicated by rough estimate. Thus, the figure showing total claims received includes Red Cross claims, Post Exchange claims, Navy claims, certain war damage claims, and others that were ultimately referred to other agencies, as well as military claims in the various types. No statistical means exist for accurately segregating claims for procurement either as to the number or amount; nor is there any sound means for precisely establishing the number or amount of procurement claims approved. Until 6 October 1946, statistics covering the number and amount of the claims received were lumped together. Only by physical computation made by drawing the 351,000 individual claims files could an accurate break down be obtained. Therefore, it must be understood that the overall figures submitted have considerable error, the degree of which cannot be closely estimated. The statistics submitted with this report have value only as they indicate certain trends and are not to be accepted as true and accurate statistics.

2. For other reasons, the amount of claims received is not realistically reflected in the dollar total. Many claims, particularly in 1948, were demands for cash allegedly furnished as Japanese War Notes, but presented for the face value of the notes which might be as much as one hundred times the estimated real value. Furthermore, there were presented a number of flimsy or frivolous claims in very large amounts, as for example, the claim of the Farmer-Labor Alliance in the sum of fifty-six million dollars for various services, nearly devoid of factual substantiation. A number of other claims totalling many millions likewise seem to have been derived from figments of imagination.

3. The following are submitted as the best statistics available in the overall picture of Claims Service activities to 1 September 1948.

TOTAL OF ALL CLAIMS 1 JANUARY 1945 TO 1 SEPTEMBER 1948

	<u>NUMBER</u>	<u>PER CENT</u>	<u>AMOUNT</u>	<u>PER CENT</u>
Received	366,159	100.00	\$444,468,476.05	100.00
Approved	121,985	33.31	53,563,385.98	12.05
*Other Dispositions	244,174	66.69	390,905,090.07	87.95

*Included in these figures: Claims disallowed, forwarded to JAG, transferred to other agencies, withdrawn by claimants, and abandoned or otherwise disposed of.

DISPOSITION OF CLAIMS FOR THE PERIOD 1 JANUARY 1945 - 5 OCTOBER 1946 (Incl.)

<u>CLAIMS RECEIVED</u>	<u>NUMBER</u>	<u>AMOUNT</u>	<u>NUMBER</u>	<u>AMOUNT</u>
1 January 1945 to 5 October 1946			59,734	\$90,356,257.47
<u>DISPOSITIONS</u>				
Allowed	28,151	\$9,449,540.34		
Disallowed	1,360	8,866,548.06		
Forwarded to TJAG	311	2,067,882.86		
Transferred to other agencies	4,970	3,035,486.11		
Withdrawn by claimants	1,168	1,450,459.28		
Abandoned or other- wise disposed of	<u>4,564</u>	<u>7,003,644.57</u>	<u>40,524</u>	<u>31,873,561.22</u>
BALANCE, 5 OCTOBER 1946			19,210	\$58,482,655.25

SECTION V

EXPEDITING THE PROCESSING OF CLAIMS

1. In the second quarter of 1947, it became apparent that the painstaking processing of claims heretofore followed might result in the prolongation of the activities of Claims Service to a period of five or more years. Under the direction of Colonel William S. Eley, Infantry, who became Chief of Claims Service in May 1947, vigorous efforts were made to streamline, shorten, and expedite the investigation and determination of claims.
2. Gradually was adopted a policy of requiring claimants to submit all proofs. From the former policy of a full detailed development of the claim by Claims Service personnel, the function of investigators was gradually narrowed and ultimately confined to the making of record checks of materials within the office, analysis, and preparation of reports. Personal interviews of witnesses were gradually eliminated, followed by elimination of all but the most necessary correspondence for obtaining additional information.
3. In October 1947, was taken the step of eliminating all branch offices. With approximately two months notice, all personnel, claims and records were withdrawn to the office of Claims Service at Manila, from

which points all Claims Service activities were henceforth carried out without further use of field teams. The services of approximately 265 local civilian personnel were terminated in the month of October as a result of the move. Upon inquiry, claimants were informed that all investigation and presentation of facts was their own responsibility in the same manner as if they were claimants in court proceedings.

4. At the time of the withdrawal of the branch offices, governors, mayors, and other local officials in the cities which the branch offices served were informed of the move and supplied with claims forms to be distributed to inquiring claimants after the move of the branch offices. However, considerable number of complaints were received from claimants who contended that lack of information precedent to the move had deprived them of an opportunity to gain advice and help from Claims service personnel who had been assigned to the locality. These complaints were answered by correspondence, except as to such claimants who came to the Manila office or sent their representatives.

5. From its inception in April 1945, Claims Service Headquarters was maintained in a building in downtown Manila. From August 1945 until October 1947, office headquarters were adjacent to the Finance Disbursing Office on Queson Boulevard at Zurbaran Street. This location was highly convenient for claimants and for conducting investigations in the Manila area. On 14 November 1947, Claims Service moved to the Transportation Building at Philippine University Area. The purpose of the move was the better safeguarding of claims files and records, and desire to turn back the former quarters. After the move, claimants naturally found it far more difficult to make personal visits to the office of Claims Service.

6. Investigative procedure were streamlined. This included a shortening of the elaborate individual preparation of claims files. The indexing and careful stapling and rechecking of the file was eliminated. Emphasis was placed upon the production per man rather than upon thorough and comprehensive investigation.

7. The determination of claims by the commissions was streamlined in many aspects. Smaller claims, those for five thousand pesos or less, were determined in groups thus eliminating a formal determination for each claim. The statement of detailed facts was eliminated from the formal determination of all claims for less than \$50,000. Use of a release stamp on the back of the check was authorized for any award not exceeding five thousand pesos. Early in 1948, claims larger than five thousand pesos were determined in groups. Ultimately, the only claims not so determined were those in excess of fifty thousand dollars, requiring the concurrence of the Commanding General. The editing and review branch which has served to carefully scrutinize and check the form of the work of the commissions was eliminated. Likewise, the local examiners who had carefully studied claims for action by the Commission were largely eliminated.

8. Strength figures for Claims Service in 1945 and 1946 are not readily available. It is known that the strength varied considerably from month to month during these years. Strength figures of the organization from May 1947 until its consolidation with Adjustment Section are shown below in tabular form. It is to be noted that the greatest expedition of claims processing was achieved at a time of the declining strength in personnel.

D A T E	MILITARY	CIVIL SERVICE	LOCAL CIVILIANS	TOTAL
31 May 47	51	49	582	682
30 Jun 47	47	53	590	690
31 Jul 47	43	55	526	724
31 Aug 47	42	54	628	724
30 Sep 47	42	52	612	706
31 Oct 47	39	51	619	709
30 Nov 47	39	49	379	467
31 Dec 47	37	49	379	465
31 Jan 48	27	44	343	414
29 Feb 48	27	40	340	407
31 Mar 48	29	37	326	392
30 Apr 48	23	31	357	410
31 May 48	21	26	344	391
30 Jun 48	18	24	313	355
31 Jul 48	17	14	188	219
31 Aug 48	15	11	180	206
30 Sep 48	5	6	40	51

9. In the last quarter of 1947, despite the dislocation of the moves, production counted week by week. Although comprehensive statistics are not available, it is clear that the production of the first three months of 1948 considerably exceeded the production of the preceding three years.

10. The volume of claims determined in a short period of time by use of the streamlining methods above described suggested the feasibility of effecting the final processing of all procurement claims in the Philippines prior to the expiration of the appropriation "Expenses, Army of the Philippines", namely prior to 30 June 1948.

SECTION VI

EFFECT OF THE DEADLINE AND OPERATIONS
TO 1 JULY 1948

1. During the first week in February 1948, the Command publicized a deadline in the following terms: "All bills of any and all foreign governments, agencies and persons within such foreign countries for obligations established prior to July 1, 1946, must be submitted for payment not later than March 31, 1948." This release appeared in the Daily Pacificon and in newspapers in Manila. At once began an acceleration in the filing of claims, gradually intensified, and rising in the month of March far beyond expectations. On the last day for filing claims, the crowds which accumulated around the headquarters in Philippine University could not be accommodated within the Claims Service building.
2. The deluge of claims filed in March made it impracticable to maintain the normal method of docketing claims heretofore followed, and despite the employment of short cuts, the record system fell many weeks behind. At the same time a large quantity of correspondence accumulated despite vigorous efforts to remain reasonably current.
3. After the deadline date, numerous artifices were resorted to by claimants or their representatives to file claims which had not reached Claims Service before the deadline. Claims were discovered stamped with one of several types of false date stamps made to resemble the Claims Service stamps. Numerous claims are believed to have been introduced by unscrupulous employees within the office. There were numerous complaints by prospective claimants who insisted that they had not received adequate notification of the impending deadline.
4. The overall statistics of Claims Service show that up to 29 February 1948 there had been received 208,117 claims of all types, and a total amount of \$176,160,794.00. Statistics of Claims Service indicate that there was received throughout the tenure of the office 366,159 claims in an amount of \$444,468,476.05. This indicated filing during the single month of March of more than 150,000 claims in the total of more than \$260,000,000.00.
5. Statistics of Claims Service indicate that up to and including 29 February 1948, awards were approved in a total of \$40,850,195.58. The statistics further indicate that prior to 1 July 1948 total awards were in the amount of \$52,423,953.91. Therefore, in the last four months of the first half of 1948, awards made totalled \$11,573,758.33, a considerably larger sum, it is estimated, than the total awards paid in any previous year, or the first two years of Claims Service.
6. The aforesaid rate of production is the more remarkable in that it was achieved during a period of considerable reduction in force. In

order to obtain sufficient strength in the Commission Branch to determine so great a volume of claims within a period of a few months, officers and Department of Army civilians were assigned from administrative functions or from investigation work to serve as commissioners. A number of investigators continued to serve as investigators while at the same time performing the final determination of cases. Two officers were assigned on 90-day temporary duty from the office of the Judge Advocate General, Eighth Army. At the peak of commission work, the number of commissioners assigned from other duties on a temporary basis was at least equal to the number of commissioners who had performed commission duties heretofore. This naturally led to less uniformity in the determinations made during the last three months of the first half of 1948.

7. The anxiety of claimants with reference to the disposition of claims after announcement of the deadline was reflected in the large number of claimants who came to the Claims Service office at PU Site. As these numerous inquiries drew rather heavily upon the time of employees of both the Investigative and Commission Branch, action was taken to limit these inquiries. Claimants were required to be screened by the Chief of Claims Service or the Executive Officer before they were allowed to proceed to further inquiry. The limitation of inquiries enabled the Investigation Branch and the Commission Branch, consolidated as of 1 February 1948 as the so-called Processing Division, to proceed uninterruptedly to the making of recommendations and final determinations of the huge volume of claims.

8. The amount of time that could be devoted to each claim was materially less during the month immediately following the deadline. On guerrilla claims, efforts were made to accomplish record checks and to compile investigating officer's reports by a line of investigators, each doing a specific check rather than by assignment of an entire case to a single investigator. This considerably increased the work per man. A file of cards was developed, recording the names of procurement officers both of guerrilla units and regular Philippine Army components listing instances of improper evidence submitted in support of claims as noted by members of the Investigation Branch. By reference to these cards, thousands of claims were summarily recommended for disapproval, and few claims were recommended for approval if a procurement officer was indicated as previously involved in submission of dubious evidence.

9. It may be generally observed, that in the mass of claims filed in March 1948 were included an extraordinarily large number of receipts which were not authentic in character but were prepared long after the event, and treated with water or other substance to simulate age. The distinctions between said receipts and authentic documents are oftentimes extremely delicate and indistinct and call for exercise of the most careful discretion to prevent awards to unscrupulous operators, and to prevent honest claimants, whose evidence is very similar, from being deprived of just payment.

10. Because of the scarcity of authentic record and the clandestine nature of guerrilla activities during the Japanese occupation, it is extremely difficult to check the nature of evidence submitted. Frequently, a fabricated claim may be spotted by reason of the fact that evidence is too clear and detailed. But there are hundreds of border line cases, susceptible to determinations favorable or unfavorable with only a bit of evidence to tip the scale one way or the other. The art of identifying handwriting can be soundly exercised by experts only. There are few qualified experts in this field anywhere in the world and they do not inhabit the Philippines. Frequently, it is necessary to disregard the primary evidence submitted because its authenticity is not proven or disproven. The proof of the case then rests upon the strength of the secondary evidence. In the obtaining of affidavits and statements in support of claims, the better educated claimants and those represented by competent attorneys doubtlessly have an advantage in the presentation of detailed cases.

11. Particularly difficult to determine are claims for loans of money allegedly made to guerrilla units. Lacking records, the absence of which is naturally explained by the exigencies of guerrilla warfare, proof commonly rests upon a receipt and affidavits by way of secondary evidence. It is exceedingly difficult to determine the use of money by said units, for like hydrogen gas, money is capable of nearly infinite expansion and is nearly impossible to trace after it disappears. It is to be noted that a considerable portion of the huge volume of claims submitted in March are demands based upon large loans of money, principally in Japanese War Notes, allegedly loaned to guerrilla units during the occupation. Another type of claim particularly stimulated by announcement of the deadline is the demand for large numbers of cattle allegedly taken by guerrilla units during the absence of owners of large haciendas in the southern islands during the occupation.

12. While many valid claims were filed in March, 1948, and it is not a sound ground to attack any claim merely because it is not filed until three years after liberation, there can be no doubt that the announcement of the deadline stimulated thousands of unscrupulous persons to file claims other than in good faith. Seemingly, it became fashionable among certain groups, some of them prominent, to rush in a large procurement claim to Claims Service before the deadline. It is apparent that some of the claimants were motivated by considerations as far removed as the purpose of seeking a specious collateral for submission to local lending institutions by presentation of a large but ill-supported claim. Other claimants, familiarized with the methods of claims procedures within Claims Service, deliberately fabricated their claims in the pattern of other claims which had been previously approved. It must be borne in mind constantly that the chaotic conditions of the war and its aftermath left claims evidence in such a form that the unscrupulous operator can simulate his evidence with some hope of success and, perhaps as a result of the war years, there is no dearth of individuals willing to try.

SECTION VII

FRAUDULENT CLAIMS AND EXTORTION

1. Like any agency receiving a large number of claims, Claims Service received numerous claims in which appeared material misstatements of fact made with fraudulent intent. A major obstacle to vigorous action against the guilty parties is lack of judicial jurisdiction over the individuals who submit them. Formal proceedings against such claimants can proceed only in the local courts of the Philippine Republic on the basis of local criminal statutes. Proof is very difficult to assemble in cases of this character. The language selected by the claimant in presentation of material misstatements is usually somewhat ambiguous and frequently capable of more than one interpretation. The chaotic condition of records existing from the war years tremendously increases the difficulty in establishing proof of false records. Although a number of investigations have been conducted by the Criminal Investigation Division of this Command, no case has proceeded successfully to a conviction of any claimant on charges of filing a fraudulent claim in the office of Claims Service. It may be noted that a local agency of the United States which has succeeded in a number of prosecutions, namely the United States-Philippine War Damage Commission, is able to proceed by virtue of a special statute enacted by the Republic in compliance with the Rehabilitation Act accomplishing a special type of action against claimants who have filed fraudulent claims for war damage.

2. In 1946 and the first half of 1947, Claims Service commissions closely followed a policy of declaring claims forfeit, so notifying the claimant, when clear and convincing proof of a material misstatement of fact, coupled with fraudulent intent, was shown by the evidence. This method of disposition of a claim usually required an exhaustive investigation. In order that commissions should not act ill-advisedly in notifying claimants of an administrative finding of fraud, all claims so determined were channelled to the Chief of Claims Service for his approval. After the expedition of claims got under way in the second half of 1947, the forfeiture of claims by Claims Commission fell into disuse because of the importance attached to saving time for the completion of a large volume of claims, and because the new investigations rarely contained enough proof to support a finding of fraud. Although the effect that those forfeitures of claims for fraud had upon prospective claimants cannot be determined, it is believed that the action served as a substantial deterrent during the first two years of the operation of Claims Service, when emphasis was placed upon intensive inquiry into any dubious details of a claim.

3. The number of false claims submitted grew with the acceleration of the filing of claims and reached the zenith in the influx of claims after the announcement of the deadline. During nearly three years of Claims Service operations, a considerable portion of the public had become educated to the possibility of effecting a false or exaggerated claim. It seems

apparent that members of some veteran organizations persistently went beyond the bounds of authentic evidence or honest conjecture in preparing evidence in support of procurement claims. The employment of several hundred local employees, of necessity, provided channels whereby the unscrupulous of potential claimants might obtain first hand information of the detailed operation of Claims Service. No doubt these channels were opened wider in the fall of 1947, when nearly three hundred employees were released including trained investigators and examiners. Many of the claims received in the first months of 1948 bore clear indicia of preparation by parties exceedingly familiar with the organization and operation of Claims Service. Patterns of claims preparation were discernable in numerous instances, and certain individuals particularly men who formerly served as procurement officers in the Philippine Army or its component units became more or less clearly identified with improper practices in wholesale claims preparation. A card index was prepared eventually totalling some twelve thousand cards on which were listed instances of the submission of doubtful evidence as noted by members of the Investigation Branch. This provided means of a quick check to serve as a rough guide in the investigation and processing of claims involving the same procurement officer.

4. Naturally, the greater the rate of influx of claims, the higher the proportion of fraudulent submissions, and concomitantly the more rapid the disposition of claims the greater the likelihood of payment of claims based upon doubtful evidence. The stimulation of claims processing as a result of the announcement of the deadline doubtlessly warned the temptations of many unscrupulous persons; however, it also served to hurry a number of them into submitting their false evidence before it was fabricated in finished form and thus made their improprieties easier to detect.

5. Another unpleasant problem, inherent in the large scale processing of claims, concerns the rumored readiness of employees to accept money or gifts for promises to expedite or increase awards, and the inclination of some to extort money by threats to delay or prejudice favorable action. A major difficulty in coping with these problems in the Philippines is the use by local employees and the claimants of a language not understood by American claims officers. As the clerical work and the bulk of investigation and the examination of claims is performed by local employees, it is conjectured that unless a claimant should be forward with a specific complaint and a full disclosure, only the rarest of cases could be discovered. As claimants who agree to pay money for expedition of claims, or agree to pay extortion to avoid unfavorable action, enter into an illicit agreement with the unscrupulous employee, the claimant has an interest in concealment and rarely will bring a specific complaint even under the most unusual circumstances. Claimants who quite honestly have refused to make agreements with unscrupulous employees, are reluctant to report attempted extortion for fear that a resultant investigation may hold up and prejudice final action. On the other hand, many claimants whose claims have been denied produce vague accounts of wrongful approaches - in the hope of

gaining a special consideration of their claims. This office has been handicapped by lack of suitable personnel to follow up such complaints.

6. Numerous complaints have been received from claimants who found difficulties in obtaining payment at the Finance Office, Army of the Philippines, long after awards had been finally approved and cleared in the office of Claims Service. These complaints, highlighted by the publicized statement of President Quirino in October 1947, excoriating the impropriety of some Finance officers and others attached to that office, are outside the purview of this Command.

7. In order to prevent the withdrawal or copying of communications to claimants after final action by Contract Claims Commissions, a strict channeling of outgoing correspondence was established in July 1948. At the same time, the entire investigative service was established upon the basis of a line of investigators each doing a small portion of the investigation, rechecked by supervisors at certain major points. The purpose of this reorganization was to prevent control of the case from resting in the hands of a single investigator which previously facilitated improper deals with claimants. A number of employees were dismissed by reason of complaints or dubious behaviour after the beginning of July 1948 when more vigorous action was instituted in effort to hold to a minimum opportunities for leaks, bribery, or shakedowns.

SECTION VIII

PUBLIC REACTION AND PRESSURE

1. Generally speaking, public complaints directed at Claims Service in the newspapers pertained to individual large claims in which the complainant was personally interested. Unlike certain other activities of the Command, as for example, G-3 Guerrilla Affairs Section, the operation of Claims Service developed strong public reactions only from a limited number of individuals pressing large claims. The smaller claimants did not band together for publicity purposes, as did men seeking recognition as guerrillas.

2. Except for the complaint of certain ship owners which was carried to the American Embassy in 1946, only two incidents in the history of Claims Service rise to concerted publicity on the part of numerous claimants or their representatives. These pertained to the closing of branch offices in October 1947 and the institution of the deadline on filing claims in March 1948. Concerning both actions, claimants complained that insufficient notice caused many to be unaware of the necessity of taking immediate action to present their claims. Similar were the contentions that the unannounced shift of policy from conduct of investigations by Claims Service personnel to requiring all necessary proof from claimants caused inequity

in that some were misled into failure to realize the necessity of developing their own cases in sufficient time to obtain certain evidence.

3. Comparatively few complaints are related to the amounts of the offers tendered. Especially this is true in connection with smaller claims. Some of the larger claimants have vigorously pressed for reconsideration on the amount of the award and a number of lengthy hearings have been conducted at which valuation experts have testified at the request of the claimant. In general, the average small claimant appears readily satisfied by an award without undue regard to the amount of the award.

4. Some unusual publicity, appearing in the local newspapers, involved a claim for procurement performed by one Captain Anado Bautista of the 11th Division, Philippine Army in 1941. After the original denial, the claimant brought suit against the procuring officer, but the summons was not served until after an award had been made on reconsideration. Due to the slowness of the mail, neither the claimant nor the defendant to the law suit was aware of the award already made by the Commission at the time of the start of the suit. Captain Bautista's complaints were made sub-headlines in the local press and were repeated in the other newspapers.

5. Pressure known to have been exerted chiefly concerns large claims. Of course, pressures which have been brought to bear upon local employees can only be conjectured, but little direct pressure is believed to have been placed upon American employees and officers. Most attempts of pressure are in the nature of threatened appeals to the Commanding General, U. S. Embassy, or Charge d'Affaires. Numerous letters have been received by members of the command, in other sections, and for most part, forwarded to this office without comment. Occasionally, officials of other United States agencies have interested themselves in claims and have sent letters requesting specific action, to which replies have been made pointing out the impropriety of a Federal employee assisting in the presentation of such claims.

6. Wherever the disposition of large sums of public "money" is concerned, rumors of improper pressures, temptations, and impropriety are as common as flies. It is extremely difficult to obtain evidence proving such activities, because if they do flourish, they involve parties mutually interested in avoiding disclosure. Only by exceedingly deft and delicate investigation can evidence sufficient to prosecute such offenders be developed. In retrospect, our knowledge of direct pressure known to have been brought to bear upon this office is limited, and the amount of specific evidence delineating rumored temptations or improprieties is even less. Perhaps this is the result of lacking adequate security personnel skilled in the detection of such matters to follow the numerous leads that have been presented.

SECTION IX

RECONSIDERATION OF AWARDS AND FINDINGS

1. In 1945-1946, comparatively few claimants requested a review or reconsideration of determinations. The exhaustive investigations of claims and slow painstaking determinations, frequently after interview of claimants by members of the commission, resulted in awards or denials generally acceptable at the first instance, with some exceptions. Requests for reconsideration in this period were referred to the same Commission that prepared the original determination. The rules established in the decisions of the Court of Claims and the decisions of the Comptroller General by administrative bodies of their own decisions were closely followed. In brief, these rules authorize a Commission composed of the same members who rendered the original determination to correct its own errors, and open, reconsider, and reverse in whole or in part any case decided by the body. However, where changes in membership of the Commission have taken place, the decision originally made is considered as final and not subject to reopening unless claimant produces new and material evidence or points to a manifest mistake of fact or fraud or collusion. One factor which gave rise to difficulties in the assignment of cases for reconsideration was the frequent changes in membership of the Commission, primarily due to redeployment. During the 3 1/3 years of operation of Claims Service nearly 100 Commissions were constituted and in September 1948 only six Commissions were active.

2. In 1946, a number of awards were made on claims for ships and other large properties taken by the United States Forces in 1941 and 1942. These awards were objected to by the claimants on the ground that they provided payment for much less than the true value of the property taken. Specific objections were raised that the office employed the services of expert appraisers who furnished exceedingly low estimates of value and that these estimates were accepted by the Commissions in preference to testimony of other experts referred by the claimants. The complaints culminated in petitions both to the Ambassador and to the Commanding General, Far East Command, which resulted in a survey of Claims Service by General (then Colonel) Franklin P. Shaw, Judge Advocate of the Far East Command. In the course of Colonel Shaw's survey, rules of reconsideration on disputed awards by specially designated Reconsideration Commissions were formulated in Claims Service. These rules, dated 22 April 1947, provided for submission of requests for reconsideration to the Chief of Claims Service within 90 days following notification to the claimant of the original award. The rules provided that claimants must execute, as a condition precedent to the reconsideration of the claim, an election to accept the determination of the Commission on reconsideration, as final, and in lieu of other administrative processes. The purpose of this rule was to limit the claimant to one reconsideration, not because any basic law so requires, but for the administrative convenience of the office. The election prescribed, of

course, had no effect on claimant's right to present the case later in the Court of Claims. If in the papers submitted by the claimant appeared a showing of new and material evidence, or a sustainable allegation of material mistake of law or fact or fraud or collusion, the Chief of Claims Service, under the rule, assigned the cases to the Contract Claims Commission for Reconsiderations. Once assigned to this Commission, the rules provided for open formal hearing to be held at the discretion of the Commission. The claimants or their attorneys or representatives were specifically provided the means of presenting witnesses, with the right of examination, cross-examination, and argument. Provision was made for docketing of pending matters, a court reporter, and a clerk. Insofar as it was feasible to provide a competent administrative forum for the presentation of evidence of the claimant's choosing, the rules so provided. In order to assure claimant of an impartial determination of cases, it was provided that no member of a Commission which originally determined the case should sit in the reconsideration of said determination. Copies of testimony taken at the hearings and copies of the opinions of the Commission were furnished to claimants on request.

3. Copies of the aforesaid rules were forwarded to the Far East Command and approved by that command. Mimeographed copies were distributed to claimants and their representatives, including a number of lawyers of the Philippine Bar. Between May 1947 and June 1948 a total of 67 cases were assigned to Contract Claims Commission for Reconsiderations No. 62. Each of these cases was disposed of after submission of new evidence, formal hearings, careful research, and preparation of detailed opinions. The total sum claimed in the 67 cases was \$9,048,717.64. Awards had been made originally on 47 cases in the total of \$2,990,765.88 and 20 others of these cases have been originally denied. Of these 20, 15 were made favorable awards on reconsideration, in the total of \$492,803.88. Only five of the original denials were reaffirmed. Of the forty-seven cases on which awards have been made by the original commission, only one award was reaffirmed in the amount originally awarded. On forty-six claims, awards were increased from a total of \$2,990,765.80 to \$4,363,544.62 a net increase of \$1,372,773.73 or an average increase of 45.8%. The total awards originally made on the sixteen cases was \$2,990,765.44 and the total of awards made on reconsideration was \$4,856,348.50, an overall increase of 62%. Commissioners assigned to the senior Commission for Reconsiderations were without exception lawyers. The president of the Commission, who took part in all of the reconsiderations was a lawyer of twenty years experience, who for two years had served as Colonel, JAGD. The remaining members of the Commission were six in number and were assigned in divisions to reconsider the cases presented. The functioning of this Commission under the above-cited rules for reconsideration served in large measure during the twelve months of its operation to allay the complaints of those claimants who had large claims wherein disputed awards or denials were originally entered. From July 1947 until early part of 1948, reconsideration of small claims was performed by two one-man Commissions specially constituted for the purpose.

4. In the course of the reconsideration of claims by the above Commission, the members did extensive research of the laws pertaining to the different types of claims. As a result of this research, several types of claims which previously had not been originally made subject of an award were determined to be payable. Opinions prepared in detail, on both law and fact of claims in question, have been preserved and constituted the major source of readily available legal material for handling similar types of claims.

5. In the latter half of 1947 and in the first half of 1948, the acceleration in the determination of cases brought a vast increase of requests for reconsideration and made the use of the somewhat elaborate procedure of the reconsideration commissions impractical for the accomplishment of the program within a limited time. After the beginning of 1948, only a few cases were selected by the Chief of Claims for submission to the Reconsideration Commission. All other requests were channeled directly to the Commission which originally handled them. In the interest of expediting the reconsideration of many cases, the rules pertaining to administrative review were not closely followed thereafter. Commissions undertook reconsideration of cases previously determined by other Commissions on much the same basis as they reconsidered their own decisions.

6. From May 1947 until early in 1948, all letters of transmittal to claimant covering awards of original commission informed claimant that any request for reconsideration must be presented within 90 days and after termination of such period, no request would be accepted. In March 1948, it was decided by the Acting Chief of Claims that this notification to claimants should be eliminated for the reason that this paragraph might stimulate the claimants to file requests for reconsideration. In the absence of this notice, the office perforce accepted all requests for reconsideration filed at any time. Another deadline, 31 March 1949, was set for all requests for reconsideration, after Claims Service became Adjustment Section. Again this deadline was abrogated and requests were accepted up to June 30, 1949 for reconsideration of procurement and wage claims of all types.

7. During the last two months, May and June 1948, several thousands of requests for reconsideration were handled by the commissions in existence. Mimeographed form letters were devised to inform claimants that they had not presented evidence to justify a change in the award already made.

8. The large volume of claims handled in April, May and June did not permit a careful examination and determination of all claims. During this period, under the pressure of work, many commissioners automatically followed the recommendations of the investigators in the denial of claims in order to save time for the reading of cases which were recommended for approval. As the exigencies of time did not permit the investigation of

all cases on hand in the month of June, all claims not previously determined were deemed administratively denied at the end of this period. Micrographed forms indicating an administrative denial were attached to the file but not all of the claims pending. The purpose of this section was to establish a form of original action so that further action on the claim could be termed redetermination or a reconsideration - which type of awards were deemed payable from the funds advanced to the Finance Service, Armed Forces of the Philippines.

9. At the close of the fiscal year 1948, it was ascertained that the volume of claims could not be adequately processed and reconsidered by the retained personnel in a period of time shorter than an estimated 12 months after conclusion of the said fiscal year. Therefore, beginning 1 July 1948, Claims Service entered into the extended phase of reconsideration of claims previously presented and denied. Included were several thousands of claims which had received only a most perfunctory investigation and still required full-dress investigation and processing.

10. One of the greatest obstacles to the sound and accurate determination of claim is lack of topical indexes to the claims in the files of Claims Service. Filing of procurement claims was established in accordance with the directives appearing in AR 25-20 and AR 25-90, but these directives pertain to types of claims arising out of non-combat activities of the Army, incidents and accidents, which only infrequently have any relation to one another. Procurement claims on the other hand, stem from interlocked problems of supply and any and all claims arising from the activities of a single unit may be interrelated. The claims are given file numbers in order of reception and are alphabetized only in the names of the claimants. Therefore, no index exists whereby a procurement claim may be related to other claims of the military forces or unit which accomplished the procurement, or to the procurement officer or agent. Neither is there any index or other mechanical means of relating any claim with other claims with similar subject matter. Nor does any such means exist whereby any claim filed by the attorney or attorney-in-fact can be compared with other claims presented by the same. A great deal of evidence stored at Claims Service exists only in the individual claims files. This is particularly true as to those claims filed in 1948 after field investigation was discontinued. This evidence was submitted by the claimants and has been winnowed by Claims Service personnel in the processing of each claim individually. It can be used for its bearing upon other claims only if experienced personnel of Claims Service, through recollection of claims previously handled, are able to remember the files. The lack of various topical indexes cited above prevents the thorough checking of the total of alleged procurements of units, or of officers or agents, which if it could be viewed collectively, might in many instances be shown to be greatly in excess of any conceivable military usage. From time to time, efforts to link together certain small groups of claims have produced outstanding results in establishing proof of exaggeration, or fabrication of claims. The only measure that

could afford a full compilation of the alleged procurements performed by specific units or by a specific officer or agent would be to draw all individual files (more than 350,000) and would require a staff for the process of the personnel allocated. It has been estimated that a force of 200 clerks would require 6 months for the task. IBM machines would shorten the time.

11. No statute of limitations has been provided by Congress, the Department of the Army, or the Far East Command for procurement claims filed with Claims Service. A Federal statute of limitations having some reference to these matters is the statute of limitations concerning the filing of claims in the Court of Claims, namely, a requirement that such claims be filed within six years following the incident which gave rise to the claim. As far as is presently known, the Court of Claims has not yet determined whether the occupation by the Japanese acts to suspend the running of this statute. Regardless of the decision on this matter, claims arising from procurements in 1943 may be filed in the year 1949 and claims arising in 1945 may be filed as late as 1951, for action de novo in the Court of Claims. The possibility of the action by claimant to file claims in the Court of Claims doubtlessly underlines the advisability of diminishing the potential liabilities of the United States arising from military procurements in the Philippines by the more expeditious and less expensive administrative means of a Command Claims Service or Adjustment Section. In view of the shifts and changes which developed in the processing and payment of military procurement claims by Claims Service during its 3½ years, it was difficult to foresee the future or to lay out a program for winding up these matters in any final sense.

HISTORY OF ADJUSTMENT SECTION

1 September 1948 to 25 February 1949

SECTION X

CONSOLIDATION INTO ADJUSTMENT SECTION

1. General Order No. 4, Headquarters, Philippines Command, constituted Adjustment Section as a special staff section effective 1 September 1948. The mission of the new staff section was to combine certain functions formerly performed by the Claims Service, the Recovered Personnel Division, and a sub-section of the Finance Section, Philippines Command. By combining these functions under one direction, it was planned to integrate the use of certain records and to effect improved controls over activities which had been performed separately. Adjustment Section was organized in four divisions. A review of the mission of each division will serve best to indicate the overall mission of the Adjustment Section. Adjustment Section began operations under the command of Colonel William S. Eley, who retained the directorship of the Claims Service Division.

2. The Claims Service Division was made up of the portions of the former Claims Service, Philippines Command, which had been engaged in the investigation and determination of procurement and wage claims. The mission of the Arrears in Pay Division was taken over from the former Recovered Personnel Division, being a redetermination of claims for pay and allowances by members of the guerrilla components of the Philippine Army. The new Control and Audit Division included certain functions of the former Fiscal Division of Claims Service pertaining to the reporting and maintenance of statistics on approved claims, together with functions of audit which had previously been performed at the office of the Finance Service, Armed Forces of the Philippines. An Administration Division was established to coordinate the problem of supply and administration to all of the units comprising the new Adjustment Section. The Arrears in Pay Division began its operations in September 1948 at the site of the former RPD area in Mandaluyong on Pasig Boulevard. During the third week in October, the Claims Service Division, and the Control and Audit and the Administration Divisions moved from the University of the Philippines to the small galvanized iron open buildings adjoining those of Arrears in Pay. Closed Records of Claims Service were moved into two buildings of the new Records Branch of AGRD in the same general area.

3. The new staff section was established to carry out the redetermination of claims for which the advance of ₱93,778,000.00 was made to the Armed Forces of the Philippines. Deadline for the reception of claims had been set on 15 January 1948 for living Philippine Army cases, 29 February 1948 for deceased Philippine Army cases, and 31 March 1948 for contract claims. At the time of the formation of the Adjustment Section, other

claims activities were not anticipated. It was expected that the redetermination of the claims could be completed readily within the 12 months specified in the agreement consummated by the Philippines Command and the Armed Forces of the Philippines.

4. The physical joinder of Claims Service with the Records Depository and other sections formerly within the Recovered Personnel Division made possible a more integrated control of the functions of the Command devoted to paying the variegated expenses of the war in the Philippines. Before the consolidation, the offices handling these functions grew up separately during the period of more than three years, which resulted in an unfortunate separation of records that were needed for coherent checking of dubious allegations. Even where the necessity of checking the records had been sufficiently recognized, as in checking of 201 files of alleged procurement officers, or the finance records of guerrilla units against procurement claims, the physical location of records in offices separated by six to ten miles of poor roads limited the consistent checking of such records by various offices concerned.

5. The advantage of having all available records located at the site with the claims determining agencies became immediately apparent in work upon procurement claims in September 1948. The value of having the available records together for the first time, was emphasized by the lack of one major group of records bearing upon several types of claims activities. The records of the Guerrilla Affairs Division theoretically were limited to the composition of guerrilla organizations as distinguished from records of individuals of guerrilla units. But the great mass of records assembled by the GAD included thousands of documents that might be used in determining the truth and falsity of alleged procurement activities; numerous finance records of both receipt and disbursement were included, as well as a multitude of papers showing activities of specific members of the units. Unfortunately, policy considerations necessitated the forwarding of this mass of materials to the St. Louis Records Depot in September of 1948, and for practical purposes, they are not available for the determination of numerous current claims. As the work of the Adjustment Section progressed, the location of the various claims determining units in one area with centralized records increased efficiency in the use of records still available to the Command. A record's value is in its use.

SECTION XI

ARREARS IN PAY DIVISION

1. Foundations of the Arrears in Pay Division were taken over from the former RPD but no officers who had engaged in processing of RPD claims were assigned to the new Division. Three officers who had served in the

Guerrilla Affairs Division, namely Captain Mitchal and First Lieutenants Schilling and Manzano, were available. Major John B. Chesson, Jr. became the first Director of the new division.

2. A study of the policies formerly followed by RPD in the determination of arrears in pay matters were found upon review to require considerable revision. Comprehensive policies on reconsideration of arrears in pay matters were developed and enunciated in mimeographed form, "Reconsideration Memorandum" No. 1-21, dated 17 September - 2 December 1948, comprising a substantial volume. The month of September was spent in orienting and training the new division. A series of lectures was organized for the military, as well as the civilian personnel, assigned to the branch to familiarize them with the new redetermination policies. Cases were not adjudicated until October. With the activation of the Adjudication Section and the consolidation of all record holdings in one agency, namely the Records Branch, whose mission was storage and maintenance of the files, it was necessary to instruct employees in the new procedures for drawing files. When the Arrears in Pay Division commenced drawing cases in October, the backlog totaled more than 6,000.

3. Within the Arrears in Pay Division, the Administrative Branch prepared requisitions for files and handled correspondence. Cases were received by the Adjudication Branch with letters of intent to apply for reconsideration obtained by the Administrative Branch. Adjudication Branch studied the facts and prepared a determination which was forwarded to the Review Branch for final decision. One section of the Adjudication Branch worked on cases previously determined and forwarded to Finance Service but returned for correction due to erroneous entry of names, dates or the conversion of a living claim to a deceased claim, in instances where the claimant died after determination of the claim and before receiving payment. An investigation section of the Adjudication Branch was organized to cross-check service of affiant's affidavits, locate duplicate files, and personnel rosters, and to check pay data from the Finance Office or obtain additional information necessary to completion of the case.

4. Production was gradually increased as processing got well under way and personnel became familiar with the proceedings. In December an orientation course for new officers assigned to the Arrears in Pay Division was organized and presented by Major Chesson and Lt. Manzano over a period of two weeks with three lecture hours daily on background and policies. Directorship of the Division is indicated on the attached Roster, Annex I. The total production of cases by the Arrears in Pay Division will be discussed in section XVI dealing with the completion of the program after consolidation into LAPP.

5. While no exhaustive survey has been made of the production figures of RPD on determination of arrears in pay matters, it is noted that the Living Section of the Philippine Army branch of RPD has approximately 700

employees and, at the peak of their operation, they were able to adjudicate and approve an average of 1500 cases per day. The Deceased Section of the same branch had approximately 200 employees and reached an average peak production of approximately 300 cases per day. Throughout the ten month period of operation of the Arrears in Pay Division from 1 September 1948 to 30 June 1949, which meant only nine months of actual determination, the first part of which was slow, the division completed 13,233 arrears in pay claims, an average of approximately 500 per week during the productive period.

SECTION XII

CLAIMS SERVICE DIVISION

1. Within the Claims Service Division, at the beginning of September 1948, there were no changes in the function performed by Claims Service, PHILCOM, before the consolidation. Work continued on the reconsideration of procurement and wage claims upon formal request by claimants and on redetermining of wage and procurement claims wherever apparent mistakes of law or fact were noted by personnel of the section. At the beginning of September, several hundreds of requests for reconsideration were on hand and certain groups of files in which errors harmful to claimants were frequent were being surveyed by selected personnel of the Investigation Section.

2. The Division was composed of two branches, namely Investigation Branch and Commission Branch, which operated as indicated by their names. Claims were investigated in the Investigation Branch by the method of the processing line that has been previously described in the History of Claims Service, Section VII, paragraph 7. Upon completion of the record checks, and review of the retained records, the entire case was studied by an investigator, termed a screener, who wrote a recommendation either for denial or for payment of a specific sum. The recommendation being written and approved by the Chief of Investigation Section, the case was transmitted to Commission Branch.

3. The Commission Branch received the case with the recommendation of the screener and determined the case as previously described, claims for more than \$5,000 being handled by two-man commission and claims for more than \$100,000 being handled by a three-man commission which made recommendations to the Commanding General. Because of a reduction in force of investigators, few cases reached the commission with a thorough investigation and, therefore, the Commission called in witnesses and conducted hearings on numerous cases.

4. The Wage Section existed as part of the Investigation Branch. With a small force at first, composed only of two investigators and four

clerk typists, working under a lieutenant, this section handled correspondence relative to wage claims. Redeterminations were noted upon by a commission within the section. Due to incomplete records of claims for wages, most wage claims were held in suspense until card files could be completed on the main volumes of wage claims. Claims for wages group together and a master investigation usually provides facts that control the determination of many cases. By the end of 1948, individual card files were in reasonably complete shape and the output of the wage-claims commissions accelerated steeply. The monthly output for each month can be seen in the following figures:

	<u>Approved</u>	<u>Disapproved</u>
January	311	136
February	298	152
March	704	86
April	1,786	943

After the consolidation of Adjustment Section into AGPD and due to the increasingly large number of cases to be reconsidered, the personnel of Wage Section was gradually increased until it reached a total of 23 for the whole section. Because the work on wage claims differs in many respects from investigative work on procurement matters, the Wage Section was removed from the Investigation Branch after the consolidation of AGPD and placed as an independent section of the Claims Service Branch. The output for the months following April are shown in the following figures:

	<u>Approved</u>	<u>Disapproved</u>
May	5,074	1,020
June	7,067	22
July	813	2,990
August	1,666	11,230

5. After 30 June 1948, obligations of the U. S. Army, either procurement or wage, could no longer be paid by the Finance Disbursing Office of the Command due to lapse of appropriations. Awards upon these "U" claims had to be sent to Washington for payment by administrative action initiated in the Office of the Judge Advocate General. Such payments are ultimately made by the General Accounting Office. Numerous wage and procurement claims were forwarded to the Office of the Judge Advocate General in the latter half of the calendar year 1948, and special forms had to be designed for claims of heirs, which are payable under Republic Act 126. Complete statistics are not available on the number and amount involved of claims forwarded to the Judge Advocate General for payment. Generally speaking, this process of payment requires several months or more.

SECTION XIII

CONTROL, AUDIT & FISCAL DIVISION

1. The Control, Audit and Fiscal Branch of the Adjustment Division is an outgrowth of control and audit activities originally carried on at the Claims Service and in the Office of the Fiscal Director of the Philippine Command and its predecessors. The latter unit assumed the function of an audit agency of the U. S. Army Forces in the Far East (AFPAF, later AFWESPAC, later PHILRYCOM, later Philippine Command) to administratively examine all disbursements of the disbursing officers of the Army of the Philippines from the appropriation MAP. Due to the small force, one officer and three civilian employees, the audit performed by this unit did not succeed in detail in the assigned task, and disbursements were made for more than three years without thorough going control by this section.

2. In June 1948, when the appropriation MAP was about to lapse into the Treasury of the United States, the office of the Fiscal Director, PHILCOM, gathered estimates of the number and monetary value of the unpaid claims in the possession of the Philippine Army and the number and monetary value of claims as yet undetermined by agencies of the Philippines Command. It was estimated on 28 June 1948 that \$93,778,000 together with the balance of the previous advances to the Philippine Army was sufficient to finalize not only those claims outstanding at the Philippine Army Headquarters but also the claims that had to be reconsidered and determined in the future. When the agreement was entered into providing the advance of the aforementioned sum to be expended in the fiscal year 1949, this command saw the necessity of instituting more stringent control of the last advance. In place of the former procedure which allowed the Philippine Army to compute, audit, pay and report payments to PHILCOM for more administrative examination of the vouchers, a unit was created to pre-audit all payments from MAP covered in the last advance. In order to operate with greater effect, the pre-audit unit was originally located at Camp Murphy. Aside from its functions strictly along audit lines, the branch was in position to act as the eyes and ears of the Adjustment and Finance Sections, PHILCOM. The major reason for establishing an audit division at Camp Murphy pertained to the provision of the agreement stipulating that Philippine Command might withdraw from the Philippine Army any part or all of the unexpended balance of the appropriation at any time before 30 June 1949. It was deemed feasible to obtain information of the cash balance at any time desired through the control and audit division.

3. The Control and Audit Division noted to establish the Trust Fund, Estates of Deceased Personnel, by agreement between the Headquarters of the Philippine Army and the Philippines Command in order to break the log jam which held up payment to heirs in the office of the Staff Judge Advocate of the Philippine Army. In less than four months, after the establishment of this Trust Fund, the Audit Branch was able to approve in audit

nearly 20,000 claims having an aggregate value of approximately \$25,000,000 for transfer into the Trust Fund.

4. The Post Audit originally was the responsibility of the Chief Director. There were at that time (1945, 1946, 1947 to July 1948) one officer and three civilians assigned to accomplish approximately 15,000 abstracts said to contain 750,000 vouchers evidencing payments in the amount of \$507,042,613.19. In order to accomplish this task and to arrive at an agreed cash balance before deadline 30 June 1949, it was necessary to employ an additional 183 persons in the capacities of general clerks, accounting voucher analysts, auditors, clerk-typists and others. This was deemed necessary inasmuch as HMF did not have sufficient employees to process vouchers to present to the Auditors for the purpose of final audit.

5. Scope of Audit. Audit includes but is not limited to the following factors:

- a. The audit is limited to an administrative examination of accounts paid but does not include a detail audit of such disbursing vouchers.
- b. Examination includes audit of the ledgers of the Philippine Army as pertaining to the appropriation "Expenses Army of the Philippines."
- c. Examination includes audit of collection accounts to determine the correctness of appropriations credited with such collections.
- d. Examination includes audit of disbursing officer's accounts (128 Disbursing Officers) to determine the legality and acceptability of payments made. There are approximately 750,000 vouchers broken down to approximately 15,000 abstracts which have the claimed money value of \$507,042,613.19.
- e. An examination of accounts to determine the balance to be reimbursed to the United States from the Army of the Philippines.
- f. Audit includes final disposition of items accepted in the audit such as payments, erroneous appropriation charges, erroneous pricing of collection items, and so forth.

6. Completion of audit. Audit is of a continuing nature and will not be completed prior to the final payment of accounts payable from the appropriation. With the exception of clearly suspending items, the progress of the audit will be current as of 30 September 1949. This delay is occasioned by Finance Service, Philippine Army, being unable to submit vouchers to the audit of the Philippine Army for clearance. This factor in the majority is classified as lost or missing vouchers.

7. Prior audit reports and relative supporting schedule do not imply an opinion as to the legality or acceptability of the amount \$307,423.57 claimed disbursed. Pending accomplishment of the final reclassification of "Expenses Army of the Philippines Control" and upon termination of the Administrative Audit now on the way, a balance will be presented with accompanying statements (known as working papers) to ascertain whether the balance of this office will be acceptable to the Philippine Army. Thus far, such balance has established a line of demarcation between accounting figures of the two offices. Further adjustments, suspensions and disallowances will have to be resolved directly to establish a correct and agreed cash balance.

8. There are at present assigned the Post Audit Section one officer, one SAC, and twenty two local employees. Reduction in force in December 1949 of approximately 90% of the force is anticipated. This is being brought about by the deadline of disbursing monies of Expenses Army of the Philippines, 31 December 1949.

SECTION XIV

FIXING OF NEW CLAIMS

1. In September 1948, activities of the Claims Service Division were confined to reconsideration of claims filed prior to 1 April 1948 and any new claims papers received were returned to the prospective claimants automatically without retaining any record of the claims. On 16 October 1948, the mission of the Claims Service Division was recast by receipt of a radiogram, No. WOL 32242, from the Judge Advocate General, directing Philippines Command to resume the accepting of all claims for procurement and pay and allowances previously covered by appropriations "Expenses, Army of the Philippines." This communication stated that the directive was a temporary measure and expenses of civilian personnel were limited to funds currently available to the command. As the work load of the total personnel of the Adjustment Division in redetermination of claims filed prior to the deadline was of such scope that no personnel was available to take any action on a new claim, those were henceforth received and held without action until the end of June 1949. Although no publicity has ever been disseminated concerning the readiness of this Command to receive claims after 31 March 1949, claims nevertheless arrived after the receipt of the above radiogram, gradually at first, and then at an accelerated rate. 40,077 procurement and wage claims in the amount of \$345,482,582 were filed by letters of intent dated before 1 July 1949.

2. Clerical work on docketing the new claims did not start until after the beginning of 1949. An entirely new numbering system was devised for the new files. Each file was stamped with a large "N" to indicate

... the ... of the ... or die ...
in the majority is classified as lost or missing youc ...

[Faint, mostly illegible text block]

... the ... of the ... or die ...
in the majority is classified as lost or missing youc ...

[Faint, mostly illegible text block]

a claim filed after the original deadline. In place of the letters formerly indicating the type of file (G for guerrilla procurement claim; P for Philippine Army procurement claim; U for U. S. Army claim), the letter next appearing in the alphabet was applied to the new claim; therefore, the guerrilla claims are marked "H"; Philippine Army claims "Q"; and the U. S. Army claims "X". Wago claims, as before, are preceded by a "W".

3. Profiting from past experience, numerous improvements were made in the docketing of the new claims. When a new claim arrived, it was logged in, entered into a docket book in the order of its arrival and in accordance with its classification of claim. The first number after the letter designation signifies the military district. For example, the number H-1-00947 shows that the claim is a new guerrilla procurement claim involving an alleged requisition in the 1st Military District. Remainder of the number signifies that it was the 947th of this type received in this office. Immensely valuable aids to investigation were devised in the administrative division by the preparation of topical indexes on the new claims as will be discussed fully in Section XVIII, Characteristics of the New Claims. The vast amount of correspondence concerning the new claims, and hundreds of inquiries on previous matters were handled by the Assistant Director of the Administrative Division, as Chief of the Correspondence. Although much of the correspondence was handled by form letters, hundreds of specific detailed letters were prepared each month in an effort to develop a clearer basis of understanding between claimants and the Adjustment Section, and eliminate superfluous and repetitious correspondence.

HISTORY OF ADJUSTMENT DIVISION, AGFD

25 February 1949 to 30 September 1949

SECTION XV

CONSOLIDATION INTO AGFD

1. General Order No. 18 of Philippines Command, effective 25 February 1949, announced the Adjutant General Records Depository as a subordinate command, and transferred thereto Adjutant Section and personnel on duty. Within itself, there were no material changes in mission or functions. Major John B. Chesson, Jr., became the Director of the Adjustment Division of the new command.

2. Chain of command and policies within the Adjustment Division remained unchanged, but in extension of the aforementioned command policy, additional emphasis was placed upon a careful penetrating analysis of evidence supporting the larger procurement claims. Special attention was henceforth devoted to study of claimants' capacity to furnish considerable property or money. Personnel of guerrilla units were subject to more careful scrutiny. Doubts as to reasonableness of requisitions were less easily resolved. With only one significant change of personnel, the work of redetermining procurement and wage claims continued up to the last day of June 1949, at which time the entire backlog, except for a number of U. S. Army obligations, was completely worked away.

3. Movement of the Adjustment Division from the area at Manila Bay to the new quarters of AGFD at University of the Philippines was carried out from March 3 to 5, 1949. The office buildings at the new site consisted of standard type warehouses of galvanized iron construction, formerly used for dead storage. After the move, many days were required to clear, clean and arrange the office area, to install electric lights, and water connections, and to side up the incomplete partitions of the warehouse with more galvanized iron. Because of the constant interruptions to work occasioned by renovation of the office area, production was greatly decreased for many weeks after the move and the extreme heat of the season intensified the effect. Budgetary limitations which make it necessary for highly skilled local employees to perform janitorial services is a disadvantageous morale factor, as are the difficulties of early morning transportation from Manila.

4. The consolidation of all the records of the claims investigating and claims determining agencies in two adjacent buildings has proven of great value in permitting cross record checks and pooling of information as described in Section X. After the move it became possible

readily to check entire 201 files of procurement officers against the allegations in procurement and wage claims, and to use voluminous retained records and finance records. Many sound claims have received needed evidentiary support, and hundreds of fabrications and exaggerations have been exposed, as a direct result of the consolidation of the various components of AGRD. The success of the consolidation emphasizes the regrettable losses that doubtlessly occurred by reason of the separate development of the several agencies four years ago.

SECTION XVI

REDETERMINATION PROGRAM COMPLETED

1. From 1 September 1948 - 30 June 1949, the Adjustment Division was staffed with 19 officers, 1 warrant officer, 12 DA civilians, and 177 local civilians to perform its mission of redetermining claims which had been filed before the original deadlines. During this period, 46,878 claims of all types were redetermined and it was necessary to adjudicate claims up to the final day to complete the program. In the course of the program, a number of surveys and special studies involving extensive investigation were completed, as for example; the survey of 35 claims for fish allegedly procured at Pilar, Batan in 1942, aggregating ₱3,000,000; claims for the stolen ₱50 "Lawton Notes"; Marking's liberty bond claims aggregating ₱8,000,000; and a survey of 120 claims from the Leyte Area Command. In addition to the above special studies of large groups of claims, studies were conducted on numerous groups of guerrilla procurement claims by areas and by commanding officers. The strength of the Adjustment Section and the Adjustment Division shown quarterly is attached to this history as ANNEX 4.

2. Statistics for the program are as follows:

Approved Claims

<u>Nature of Claim</u>	<u>Action Completed</u>
Wage and procurement	14,343
Arrears in pay	<u>2,064</u>
	16,407

Disapproved Claims

<u>Nature of Claim</u>	<u>Action Completed</u>
Wage and procurement	19,302
Arrears in pay	<u>11,169</u>
	30,471

Grand total of claims worked
1 Sept 1948 - 30 June 1949 46,878

3. Of the 33,645 procurement and wage claims, it is estimated that 8,218 were procurement, indicating an average rate of completion of 191 claims a week. The 25,427 wage claims were completed at the rate of 991 per week; the 13,233 arrears in pay claims at the rate of 300 per week. The average completions throughout the ten-month period were as the aggregate rate of 1,089 claims per week throughout the Adjustment Division. This rate varied very greatly from week to week by reason of factors previously discussed.

4. The investigation and determination of claims for reconsideration differs in several respects from the investigation and determination of new claims. Most of the redeterminations involved issues of law or fact that required study. Nearly all of the redeterminations involved claims that had some form of original investigation and in many instances, a statement in detail of the reasons for denial or part payment. Many of the cases were centered upon one or two issues which could readily be resolved for or against the claimant. Numerous redeterminations involved evidence containing obvious defects. On the other hand many of the cases were sound, and redetermination was occasioned only by reason of previous error. The above described wide variance in the types of claim indicate that it is impossible to classify types according to a few specific forms. Some claims require days of study. Some a few minutes. Production figures have value over the broad picture only.

SECTION XVII

PREPARATIONS FOR A NEW PROGRAM

1. With the approach of the end of the fiscal year 1949, it became apparent that a large part of the advance made by the Finance Service, Armed Forces of the Philippines, from the appropriation "Expenses, Army of the Philippines," would remain undischarged. Negotiations proceeded at considerable length with the responsible offices of the Department of the Army and other departments relative to the continuance of a claims program. Teletype conferences culminated in a radio authorization from the Department of the Army on 26 June 1949 to extend until the end of the calendar year 1949 the unexpended advance in the hands of the Armed Forces of the Philippines, and to make determinations and payments of the new claims from this fund. In the same terms as the original agreement the extension of the advance calls for return to the U. S. Government of any unexpended funds at the conclusion of calendar year 1949 or at an earlier date.

2. Before the initiation of arrangements to extend payment, painstaking study was made of the characteristics of the new claims, which are discussed fully in the following Section XVIII. As a result of this study, a command policy was enunciated in July 1949, providing four major rules of procedure for processing of new claims;

- a. Claims will be determined on the evidence in the file and that available within the office.
- b. No hearings will be granted.
- c. Request for reconsideration will not be accepted.
- d. Claimants will not be informed in specific letters of the detailed reasons for action taken.

The effect of the aforesaid procedure is to focus attention upon the fundamentals of the claim and to excise such of burdensome, clerical, investigative or Commission detail that formerly impeded processing. These procedures made possible a tremendous speed-up in the determination of the claims. They also provide certain safeguards for a careful consideration of claims supported by substantial evidence. If a claim survives the preliminary check in the processing line, as described in the following section, the screener's IOR requires an intensive check of all major competent evidences. None do not exist for field investigation, and a determination of the case rests upon the evidence submitted by the claimant, but this evidence is carefully winnowed, compared, and checked with the evidence available in the extensive retained records of the AGRD, which may provide evidence beneficial to the claimant. While it is recognized that claimants may inadvertently fail to submit legitimate evidences at the time of the filing of the claims, it is concluded that the operation of an Army claims program in the Philippines for more than four years has provided claimants and their representatives with ample opportunity for ascertaining the requirements of evidence before 1 July 1949.

SECTION XVIII

CHARACTERISTICS OF THE NEW CLAIMS

1. The tendency of claimants to submit grossly exaggerated claims which was observed in the frenzied filing of claims to meet the deadline date of 31 March 1948 is now shown to have been greatly intensified in the filing of new claims after October 1948. A system of topical indexes, established by directive of Colonel Foster, provides a means of analyzing the alleged gross procurements of specific units and of collating evidence of the activities of specific claims processors. Five indexes have been used on each of the claims filed after 31 March 1948, utilizing a simple card index system:

- Index to procurement officers
- Index to unit
- Index to location or municipalities at which the alleged requisition took place
- Index to claimants
- Index to attorneys in fact

2. As an example of the investigative aid furnished by the above indexes, cards were drawn on all procurement officers supporting more than 24 claims. Twenty-five officers were shown to have supported alleged requisitions in a total of 2,691 claims. One of these officers supported 31 new claims, allegedly procured more than \$62,000,000 in cash and movable property! Few of the claims supported by this guerrilla veteran are for less than \$1,000,000 and several are for more than \$5,000,000. Allegedly, he procured this fantastic conglomeration during a period of less than two years, on behalf of the unit whose personnel never exceeded 700.

3. By aid of the above index system, it has proven accurate as well as expeditious to determine hundreds of claims by a quick reference to the procurement officer or officers involved. If the evidence in support of the claims is alike, and the affidavits and/or receipts are indistinguishable except as to the identity of the alleged donor and the amounts procured, it being clear that the total amount is fantastic, no other action can be properly taken except to deny all of the claims supported by similar evidence.

4. Doubtlessly, many claimants who have presented fantastic claims during the past year and a half have been misled by claims racketeers. Apparently, certain veterans of some guerrilla organizations have made the rounds of the archipelago, rounding up claims for fabulous amounts. Is it not sound to surmise that the claims papers are sold to prospective claimants who perhaps know of no other avenue to present their claims? Probably the claims form and supporting evidence in general are sold for whatever the prospective claimant will pay in advance together with a promise to split any award that may be forthcoming. Many fabulous claims contain a few minor items that appear to be supported by sound receipts. In many instances these legitimate proofs of claim are entirely engulfed by a mass of fabrication that supports the gross body of the claim. In such instances, it is impossible to take any action except to deny the claim as a whole. Ironically, the owner of the prospective claim who had legitimate evidence proving requisition of one or two hundred pesos of property, having bought the product of a claims racketeer will not only lose whatever money he pays to the latter, but also his means to effect a collection of whatever is properly due to him for the requisitioned property.

5. In spite of painstaking efforts to single out deserving claimants, many are suffering the loss of the legitimate cores of their claims because the activities of the huge claims racket have so blanketed the field of available evidence that good claims cannot be told from the bad. The symbol of the present command is to pay every honest claim. In some cases, unfortunately, discernment of what is good and what is bad would defy the clearest ball of crystal.

SECTION XIX

PROGRESS IN THE NEW PROGRAM

1. At the beginning of July 1949, an orientation training course was organized to instruct new personnel of the Adjustment Division in policies and procedure, as well as to make available to the entire division the benefit of the aggregate experience during the preceding year. The form of the screener's IOR was revised and enlarged. With the aim of rapidly disposing of new cases containing fatal defects, the sections of the IOR pertaining to the recognition of procuring guerrilla unit, and duplication of claims, were placed at the top of the first sheet of the IOR. As a considerable portion of all claims for procurement and wage are more duplicates of other claims, or are based upon the activities of an unrecognized guerrilla unit, the work of investigation ends in an adverse finding on either of the two points. To cut to a minimum the transfer and docketing of files from one section to another section within the division, commissions were established in the investigating line to make immediate determination of cases containing fatal defects. The great speed with which procurement claims have been determined during the first three months of processing new claims is in large part due to the summary functioning of these commissions. If a full dress investigation were performed on all the new claims, completion of the program might consume an additional year or more. With the streamlined procedures established in July, it now appears that the grand total of 128,576 new claims may easily be disposed of prior to the end of November 1949. Of course there will remain a considerable residue in the form of correspondence, complaints, and other routine matters to be completed in December.

2. As pointed out in the preceding section, while the procedures described above have enabled claims to be disposed of at an unprecedented rate, they also provide certain safeguards calling up careful considerations of claims supported by substantial evidence. The operation of the screener's IOR naturally acts to provide a determination of the easiest claims first, which seems to account for much of the tremendous speed with which claims were determined during the first three months. It is estimated that approximately 70% of the claims of the total work load are very simple to determine due to the obvious discrepancies in the evidence presented; therefore, a sharp drop in production may be expected in the final phase of the program when the more difficult claims which are presently undergoing investigation, come before the commissioners. But the initial phase of this program already completed in sifting out the great bulk of the new claims filed, will apparently provide ample time to complete all but a minor residue within the first five months of the program.

3. Statistics for the program are as follows:

On 20 September 1949 there had been received the following numbers and types of claims.

New Claims

<u>Nature of Claim</u>	<u>Received</u>
Procurement	12,038
Wage	28,000
Arrears in pay	90,000
Total new claims	130,077

(Estimated to have been inadvertently filed without action by Recovered Personnel Division.)

In addition to the above figures, it is estimated that 3,000 wage, procurement, and backpay claims which were filed with other agencies of this command are yet to be received.

Reconsiderations

<u>Nature of Claim</u>	<u>Received</u>
Procurement	1,080
Wage	1,222
Arrears in pay	3,167
Total reconsiderations	5,469

Summary of Work Load:

<u>Nature of Claim</u>	<u>Received</u>
New claims	128,077
Reconsiderations	5,469
Grand total	133,576

Between 1st of July and 20 September 1949, action on the maximum work load of 133,576 claims has been completed as follows.

<u>Nature of Claim</u>	<u>Action Completed</u>
Procurement	10,915
Wage Claims	22,487
Arrears in pay	58,667
Total action completed	92,069

4. An analysis of claim production figures for the first 50 work days (1 July - 12 September 1949) indicates an average of 1,620 claims completed per work day. Since completion of 1,221 claims per work day is necessary in order to complete the program by 25 November 1949 (target date), this production rate is considered satisfactory. Separate analysis of individual types of claims is not considered pertinent because the completion of one type of claim ahead of schedule would afford additional personnel to other branches of the division.

5. On 1 January 1949, the Administration Division inaugurated a plan for keeping daily statistics on the work load of the Claims Service Division of the Adjustment Section. Reports of receipts and accomplishments were submitted to the Administration Division daily. Weekly progress reports of Investigation, Commission and Administration Divisions were submitted to the Chief, Adjustment Section. On 1 June 1949, a daily report was devised for submission to the Director, Adjustment Division, AGRD. This report was prepared by the Administrative Branch from information contained in the daily reports of Investigation, Wage and Commission Sections and contained daily record of receipts, dispositions and backlog. Later it was discovered that whereas these daily reports gave an accurate day by day picture, they did not carry accumulated totals. This necessitated time being spent in going back over daily records in order to arrive at an accumulated total. On 1 September 1949, the daily report presently in use was designed and put into effect. It is believed that this report now enables the Director to furnish any figure or combination of figures which might be required in a minimum of time.

6. 8,428 of the 92,290 claims completed were approved for payment as of 20 September 1949. Thus, it can be considered that of the total work load of 128,576 claims, 11,572 probably will be approved for payment. The aggregate amount that will be approved for payment can only be guessed at because of the wide variations between individual claims. 163 procurement claims approved during the first two months and twenty days totaled only \$18,521.18. During the same period, 9,696 procurement claims were disapproved covering an aggregate claimed amount of \$261,284,658.92. 3,876 wage claims approved during the same period carried awards aggregating \$5,938,539.52. Reconsiderations of procurement claims during the first two months and twenty days resulted in 65 approvals in the aggregate amount of \$169,145.62. 992 claims were disapproved on reconsideration during the same period, covering total claimed amount of \$61,034,619.30. The above figures, together with other information, all appear in the Status Report of 20 September 1949, attached as Annex 5, as an example of the statistics currently being compiled within the Administrative Branch of the Adjustment Division.

SECTION IX

SUMMARY

1. Generalizations on claims activities are as hazardous as generalizations on other human actions, but a few forced observations are offered from the foregoing review:

a. The best established claims were normally presented first. Although it is not fair reasoning to assume that if a claim is presented late it is unworthy, nevertheless, over the whole picture matters filed after the first year or two tended to include claims more and more insubstantial. The latter claims require close scrutiny. In this connection, it is interesting to contrast the comparative totals of claims approved and disapproved from 1 January 1946 to 1 September 1948, reference page 10, above history, with the approvals and disapprovals of the new claims. During the first three and one half years of operation of Claims Service, one third of all claims filed were approved in an aggregate 12.05% of the total claimed. During the last two months and twenty days, only 163 new procurement claims with an aggregate award of \$18,521.18 were approved, as contrasted with the disapproval of 9,896 procurement claims with an aggregate total of \$261,284,638.92. Thus, as compared with the first three and one half years' operation, less than 1% of claims were approved instead of 23 1/2% and the total sum approved is only a small fraction of 1% of the claims as compared with 12.05%. Expressed in a maxim of equity some 400 years old, "Equity favors the vigilant."

b. Organizations like individuals acquire efficiency in disposing of repeated problems. Continuity of personnel is of high importance towards the efficiency of functions as complicated as those of Adjustment Division. Of greater value than professional knowledge is a thorough grounding in the field of special facts with which these claims are concerned. It may further be said that the numerous errors and mistakes, such as required a twelve month period of reconsideration, were principally due to the unremitting shifts of personnel which have beset these claims organizations since 1945.

c. The specific details of procedure in the investigation and determination of procurement claims are not laid down in the Army Regulations, circulars, or other Army publications and are not susceptible to being laid down specifically in such publications. To a large degree, methods of procedure, the modus operandi of the office, were developed by Headquarters, PHILCOM, and its predecessor Commands. Great emphasis is placed upon a penetrating analysis of the evidence supporting the large claims. The vast conglomeration of dubious claims that now face this Command doubly requires careful systematic treatment.

d. It has been observed that over the past four years numerous claimants rapidly adapted themselves to requirements established within the claims agencies, whether published or not. For example, it is noted that many of the claims presented in 1949 contain papers allegedly prepared in 1947 or 1948. In part, this may be due to the sudden closing of branch offices of Claims Service, wherefore some claimants failed to complete filing of their claims. In many other instances, it is due to the desire of claimants to make it appear that their claims were conceived at an earlier time. They recognize the natural deduction that a man with a sound claim normally would not sleep on his rights. Due to the chaotic condition of records in the Philippine Islands during and subsequent to the war, evidence needed to "perfect" any type of claim can be simulated if an adequate pattern is available to an unscrupulous operator. The fact that so many former members of the Philippine Army and so many former employees of the claims organizations appear willing to sell their experience to the unscrupulous causes the most onerous problem of the Army claims activities. Unfortunately, there is no budgetary provision for a staff of skilled security personnel such as those employed by other large government agencies. The means to run down the hundreds of leads in an effort to deter shakedowns, kickbacks, bribes, and fabrication of evidence are not at hand. In compensation for the lack of aggressive security measures, this division relies upon a passive defense consisting of an exceedingly careful scrutiny of evidence supporting large claims before the final approval of any such claim.

2. The overall disbursements of the Army claims program in the Philippines cannot be fully computed. Attached annexes 2 and 3 show compilation of disbursements paid from the appropriation "Expenses, Army of the Philippines" and disbursements from "Regular" U. S. Army appropriations paid on "U" claims. These compilations are by no means complete. There appears to be no reasonable means of computing the aggregate outlays that were made from division funds in payment for property taken by divisions of the liberation forces in 1944 and 1945. Neither is there any ready means of totalling all the money that was paid as damages on AR 25 claims, or for damages to real property paid by MANED. Perhaps it would be just as herculean to determine exactly how much money has been expended by all the Army agencies in the Philippines on claims matters as it would be to compute how much money has been expended by all the United States independent agencies in the Philippines. Neither is there any means of computing how much money has been disbursed on Philippine claims by the General Accounting Office. Finally, there is no means of determining how much money has already been paid in judgments of the Court of Claims of the United States on procurement claims arising in the Philippines. And certainly, there is no means of determining how much money will be paid by the General Accounting Office and in the Court of Claims on future matters of the same nature. This Command is informed that more than a thousand claims arising from military

procurements of World War II in the Philippines had been filed prior to 1 January 1949 in the Court of Claims of the United States. Numerous claims were filed on the Court of Claims in the year 1949 and the Statute of Limitations will permit the filing of such claims for a considerable period of time to come. The division of the Department of Justice which defends such matters before the Court of Claims is dependent for its information upon the records at AGRD, and upon the interpretation of those records by personnel assigned to AGRD.

SECTION XXI

COMPLETION OF PROGRAM

1. The program, as outlined in Section XVII, was completed prior to 31 December 1949. Previous sections cover progress of the new program, which figures are included in the totals listed in this Section. The period covered herein is from 1 July 1949 to 31 December 1949. The Philippines Command was discontinued effective 2400 hours, 14 October 1949, and functions and responsibility of Command were assumed by the Commanding General, Philippines Air Command. This Command was redesignated later as Philippines Command (AF) and Thirteenth Air Force. The function of approving the actions taken by Contract Claims Commissions for claims in excess of \$50,000 was assumed by the Commanding General of the new Command. Authority to disapprove claims in excess of \$50,000 delegated to contract claims commissions in August 1949, with approval of the Far East Command, for the purpose of expediting completion of several hundreds of very large but specious claims, continued in effect.
2. The period subsequent to 1 July 1949 was devoted to taking all necessary action to insure that all claims and reconsiderations filed prior to the deadline of 30 June 1949 be determined before 31 December 1949, the date established for the closing of Adjustment Division. Only those claims and requests for reconsideration received or mailed before the deadline were acted upon. Those received later were returned to claimants, stamped "Returned, received after closing date". A card file was maintained of such attempted filings, showing name of claimant, address, amount claimed, and name of commandeering officer.
3. Previous reports were based on a breakdown by types of claims, rather than by administrative divisions within the organization. This breakdown is continued. It should be noted that the figures quoted herein apply to that part of the work accomplished within the period 1 July 1949 to 31 December 1949, and that no attempt has been made to strike a total of the work accomplished by the Adjustment Division, or its predecessors for the entire period of their existence. Complete statistics of the new program superseding those quoted under Sec XIX follow:

CLAIMS COMPLETED PERIOD 1 JULY 1949 - 31 DECEMBER 1949NEW CLAIMSAPPROVED

<u>NATURE OF CLAIM</u>	<u>NO. OF CLAIMS</u>	<u>AMT CLAIMED</u>
Procurement	910	\$195,365.94
Wage	8,321	321,370.12
Arrears in Pay	1,973	

DISAPPROVED

Procurement	11,349	\$313,537,089.57
Wage	25,282	7,040,596.06
Arrears in Pay	56,998	

TOTAL RECEIVED

Procurement	12,259	\$338,419,434.27
Wage	34,603	8,994,579.41
Arrears in Pay	58,971	

CLAIMS FOR RECONSIDERATIONAPPROVED

<u>NATURE OF CLAIMS</u>	<u>NO. OF CLAIMS</u>	<u>AMT CLAIMED</u>
Procurement	155	\$590,946.45
Wage	843	48,921.99
Arrears in Pay	2,747	
Erroneous deduction	9,282	116,105.62

DISAPPROVED

Procurement	1,066	\$ 63,993,098.67
Wage	390	24,463.12
Arrears in pay	983	

TOTAL RECEIVED

Procurement	1,221	
Wage	1,233	
Arrears in Pay	3,730	

This represents the final action to be taken by Adjustment Division and the completion of the work assigned to the Investigation Branch, the Commission Branch, and the Arrears in Pay Branch.

4. Functions of the Control, Audit and Fiscal Section ~~must~~ perforce continue, but do not affect the completion of the program as pertains to finality of administrative decisions made on claims. Although the Adjustment Division was deactivated 31 December 1949, the Audit Section of the Division will continue to function for another three to six months, in order to complete the final audit of records relative to funds advanced to the Appropriation "Expenses, Army of the Philippines". The regulation establishing the Section originally called for an administrative audit of the Appropriation, but circumstances brought to light by the preliminary audit have made it necessary to perform a detailed audit in order to prevent illegal and unauthorized disbursements.

(a) Finance Service, Headquarters, National Defense Forces, was unable to accomplish the large volume of payments of claims with the personnel available to them, making it necessary to supplement those personnel with sixteen MILCOM employees. These employees were performing such duties as writing checks, segregating vouchers, and reconciling accounts.

(b) During the period disbursements were made from the appropriation "Expenses, Army of the Philippines" by Finance Service, Headquarters, National Defense Forces, over \$50,000 individual collections for life insurance premiums, GPLD, and fines and forfeitures were never scheduled as required by regulations. It is now necessary to review all vouchers to extract information relative to these collections in order to make proper distribution of collections to the proper accounts for the purpose of completing the audit.

5. In a preliminary audit by Post Audit Section, Hqs Philippine Command, of the books of the Finance Service, Headquarters, National Defense Forces, the sum total of disbursements made, or recorded as made, were far in excess of the vouchers supporting authorization for disbursements. In determining the remaining balance in the Appropriation "Expenses, Army of the Philippines", the difference in favor of the Philippine Army in the accountable balance as shown in Philippine Army records and records maintained by this Headquarters must be resolved. A portion of this difference has been explained by Finance Service, Headquarters, National Defense Forces, as vouchers lost in transit, vouchers destroyed by white ants and rats, shortages and accidents. In addition, there have been vouchers amounting to

35,284,934.82 suspended by this Headquarters due to overpayment, duplicate payments, and lack of supporting papers. The Auditor's Office, Headquarters, National Defense Forces, is presently in the process of reconstructing lost vouchers from records available in this Headquarters, in an attempt to clear accountability. There has been a delay by Finance Service, Headquarters, National Defense Forces, in the submission of vouchers to this Headquarters for audit. Philippine Army Finance has explained the delay as a shortage of personnel, and the result is that an extension of time is necessary to complete the work of the Audit Section. As a further matter of interest, for the reasons not quite clear to this Headquarters, there are twenty inactive Philippine Army finance disbursing officers who have been relieved of duty but whose accounts have not been reconciled.

6. Due to the work load confronting the Audit and Fiscal Section in closing the accounts, the projected staff as of 1 January 1950 will consist of one officer, two DAC's and 14 local employees. Final settlement of the problems pointed out by the Audit Section will be a matter for higher headquarters to resolve. Those decisions will affect the existence and the duties of the Audit Section.

7. Steps were taken in the last months (of 1949) to correct the clerical and administrative errors that were bound to be made with such a huge volume of claims processed. Approximately 175,000 folders containing 375,000 claims currently stored in AGRD were individually examined for errors, and errors where found, were corrected. Personnel for the screening were drawn from the various sections of the Adjustment Division. The result was a slow down of the completion of action on pending claims, as personnel normally assigned to processing were performing other duties. However, all claims pending were acted upon prior to the closing date.

8. Concurrently with the examination for errors, a record was kept of the principal commandeering officers and the Units for which procurements were alleged. While partial records had previously been made on a few small groups of claims, they in no way compare to the records derived from the final screening. Such information is of inestimable value in determining the validity of many claims filed, or to be filed in the future with the General Accounting Office or the Court of Claims. Due to the proven necessity of protecting the United States government from attempted fraud and exaggeration, the records of claims supported by various individuals should be used as a quick reference to files that show good, or otherwise, intentions of the commandeering officers. Past experience has shown the vital importance of comparing files supported by the same personnel.

9. To guarantee that information appearing in the claims and records of the Adjustment Division will not be lost to effective use by reason of the dissolution of the Adjustment Division, a liaison group known as the Judge Advocate Section has been planned and established within the structure of the element of AGRD which is continuing operations, namely, the Service and Certification Division. Full consideration has been given to the unfortunate and expensive circumstance that business machine tabulation of information was not available during the life of the Adjustment Division. All claims files and claims records are being preserved on the premises of the remaining division of AGRD. A Department of Army civilian employee who possesses more than four years of specialized experience in dealing with the many facets of procurement claims in the Philippines is retained to serve as a center of connection with those records which have not been provided effective indices.

10. The Judge Advocate Section or liaison group will perform investigations as directed by correspondence from the Judge Advocate General. During the four months beginning September 1949, ten claims filed in the Court of Claims were received and investigated by personnel who will compose the projected section. These claims included very large claims of the Standard Vacuum and Shell Oil Companies whose property were destroyed by action of the United States Army during 1941 and 1942. Three other claims involved delicate issues suggesting fraudulent intent on the part of the claimants. While the number of Court of Claims investigations received was less than expected in view of the fact that more than 1,000 claims are known to be filed concerning military procurements in the Philippines, the above described claims on which the Department of Justice requested investigation were serious and difficult matters aggregating large sums. It can not be foretold how many claims will be received for investigation by reason of filing in the Court of Claims, but it is clear that the matters that are received will be of serious import. Investigations required will be broad and highly varied in their scope.

11. The Judge Advocate Section may also be called upon to conduct investigations and render reports on similar claims filed with the General Accounting Office. Heretofore, that office has forwarded entire claims files to the Adjustment Division for docketing and administrative determination by the Command. Claims that may be filed in the future will need investigation and the Section will be in a position to furnish necessary information. As shown in Section X, the physical joinder of the claims files with the various records made possible substantial savings in time and expense, and permitted more equitable determinations to be made. It is apparent that further savings can be effected by taking advantage of the fact that the bulk of information necessary to investigate claims arising in the Philippine Islands will be under one roof.

12. No specific forecast can be made as to the probable life of the liaison group. It will doubtlessly continue as long as there is serious need for its continuance. Informal agreement has been made verbally with the Chairman of the War Damage Commission, whereby claims files will be retained in the Manila Area for the duration of the War Damage Commission activities. That Commission, by act of Congress, must terminate its activities prior to April 1951. Other records pertaining to military personnel must be maintained, available to the Veterans Administration for an indeterminate period of time. The records of AGED, together with the offices, will be transferred to Palma Hall in downtown Manila early in 1950. The existence and scope of the organization will be dependent upon many unforeseen circumstances, as shown by the history of the Department of Army claims organizations in the Philippines, where changes were instituted many times as necessity demanded. The vast bulk of the claims processed in a limited period of time by a limited staff has resulted in some errors in judgement or in fact. Nevertheless, the general standard of determinations has been high. The ability to determine the merits of many alleged obligations of the United States Government "on the ground" has removed a tremendous burden from the shoulders of the claims organizations existing within the continental limits of the United States, and has successfully concluded the major portion of the program to pay off debts of the United States Government arising from World War II in the Philippine Islands.

ANNEX IROSTER OF CHIEFS OF CLAIMS SERVICE AND SUCCESSOR UNITSCHIEFS OF CLAIMS SERVICE

J. A. Myatt, Colonel, JAGD - October 1944 to April 1946
 Basil A. Wood, Colonel (later Lt. Col), JAGD - April 1946 to 12 June 1947
 William S. Eley, Colonel, INF - 13 June 1947 to 1 September 1948

CHIEFS OF ADJUSTMENT SECTION

William S. Eley, Colonel, INF - 1 September 1948 to 26 October 1948
 Horace W. Forster, Colonel, CAV - 26 October 1948 to 25 February 1949

Chiefs of Claims Service Division

William S. Eley, Colonel, INF - 1 September 1948 to 26 October 1948
 Horace W. Forster, Colonel, CAV - 26 October 1948 to 12 November 1948
 Cephas P. Derrick, Major, INF - 12 November 1948 to 7 January 1949
 John B. Chesson, Jr., Major, CMP - 7 January 1948 to 25 February 1949

Chiefs of Arrears in Pay Division

John B. Chesson, Jr., Major, CMP - 1 September 1948 to 7 January 1949
 Daniel L. Adair, Major, TC - 7 January 1949 to 31 March 1949

Chiefs of Control and Audit Division

Byrne N. Sherwood, 1st Lt., INF - 1 September 1948 to 6 January 1949
 Wallace H. Currey, 2d Lt., FD - 7 January 1949 to 25 February 1949

DIRECTORS OF ADJUSTMENT DIVISION, AGED

John B. Chesson, Jr., Major, CMP - 25 February 1949 to date

Chiefs of Claims Service Branch

Daniel L. Adair, Major, TC, 1 April 1949 to 30 June 1949
 Ernest L. Knoll, Captain, CML C, - 30 June 1949 to date

Chiefs of Arrears in Pay Branch

Carlton G. Rockey, Major, INF - 5 April 1949 to date

Chiefs of Control, Audit & Fiscal Branch

Wallace H. Currey, 2d Lt., FD - 25 February 1949 to 14 April 1949
 Paul R. Kennedy, Captain, FD - 18 April 1949 to date

ANNEX 2FINANCIAL STATEMENTAPPROPRIATION "EXPENSES, ARMY OF THE PHILIPPINES

Period Ending 31 August 1949

CASH ADVANCES to Appropriation
"Expenses, Army of the Philippines"

Fiscal Year 1945	₱ 42,090,000
Fiscal Year 1946	235,000,000
Fiscal Year 1947	-0-
Fiscal Year 1948	<u>293,798,000</u>
TOTAL ADVANCES	₱ 570,868,000.00

DISBURSEMENTS from appropriation
"Expenses, Army of the Philippines"

Fiscal Years 1945, 1946, 1947 & 1948	₱ 441,230,202.78
Fiscal Year 1949	62,810,030.10
Thru 31 August 1949	<u>39,787.52</u>
TOTAL DISBURSEMENTS	<u>₱ 504,080,020.40</u>

BALANCE Appropriation "Expenses, Army of the Philippines"	65,787,979.60
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Plus Collections due "EAP" per Trial Balance HNDF Finance Service 31 May 1949	<u>3,936,308.23</u>
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BALANCE available for Disbursement	<u>₱ 69,724,287.63</u>
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As of this date, abstracts covering disbursements "Expenses, Army of the Philippines" furnished the Post Audit Section by HNDF amount to ₱488,614,941.39. Of this amount, ₱9,044,189.47 has been suspended leaving a balance of approved disbursements of ₱479,570,751.92. A difference of ₱25,509,268.48 exists between the audited disbursements and the total disbursements of ₱504,080,020.40 reflected above and is subject to further audit.

ANNEX 3
 CLAIMS DISBURSEMENTS, US ARMY APPROPRIATIONS
 For the Period 1 July 1945 thru 30 June 1948

T Y P E	Procurement Claims			Wage Claims	T O T A L
	FY 1946	FY 1947	FY 1948		
Contingencies of the Army	\$ 3,434.00	\$ 3,363.00	\$ 2,629.84		\$ 9,426.84
Finance Service, Army					
Pay of Civ Empl at Mil Hq				\$ 3,286.70	3,286.70
Claims of Mil & Civ Pers of the WD for Priv Prop Lost, etc., in the Mil Serv of the U. S.	406,028.17 \$ <u>406,028.17</u>	211,330.90 \$ <u>211,330.90</u>	248,042.72 \$ <u>248,042.72</u>	\$ 3,286.70	865,401.79 \$ <u>868,688.49</u>
Quarter Service, Army					
Subsistence of the Army	\$ 290,950.22	\$ 425,550.65	\$ 1,433,305.09		\$2,150,205.96
Regular Supplies of Army	231,444.51	381,640.24	5,422,619.43		6,035,704.18
Clothing & Equipage	259,968.95	64,020.92	369,535.05		693,524.92
Incidental Expenses	75.00	3,949.81	19,074.05	33,580.00	56,678.86
Welfare of Enlisted Men	3,556.85	7,274.41	4,696.59		15,527.85
Horse, Draft & Pack Animals	5,449.00	8,734.56	3,594.68		17,778.24
Total QM Serv, Army	\$ <u>791,444.53</u>	\$ <u>891,570.59</u>	\$ <u>7,252,824.89</u>	\$ <u>33,580.00</u>	\$ <u>8,969,420.01</u>
Signal Service, Army	\$ 38,415.23	\$ 20,647.69	\$ 224,168.66	\$ 12,864.70	\$ 296,096.28
Air Corp, Army	\$ 555.01	\$ 16.00	\$ 56,172.43		56,743.44
Medical & Hospital Dept, Army	\$ 23,066.45	\$ 29,721.54	\$ 210,908.13	\$ 5,263.58	\$ 268,959.70
Engineer Service, Army	\$ 259,379.76	\$ 830,509.20	\$ 2,617,352.71	\$ 72,804.77	\$3,780,046.44
Ordnance Serv & Supplies Army	\$ 746,519.00	\$2,361,400.38	\$ 4,493,861.40	\$ 850.65	\$6,602,631.43
Chemical Warfare Serv, Army	\$ 253.86	\$ 2,800.00			\$ 3,053.86
Transportation Service, Army	\$ <u>371,266.43</u>	\$ <u>1,798,505.22</u>	\$ <u>11,745,027.89</u>	\$ <u>37,159.02</u>	\$ <u>13,951,958.56</u>
T O T A L	\$2,640,762.44	\$5,149,864.52	\$26,850,988.67	\$ 165,809.42	\$34,807,025.05

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ANNEX 4

STRENGTH OF ADJUSTMENT DIVISION, SHOWN QUARTERLY

<u>D a t e</u>	<u>Arrears in Pay Br</u>				<u>Claims Service Br</u>				<u>Control-Audit & Fis Br</u>				<u>Administration Br</u>			
	<u>Mil</u>	<u>DaC</u>	<u>Loc</u>	<u>Total</u>	<u>Mil</u>	<u>DaC</u>	<u>Loc</u>	<u>Total</u>	<u>Mil</u>	<u>DaC</u>	<u>Loc</u>	<u>Total</u>	<u>Mil</u>	<u>DaC</u>	<u>Loc</u>	<u>Total</u>
1 Oct 48	10	0	60	70	3	7	49	59	1	1	11	13	1	1	30	32
1 Jan 49	10	0	76	86	4	8	44	56	1	1	12	14	1	1	20	22
1 Apr 49	6	0	66	72	4	7	48	59	1	1	26	28	0	1	19	20
1 Jul 49	5	0	42	47	3	7	74	84	1	1	28	30	0	1	43	44

ANNEX 5

STATUS REPORT
ADJUSTMENT DIVISION
ADJUTANT GENERAL RECORDS DEPOSITORY

20 September 1949

(Date)

NEW DETERMINATIONS	DAILY		ACCUMULATED	
		TOTAL		TOTAL
<u>Procurement Claims</u>				
Received	8	12,068	44,576.01	337,093,858.15
Approved	24	163	2,117.23	18,521.18
Disapproved	136	9696	894,689.05	261,284,658.92
Backlog	2209			
<u>Wage Claims</u>				
Received	14	28,009	8,124.18	8,388,724.01
Approved	196	3876	7,600.23	139,619.61
Disapproved	136	17,381	78,237.45	5,938,539.52
Backlog	6752			
<u>Arrears in Pay</u>				
Received	373	56,204		
Approved *	25	1278		
Disapproved	408	54,436		
Backlog	-60	- 490		
RECONSIDERATIONS				
<u>Procurement Claims</u>				
Received	2	1080	465.55	
Approved	9	65	4648.21	169,145.62
Disapproved	3	992	12,575.70	61,034,619.30
Backlog	23			
<u>Wage Claims</u>				
Received	0	1232		
Approved	0	841		48,721.99
Disapproved	0	389		24,463.12
Backlog	2			
<u>Arrears in Pay</u>				
Received	13	3187		
Approved *	10	2205		
Disapproved	3	968		
Backlog	0	-14		

FINANCIAL STATUS	NUMBER		AMOUNT IN PESOS	
	DAILY	ACCUMULATED TOTAL	DAILY	ACCUMULATED TOTAL
<u>Claims Paid</u>				
<u>Procurement</u>				
<u>Wage</u>				
Arrears in Pay				
Backlog				
RETURNED TO SENDER				
Procurement	13	4845	19,763.00	27,085,548.50
Wage	6	4947	1,278.25	896,826.12

FINANCIAL STATUS

	DAILY		ACCUMULATED	
	No.	Ant.	No.	Ant.
<u>Claims Paid</u>				
<u>Procurement</u>				
Determination	-	-	105	11,193.06
Redetermination	-	-	61	15,800.11
<u>Wage</u>				
Determination	-	-	1258	45,126.25
Redetermination	-	-	814	44,603.20
<u>Arrears in Pay</u>				
Determination	-	-	117	48,941.65
Redetermination	-	-	69	27,128.97
Backlog				
App. Processed	29	26,143.20	2,344	176,460.31
App. Not Processed	54		452	

NOTE:

*The approved claims here refer to claims in which payment is recommended provided that deductions on file at Philippine Army do not exceed the sum approved for payment. The actual number of claims paid are reflected under Financial Status.

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CLAIMS SERVICE BRANCH

ARREARS IN PAY BRANCH



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Authority AWD 583078

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Authority AND 683078

R E S U M E O F
C L A I M S A C T I V I T I E S
F H I L R Y C O M

* * * A P R I L 1948 * * * * *

SECTION I

RESUME OF CLAIMS ACTIVITIES

1. Claims Service of the USAFFE moved from Brisbane, Australia, to Manila, Philippine Islands in January 1945. It became Claims Service, AFWESPAC on 10 June 1945, and later, Claims Service, PHILRYCOM 1 January 1947. Beginning in January 1945, it established and has operated to 31 October 1947, branch offices of Claims Service on the major islands in the Philippines, and in addition, numerous Investigating Teams for Claims Service for purposes of operating in the Philippines and with Army units. Claims were received and filed by the Investigating Teams, and the Branch Offices, as well as the Headquarters of Claims Service in Manila. In addition, claims are received and filed by the Unit Claims Officers of each Army Command and forwarded with recommendations to the Headquarters of Claims Service for disposition.

2. The provisions of Circular 92, Far East Command, 29 August 1947, directs that the Commanding General of the Philippines-Ryukyus Command establish a Claims Service, normally a part of the Judge Advocate Section, for the purpose of receiving, investigating, and making the proper disposition of claims as therein described.

3. In this Command, the claims include those arising under the Foreign Claims Act (AR 25-90), the Military Personnel Claims Act (AR 25-100), and from other military activities described in Army Regulations 25-20, 25-25, 25-220, 55-500, and 100-64. In addition, due to the peculiar problems that developed from the war in this area, the many thousands of claims that arose from the irregular commandeering, requisitioning, and the purchasing of supplies, equipment, services, and the securing of funds by loans made from individuals to Guerrilla Units of the Philippine Army, are being filed and processed as Procurement Claims under the provisions of Circular 217, War Department, 13 August 1947, which extended the life of Circular 53, War Department, 21 February 1946.

4. Contract Claims Commissions consist of One-Man Commissions with jurisdiction up to \$2,500.00, Two-Man Commissions with jurisdiction over the medium claims up to \$50,000.00 and Three-Man Commissions to consider claims filed for more than \$50,000.00.

5. Claims Service is an agency for compromise with the claimants and their representatives, seeking a settlement of the claims whether arising from tort or contract, express or implied, filed against the United States Army, or against the Philippine Army while serving with the Armed Forces of the United States. The claims that arose from guerrilla activities are not accepted as obligations unless the Guerrilla Units have been recognized by official orders of this Command,

which established that the unit served during the war period. Such recognition established that the unit is a component of the Philippine Army. Claims are processed by this Command throughout its area.

SECTION II

MISSION OF CLAIMS SERVICE

1. The mission of Claims Service is to receive, file, investigate, and determine by negotiation the obligations of the United States Army and of the Philippine Army while serving with the Armed Forces of the United States prior to the independence of the Philippines.
2. In the performance of this mission, Claims Service makes investigations of the factual matters presented by the claim or that affect the claim, and the valuation of the articles, equipment or services so rendered or of the rate of exchange or value of currencies loaned to the Guerrilla Units during the war. For that purpose, a great deal of source information and statistical records of the war activities have been compiled, and are available. In addition, the problems connected with the valuation of supplies throughout the islands during the changing period of the war years required the compilation of price ceiling regulations of the Commonwealth, source records for the valuation of vehicles and ships, and information establishing the valuation of commodities that have been compiled from commercial houses and other available sources.
3. Claims have involved unusual legal questions as to whether or not that claim or series of claims should be paid from appropriated funds, and in addition, from which of the appropriations that may be available. The Legal Research Division served to analyze the source information of past Army orders, Regulations, and of the Australian Statutes and Laws, the Philippine Statutes and Laws, and United States Statutes, Laws, and available court decisions that may assist in forming the correct opinion on which liability is established or denied.
4. In practice, the mission is accomplished by the Claims Commissions, determining what sum should be paid to the claimant, and whether the obligations arose from the activities of the United States Army or of the Philippine Army while serving with the Armed Forces of the United States.
5. Claims determined to be valid against the United States Army are forwarded with appropriate voucher to the Disbursing officers, United States Army, for payment. Claims determined to be valid against the Philippine Army while serving with the Armed Forces of the United States are forwarded to the Disbursing Officers, Army of the Philippines, which is the designation of this Force by the Republic of the Philippines for the preparation by it of the voucher, and payment.

SECTION III

MONTHLY PERSONNEL STRENGTH
MAY 1947 THRU FEBRUARY 1948

DATE	PERSONNEL			TOTAL
	MILITARY	CIVIL SERVICE	LOCAL CIVILIANS	
31 May 47	51	49	582	682
30 Jun 47	47	53	590	690
31 Jul 47	43	55	626	724
31 Aug 47	42	54	628	724
30 Sep 47	42	52	612	706
31 Oct 47	39	51	619	709
30 Nov 47	39	49	379	467
31 Dec 47	37	49	379	465
31 Jan 48	27	44	343	414
29 Feb 48	27	40	340	407

On 31 October 1947 the services of approximately 265 local civilian personnel were terminated due to the closing of Claims Service Branch Offices and/or Teams outside the Manila Area.

SECTION IV

INVESTIGATION OF CLAIMS

1. Some of the claims that are filed are received from claimants or law firms who are skilled in the preparation of papers and in the presentation of claim matters, and an examination discloses that the file is complete and ready for final negotiation without further investigation. However, due to the various dialects and languages used by the inhabitants of this large area, and inexperience and possible illiteracy of claimants and witnesses, an unusually high percentage of claims activities is based upon needed investigation. This investigation is for the purpose of tracing the identity of the Army Units involved in

the commandoering or incident that forms the basis of claim. Additional requirements are placed upon the Investigating Branch due to the destruction of records and papers by the Japanese, or by the claimant to avoid the penalties established by the Japanese during the occupation, or during the retaking of the Philippine Islands. In addition, the destruction of transportation and communication facilities have delayed the completion of claims activities. The larger number of Philippine Army Guerrilla claims arose in the mountainous and almost inaccessible regions of northern Luzon and Mindanao, where the terrain was an asset in safeguarding the guerrilla personnel, but is a detriment to the processing and completion of claims that arose in such areas for supplies or services furnished the Guerrilla Units.

2. Investigating Teams were assigned claims that were filed or received claims while in the field. These teams consisted of local civilians who were skilled in the dialect, supervised by officer and military personnel where available, or United States civilian employees skilled in investigation work. In most areas an Advance Party preceded the team, securing source information as to the dates of the Guerrilla occupation of the area, the size of the guerrilla forces, and an estimate of the normal requirements of such a guerrilla unit for the days involved. This allowed an estimate to be compiled in advance of the expected volume of claims from that area, which was used as a control over the number of claims that will be recognized from such area, and allowed a better chance of detecting fraudulent claims. This information was compiled by the Advance Party from barrio or municipal officials, witnesses to the guerrilla occupation, the meagre records of the guerrilla units, and statements from surviving guerrilla personnel or officers. A large majority of the guerrilla claims are for small amounts, and the claimant offers in support of his claim, receipts from the original guerrilla personnel or from persons designated by the guerrilla unit in such barrio to collect and forward supplies to the guerrilla forces.

3. The investigation of the larger claims for the commandoering by United States Army personnel was conducted by other teams composed of local civilians with the same type of supervision by officers and United States civilian employees. Many of these large procurement claims have required a great deal of tracing to check the authenticity of such commandoering. The officers that were involved in the taking in 1941 to 1945 have, in the majority of cases, been redeployed to the United States and the securing of statements from such officers has delayed the normal completion of such investigations. This tracing of information with the officers involved in the original taking has resulted in the establishment of a sounder factual basis on which to negotiate settlement. In one instance, the tracing eliminated several hundred claims for the commandoering of automobiles that never existed, from the Davao area, and confession by witnesses who had filed sworn statements that they had no personal knowledge of the facts contained in this statement. The estimated savings include many thousands of dollars.

4. All of the branch offices were closed effective 31 October 1947 and records and claims information were returned to the Manila headquarters. The Governors of the Provinces, the Mayors of the Municipalities, and other public officials were advised of such move and furnished claims forms with instructions for the preparation of claims.

SECTION V

LEGAL PROBLEMS

1. Many of the claims that have been filed present unusual and complex problems, that have required a factual study extending over all of the war years and the actions and orders of both military and civilian officials of the United States, of the Commonwealth of Australia, of the Commonwealth of the Philippines and now, of the Republic of the Philippines, its acts and laws. These problems have included among others:

a. Commonwealth Claims are not payable. Claims were filed by the Commonwealth of the Philippines, now presented by the Republic of the Philippines for its provinces, municipalities, cities, barrios, and instrumentalities. These claims were based upon the commandeering or delivery of supplies, vehicles, and equipment to the United States Army or to the Philippine Army while serving with the Armed Forces of the United States. As an illustration, one of the claims was filed by the Bureau of Forestry, Commonwealth of the Philippines, for the value of "Quinine" bark delivered to United States Navy submarines during the early years of the war.

b. Other claims are for the value of lumber and piping from school-house buildings removed by United States Army Forces during the combat period, for use in construction of billets or warehouses.

2. Another type of claims was filed by officials of the Provinces appointed by the Philippine Army Guerrilla Forces during the Japanese occupation, or by the Philippine Civil Affairs Unit, known as FCAU. These claims were filed for the payment of salaries and wages of Governors, Mayors, janitors, other officials and employees of the reconstituted civil government. The question of the responsibility to pay these claims has formed the basis of a long legal study, and recommendations that the claim should not be paid from appropriated funds, but are obligations of the Commonwealth of the Philippines. This was decided by Far East Command as not obligations of U.S. but are obligations of the Philippine Government. It is estimated that approximately 100,000 persons would be involved in this ruling.

3. Another group of claims is filed for the value of property that was taken possession of by the United States Army in 1941-1942 for the purpose of demolition to keep the property from falling into the hands

of the army. The claimants contend that the property was commandeered by the United States Army, and therefore that its ultimate demolition was a subsequent act and not connected with the commandeering, and that property so commandeered should be paid for as procurement.

4. The application of the several Acts of the Congress of the United States as to Limitations of Actions and Claims receives constant study and is applied to claim matters daily. The limitation on Foreign Claims is different from the limitation on Military Personnel Claims. The limitation on Procurement claims is fixed by Congress as six years in some instances, before the Court of Claims, and as ten years in other instances, before the General Accounting Office.

5. Claims have been filed for injuries and unlawful death of Filipino nationals caused by personnel or units of the Philippine Army Guerrilla Forces during the period of official recognition. The basis of these claims is factually established as involving either individual raids or pillaging against barrios or areas for private gain, and not connected with combat activities against the enemy. Claimants have sought recovery under the provisions of Army Regulations 25-90, 31 July 1945, on the theory that the regulation covers such unlawful actions. After an extensive legal analysis of the act of the United States Congress and of the provisions of AR 25-90, it is apparent that there was an uncertainty as to whether the funds appropriated by the United States Congress to pay claims arising under the provisions of AR 25-90 may legally be used to pay these claims caused by personnel of the Philippine Army. It was the opinion of this Headquarters that such funds were not available and the Commander-in-Chief, Far East Command, was requested to concur in such conclusion prior to action being taken on such claims. A decision was received in one case and any payment was disapproved. It is estimated that the claims that arose from such depredations involved many thousands. The Statute of Limitations has reduced the number that may be filed under such provisions.

6. Claims of Filipino Nationals have been filed for injury and death under the provisions of Army Regulations 25-90, but where the facts disclose that the claimants have already applied for and received payment under the provisions of the Philippine Laws on Workmen's Compensation, the effect of such receipt of compensation by the claimants may involve the election between remedies available to them, whereby they have stepped themselves from proceeding for further relief from other sources.

7. Many of the claims of the Philippine Army Guerrilla Units during recognition involve partial payments or credits made by the Guerrilla Units, using unusual types of currency, like Emergency Currency, Guerrilla Currency, Mountain Money, and Japanese Occupation Peso Currency. To establish a proper basis on which the payment of the balance may be made, it has been necessary to formulate a policy for computing the value of

the current involved in making such partial payments. At this time, payment may be made for loans of Japanese Currency as determined by the Ballantine Scale, but no redemption scale has been determined by the Philippine Government for Guerrilla or Emergency Currency.

SECTION VI

CURRENT STATUS OF CLAIMS

From January 1945 through 29 February 1948, a total of 208,117 claims with an aggregate value of \$176,150,794.54 have been presented to Claims Service, PHILRYCOM. The claims are of three major categories: procurement claims, claims for damages, and United States Army personnel claims. Procurement claims comprise the greater portion and of those the majority are small individual claims for property and services furnished the Army and Guerrilla forces. The large claims have been filed by marine and land transportation companies, hardware and construction firms. With the receipt of additional guerrilla units, more wage and small property claims are expected to be filed.

As of 29 February 1948, 155,045 claims with a total value of \$128,147,030.79 have been disposed of. Among these are 95,959 claims valued at \$40,850,195.58, which have been approved for payment. The difference constitutes transfers to other agencies due to jurisdictional limitations, and other dispositions like abandonment by the claimant, which do not involve disbursement of funds.

The balance of claims as of 29 February 1948 is 53,072 with a value of \$48,003,763.75. 1,174 claims with a value of \$2,095,656.79 are claims for damages, 718 claims valued at \$208,439.80 are personnel claims and others are procurement or wage claims. The remainder are FX claims and unclassified claims.

STATUS OF FUNDS ALLOTTED FOR THE PAYMENT OF CLAIMS

Funds for the payment of U.S. Army Contract Claims were allotted for the 4th qtr. FY 1946 and FY 1947 in the amount of \$45,550,000.00. To date, \$3,838,113.53 had been withdrawn. The actual unliquidated amount as of 29 February 1948 is \$18,697,937.96.

Funds for the payment of personnel claims (AR 25-100) are allotted quarterly. Of the \$230,000.00 allotted during the FY 1948, \$30,742.28 remain unobligated as of 13 March 1948. Foreign Claims (AR 25-90, 25-25) are paid from an open allotment. Funds for the payment of Contract Claims arising from Philippine Army and Guerrilla activities are allotted to the Chief of Finance, Philippine Army, by the Fiscal Director, PHILRYCOM.

HEADQUARTERS
PHILIPPINES-RYUKYUS COMMAND
OFFICE OF THE CHIEF OF CLAIMS SERVICE

Progress Report for the Period 1 January 1945 to 20 March 1948

	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1. Claims Received, January 1945 to 29 February 1948			208,117	\$176,150,794.54
<u>Dispositions</u>				
2. Allowed	95,959	\$40,850,195.58		
3. Other Dispositions	<u>59,086</u>	<u>87,256,825.21</u>		
4. Total Dispositions			<u>155,045</u>	<u>128,147,020.79</u>
5. Balance, 29 February 1948			<u>53,072</u>	<u>\$ 48,003,763.75</u>
6. Balance, 20 March 1948			<u>22,206</u>	<u>\$ 43,876,322.46</u>
7. Status of Claims on Hand:				
			<u>29 February 1948—53,072</u>	<u>20 March 1948—22,206</u>
a. Procurement, United States Army	669	7,751,158.58	631	5,515,465.60
b. Procurement, Philippine Army	1,380	5,907,807.15	1,048	6,542,619.48
c. Procurement, Guerrilla Forces, Phil. Army	15,707	25,145,983.69	16,167	23,525,757.55
d. Wage Claims	33,355	6,645,387.56	3,302	1,612,444.89
e. Military Claims (Personnel, AR 25-100)	718	298,439.80	528	225,246.56
f. Military Claims (Foreign, AR 25-25; 25-90)	1,174	2,095,656.79	376	1,307,689.55
g. All others, Miscellaneous	68	159,240.18	64	146,966.83

GENERAL HEADQUARTERS
 FAR EAST COMMAND
 APO 500

CIRCULAR)
 :
 NO....92)

29 August 1947

CLAIMS SERVICES

1. a. Rescission. AFPAO Regulations 25-20, 5 October 1946.
- b. References.
 - (1) Army Regulations 25-20, 29 May 1945.
 - (2) Army Regulations 25-25, 2 August 1946.
 - (3) Army Regulations 25-80, 29 May 1945.
 - (4) Army Regulations 25-90, 31 July 1945.
 - (5) Army Regulations 25-100, 29 May 1945.
 - (6) Army Regulations 25-220, 29 May 1945.
 - (7) Army Regulations 55-500, 3 July 1943.
 - (8) Army Regulations 100-64, 22 May 1944.
 - (9) War Department Civilian Personnel Regulations 90, 3 September 1943, as amended.
 - (10) War Department Circular 53, 21 February 1946.

2. Claims Services. a. Claims activities are a function of the Judge Advocate General's Department, and administration of claims activities normally will be supervised by the staff judge advocate of the command.

b. The Commanding Generals, Eighth Army, United States Army Forces in Korea, and Philippines-Ryukyus Command, will maintain claims services within their respective areas of logistic responsibility.

c. Until otherwise directed, all claims within the Marianas-Bonins Command will be investigated by the appropriate unit claims officer, and the claims officer's report, after review by the nearest available staff judge advocate (para-

graph 7e(2), Army Regulations 25-20) and approval or disapproval by the commander of the unit, will be forwarded direct to the Commanding General, Eighth Army, APO 543, for final action.

3. Jurisdiction. The commanders named in paragraph 2 are charged with responsibility for the supervision and coordination of investigation, processing, and settlement of claims within the areas of their logistic responsibility; and elsewhere as may be directed by the Commander-in-Chief, Far East.

4. Procedure. a. Investigation, processing, and payment of claims within the scope of references listed in paragraph 1b will be in accordance with the provisions of the applicable regulations.

b. Employees' Compensation Claims.

- (1) Claims of civilian employees of the United States for employees' compensation benefits in cases of disability or death resulting from personal injury while in the performance of their duties, as provided under the United States Employees' Compensation Act, 7 September 1916, as amended (War Department Civilian Personnel Regulations 90), will be referred to such office as may be designated by the Federal Security Agency, Bureau of Employees' Compensation, or the Commander-in-Chief, Far East.
- (2) Employees' compensation benefits in cases of disability and death (including those resulting from diseases proximately caused by the employment) of foreign nationals (other than enemy nationals) employed in occupied territory by the United States Army, in cases not within the provisions of the United States Employees' Compensation Act, as amended (War Department Civilian Personnel regulations 90), shall be processed under the provisions of Army Regulations 25-90 and paid from yen accounts from which salaries for such employees are paid. The commanding general of each major command named herein will establish regulations to govern the administration of compensation in cases within the scope of this paragraph. The schedule of payments thereunder will be based where possible upon the local laws of the occupied territory. Disability and

death benefits shall be terminable upon order of the commanding general of the major command and, in no event, shall extend beyond the time of occupation of any territory. No determination of disability or death benefits, and no direction for payment therefor, shall constitute a claim against the United States or any agency thereof, but shall be in the nature of a voluntary gratuity, and no funds used or paid shall be chargeable to any appropriated or other fund of the United States.

c. Contract Claims. The powers, discretion, and authority vested in the Commander-in-Chief, Far East, by War Department Circular 53, 1946, with respect to settlement of contract claims, are delegated to the commanders named in paragraph 2; subject to the following limitations:

- (1) Claims filed in an amount not in excess of \$2,500.00 may be approved or disapproved, in whole or in part, by a contract claims commission consisting of one or more members.
- (2) Claims filed in an amount not in excess of \$50,000.00 may be approved or disapproved, in whole or in part, by a contract claims commission consisting of two or more members.
- (3) Claims filed in an amount in excess of \$50,000.00 shall be considered and processed by a contract claims commission consisting of not less than three members, and a report thereof, together with the findings and proposed determination of the commission thereon, shall be subject to and submitted for the approval of the commanding general of the major command concerned.

d. Payments.

- (1) In all cases, payment of claims approved shall be contingent upon availability of funds therefor within the respective command budgets.
- (2) The making of partial payments upon claims in advance of final settlement is not authorized.

5. Appointment of Commissions. a. Contract claims

commissions consisting of officers, War Department civilian employees, or both, may be appointed by the commanding generals of the major commands listed in paragraph 2b.

b. Except in the case of foreign claims commissions appointed by or under direct delegation of authority from the Secretary of War, foreign claims commissions will be appointed only by the Commander-in-Chief, Far East.

6. Reports. a. Information copies of WD AGO Forms 5489 and 5490 will be forwarded on or before the fifth day of each calendar month to the Commander-in-Chief, Far East together with a copy of the claims service monthly progress report.

b. Whenever a commission is appointed, other than by the Commander-in-Chief, Far East, prompt report thereof will be made to the Commander-in-Chief, Far East, furnishing the date of appointment, the names and grades of members, and, if a foreign claims commission, the number assigned to this commission by the War Department.

7. Responsibility of Unit Commanders. Notwithstanding the establishment of the claims services provided for, nothing contained herein shall be construed to relieve any commander from responsibility for the investigation of an accident or incident as provided in paragraphs 7c(1.) (a) and (b), Army Regulations 25-20.

AG 150 (24 Jun 47)JA

BY COMMANDER OF GENERAL MacARTHUR:

PAUL J. MUELLER,
Major General, General Staff Corps,
Chief of Staff.

OFFICIAL:

R. A. LEVY,
Colonel, AGD,
Adjutant General.

HEADQUARTERS
PHILIPPINES-RYUKYUS COMMAND
OFFICE OF THE CHIEF OF CLAIMS SERVICE

GSCLL

APO 707
5 August 1947

MEMORANDUM NO. 7

SUBJECT: Claims Arising out of Guerrilla Activities.

TO : All Claims Service Personnel.

1. References:

a. Memorandum No. 6, Claims Service, PHILRYCOM,
17 June 1947.

b. Letter, GHQ, FEC, 2 June 1947, File AG 370.64
(2 June 47) JA, Subject: Claims Arising out of Guerrilla
Activities.

c. Radio FEC, Cite Z-16672, 4 August 1947.

2. Regulations superseded:

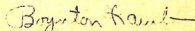
a. Paragraph 3b, Letter, GHQ, FEC, 2 June 1947,
File AG 370.64 (2 June 47) JA, Subject: Claims Arising out
of Guerrilla Activities.

b. Paragraph 3 (3b), Memorandum No. 6, Claims Serv-
ice, PHILRYCOM, 17 June 1947.

3. Effective 4 August 1947, paragraph 3b of Letter, GHQ,
FEC, 2 June 1947, File AG 370.64 (2 June 47) JA, Subject: Claim
Arising out of Guerrilla Activities, and paragraph 3 (3b) of
Memorandum No. 6, Claims Service, PHILRYCOM, 17 June 1947, is
amended to read as follows:

"3b. Where proof establishes that the equipment,
supplies, services of civilians, use and occupation
of land not in connectio. with actual combat operations
and/or funds furnished were not intended as a donation
to the common cause against the enemy but were furnished
with an agreement for repayment."

FOR THE CHIEF OF CLAIMS SERVICE:



BOYNTON KAMB

Director

Legal Research Division

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HEADQUARTERS
 PHILIPPINE-AMERICAN COMMAND
 OFFICE OF THE CHIEF OF CLAIMS SERVICE

AGO 707
 17 June 1947

GSCL

MEMORANDUM NO. 6

SUBJECT: Claims Arising out of Guerrilla Activities.

TO : All Claims Service Personnel.

1. References:

a. Letter, GHQ, PAC, 2 June 47, File AG 370.64 (2 June 47) JA, Subject: Claims Arising out of Guerrilla Activities.

2. Regulations superseded:

a. Memorandum No. 1, Claims Service, PHILRYCOM, 14 January 1947.

b. Paragraph 4, Memorandum No. 2, Claims Service, PHILRYCOM, 24 March 1947.

3. The following excerpts from the letter, 2 June 47, Subject: Claims Arising out of Guerrilla Activities, GHQ, PAC, File AG 370.64 (2 June 47) JA are quoted for compliance by Claims Service personnel:

"2. By authority of the 1st War Powers Act of 1941 and Executive Order 9001, and under the provisions of Circular 53, WD 1946, the payment of certain claims arising out of the activities of recognized guerrilla units in the Philippines is authorized. Payments will be limited to claims for the value of:

- a. Equipment
- b. Supplies
- c. Services of civilians
- d. Use and operation of land not in connection with actual combat operations.
- e. Loans of United States Currency, pre-war Philippine Treasury Currency, Philippine emergency

*Pub. Law
 No. -*

currency, guerrilla currency and Japanese invasion currency, made to guerrilla units to be paid upon the basis of valuations hereinafter indicated. Claims arising from "loans" as used herein may be interpreted to include claims arising from the acquisition of the above enumerated currencies by requisition, force or subterfuge (unless such claims be cognizable under the provisions of AI 25-90, in which case they will be processed thereunder), where it appears that the currencies so acquired were subsequently used for authorized purposes and to the extent so used, and to include all cases in which if currencies had been furnished voluntarily by the claimant a claim would be cognizable under the provisions of this letter.

- (1) Claims based on loans of United States currency and pre-war Philippine currency, may be determined, approved for payment, and paid without resort to a conversion factor.
- (2) For the determination and settlement of claims based on loans of Philippine emergency currency and guerrilla currency, the Commanding General HOLLYCOM, whenever in his opinion the circumstances in different periods and different localities warrant, may request the Philippine Government to establish conversion factors to assist, but not to bind, the claims service in determining an equitable settlement of claims for loans arising during such periods and in such localities and may inform the Philippine Government that no final action will be taken to pay such claims until such factors shall have been established. Pending the establishment of the requisite conversion factors, such claims may be received and processed in every respect except a determination of the United States dollar value thereof.
- (3) Claims for loans of Japanese invasion currency made to guerrilla units, if meritorious and arising during the periods and in localities to which may be found applicable the scale of value for the Japanese invasion peso in terms of the Commonwealth peso provided by the memorandum of P. L.

Ballantyne to the Commonwealth of the Philippines dated 16 June 1945, herein-after set forth, will be approved for payment and paid according to such scale. In cases of claims arising in area or under such circumstances to which the Ballantyne scale may be found inapt or inappropriate, request for the establishment of appropriate conversion factors may be addressed to the Philippine Government as provided in sub-paragraph (2) above.

- (4) In the case of any claim within the scope of this sub-paragraph 2 "c", the claimant, in addition to fulfilling the requirements set out in paragraph 3 below, will be required to substantiate the claim by production of a written receipt signed by an officer of the guerrilla unit to which it is claimed that the loan of currency was made or, in lieu of such receipt, by production of comparable supporting evidence.

BALLANTYNE SCALE

OF PHILIPPINE PESO IN TERMS OF JAPANESE INVASION NOTES

<u>DATE</u>	<u>PESO</u>	<u>DATE</u>	<u>PESO</u>
<u>1941</u>		<u>1944</u>	
DECEMBER	1.00	January	4.00
		February	5.00
<u>1942</u>	1.00	March	6.00
		April	9.00
<u>1943</u>		May	12.00
January	1.05	June	15.00
February	1.10	July	20.00
March	1.15	August	25.00
April	1.20	September	30.00
May	1.25	October	40.00
June	1.30	November	50.00
July	1.40	December	90.00
August	1.50		
September	1.60	<u>1945</u>	
October	1.70	January	120.00
November	1.80	February and	
December	2.50	subsequent months	None

3. Such claims will be paid only when all of the following circumstances are shown:

- a. Where the claim accrued between the initial date of recognition of the guerrilla unit and the date of termination of such recognition of the date or deactivation of such unit.
- b. Where proof establishes that the funds furnished were not intended as a donation to the common cause against the enemy, but were furnished with an agreement for repayment.
- c. Where the obligation incurred was necessary for the conduct of operations against the enemy.

4. Such claims will be paid from available and previously unobligated funds of the appropriation, "Expenses, Army of the Philippines".

5. The dates of the beginning of the recognition of guerrilla forces and units, and the dates of the termination of the recognition, or the deactivation of the guerrilla forces and units, will be established by the Commanding General PHILRYCOM.

6. No claim for unpaid advances, loans, credits and overdrafts by the Philippine National Bank, the Commonwealth of the Philippines, or any corporation, political subdivision or agent thereof will be paid (see Article 5 b2 Agreement No. W-ANL (PA-I) 4630).

7. This letter is not to be considered as a rescission or revocation of the authority granted by letter 5 January 1947 (AG 370.84 JA), but is an extension of the authority granted therein."

4. Claims falling under the provisions of the above regulation will be processed and forwarded to Contract Claims Commission or to Foreign Claims Commission, whichever may be appropriate, for determination and payment.

William S. Eley
 WILLIAM S. ELEY
 Colonel, Infantry
 Chief of Claims Service

DISTRIBUTION:

G

GENERAL HEADQUARTERS
FAR EAST COMMAND

AG 370.64 (2 June 47) JA

APO 500
2 June 1947

SUBJECT: Claims Arising out of Guerrilla Activities.

TO: Commanding General, Philippines-Ryukyus Command, APO 707.

1. The instructions for the payment of claims arising out of guerrilla activities contained in the basic letter, AG 370.64 (5 Jan 47) JA, subject: "Claims Arising out of Guerrilla Activities", this Headquarters to the Commanding General, PHILRYOON, are superseded as set forth below.

2. By authority of the 1st War Powers Act of 1941 and Executive Order 9001, and under the provisions of Circular 53, WD 1946, the payment of certain claims arising out of the activities of recognized guerrilla units in the Philippines is authorized. Payments will be limited to claims for the value of:

- a. Equipment
- b. Supplies
- c. Services of civilians
- d. Use and occupation of land not in connection with actual combat operations.
- e. Loans of United States Currency, pre-war Philippine Treasury Currency, Philippine emergency currency, guerrilla currency and Japanese invasion currency, made to guerrilla units to be paid upon the bases of valuations hereinafter indicated. Claims arising from "loans" as used herein may be interpreted to include claims arising from the acquisition of the above enumerated currencies by requisition, force or subterfuge (unless such claims be cognizable under the provisions of AR 25-90, in which case they will be processed thereunder), where it appears that the currencies so acquired were subsequently used for authorized purposes and to the extent so used, and to include all cases in which if currencies had been furnished voluntarily by the claimant a claim would be cognizable under the provisions of this letter.

- (1) Claims based on loans of United States currency and pre-war Philippine Currency, may be determined, approved for payment, and paid without resort to a conversion factor.

23 3/10/07 (1-2-10 47) 54

- (2) For the determination and settlement of claims based on loans of Philippine emergency currency and guerrilla currency, the Commanding General, PHILRYCOM, whenever in his opinion the circumstances in different periods and different localities warrant, may request the Philippine Government to establish conversion factors to assist, but not to bind, the claims service in determining an equitable settlement of claims for loans arising during such periods and in such localities and may inform the Philippine Government that no final action will be taken to pay such claims until such factors shall have been established. Pending the establishment of the requisite conversion factors, such claims may be received and processed in every respect except a determination of the United States dollar value thereof.
- (3) Claims for loans of Japanese invasion currency made to guerrilla units, if meritorious and arising during periods and in localities to which may be found applicable the scale of value for the Japanese invasion peso in terms of the Commonwealth peso provided by the memorandum of D. L. Ballantyne to the Commonwealth of the Philippines dated 16 June 1945, hereinafter set forth, will be approved for payment and paid according to such scale. In cases of claims arising in areas or under circumstances to which the Ballantyne scale may be found inapt or inappropriate, request for the establishment of appropriate conversion factors may be addressed to the Philippine Government as provided in sub-paragraph (2) above.
- (4) In the case of any claim within the scope of this sub-paragraph 2 "e", the claimant, in addition to fulfilling the requirements set out in paragraph 3 below, will be required to substantiate the claim by production of a written receipt signed by an officer of the guerrilla unit to which it is claimed that the loan of currency was made or, in lieu of such receipt, by production of comparable supporting evidence.

AG 370.64 (2 June 47) JA

BALANTYNE SCALE

OF PHILIPPINE PESO IN TERMS OF JAPANESE INVASION NOTES

<u>DATE</u>	<u>PESO</u>	<u>DATE</u>	<u>PESO</u>
<u>1941</u> DECEMBER	1.00	<u>1944</u> January	4.00
		February	5.00
<u>1942</u>	1.00	March	6.00
		April	9.00
<u>1943</u>		May	12.00
January	1.05	June	15.00
February	1.10	July	20.00
March	1.15	August	25.00
April	1.20	September	30.00
May	1.25	October	40.00
June	1.30	November	60.00
July	1.40	December	90.00
August	1.50		
September	1.60	<u>1945</u>	
October	1.70	January	120.00
November	1.80	February and	
December	2.50	subsequent months	None

3. Such claims will be paid only when all of the following circumstances are shown:

a. Where the claim accrued between the initial date of recognition of the guerrilla unit and the date of termination of such recognition of the date or deactivation of such unit.

b. Where proof establishes that the funds furnished were not intended as a donation to the common cause against the enemy, but were furnished with an agreement for repayment.

c. Where the obligation incurred was necessary for the conduct of operations against the enemy.

4. Such claims will be paid from available and previously unobligated funds of the appropriation, "Expenses, Army of the Philippines".

5. The dates of the beginning of the recognition of guerrilla forces and units, and the dates of the termination of the recognition, or the deactivation of the guerrilla forces and units, will be established by the Commanding General, PHILRYCOL.

AG 370.64 (2 June 47) JA

6. No claim for unpaid advances, loans, credits and overdraft by the Philippine National Bank, the Commonwealth of the Philippines, or any corporation, political subdivision or agent thereof will be paid (see Article 5 b2 Agreement No. W-ALL (PA-I) 4530).

7. This letter is not to be considered as a rescission or revocation of the authority granted by letter 5 January 1947 (AG 370.64 JA) but is an extension of the authority granted therein.

BY COMMAND OF GENERAL MacARTHUR:

/s/ R. M. Levy
/t/ R. M. LEVY
Colonel, AGD
Adjutant General

CERTIFIED TRUE COPY:

Clark Sanland
CLARK SANLAND
Captain, GIC

STAMPED: "Mailed 1150 Jun 3, 47, AG-GMC"

RECEIVED
16 JUN 1947
COMMUNICATIONS SERVICE
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Please in file.

32

HEADQUARTERS
PHILIPPINES-RYUKYU COMMAND
OFFICE OF THE CHIEF OF CLAIMS SERVICE

REPORT ON THE STATUS OF CLAIMS
PROBLEMS

As of 30 Sept 47

WILLIAM S. ELSY
Colonel, Infantry
Chief of Claims Service

SECTION I

RESUME OF CLAIMS ACTIVITIES

1. Claims Service of the USAFFE moved from Brisbane, Australia, to Manila, Philippine Islands in January 1945. It became Claims Service AFWESPAC on 10 June 1945, and, later, Claims Service, PHILRYCOM, 1 January 1947. Beginning in January 1945, it established and has operated to this date Branch Offices of Claims Service on the major islands in the Philippines, and in addition, numerous Investigating Teams for Claims Service for purposes of operating in the Philippines and with Army units. Claims are received and filed by the Investigating Teams, and the Branch Offices, as well as the Headquarters of Claims Service in Manila. In addition, claims are received and filed by the Unit Claims Officers of each Army Command and forwarded with recommendations to the Headquarters of Claims Service for disposition.

2. The provisions of Circular 92, Far East Command, 29 August 1947, directs that the Commanding General of the Philippines-Ryukyus Command establish a Claims Service, normally a part of the Judge Advocate Section, for the purpose of receiving, investigating, and making the proper disposition of claims as therein described.

3. In this Command, the claims include those arising under the Foreign Claims Act (AR 25-90), the Military Personnel Claims Act (AR 25-100), and from other military activities described in Army Regulations 25-20, 25-25, 25-220, 55-500, and 100-64. In addition, due to the peculiar problems that developed from the war in this area, the many thousands of claims that arose from the irregular commandeering, and the securing of funds by loans made from individuals to Guerrilla Units of the Philippine Army, are being filed and processed as Procurement Claims under the provisions of Circular 217, War Department, 13 August 1947, which extended the life of Circular 53, War Department, 21 February 1946.

4. Claims Commissions consist of One-Man Commissions with jurisdiction over smaller claims, Two-Man Commissions with jurisdiction over the medium claims up to \$50,000.00, and Three-Man Commissions to consider claims filed for more than \$50,000.00.

5. Claims Service is an agency for negotiating with the claimants and their representatives, seeking a compromise of the claims whether arising from tort or contract, express or implied, filed against the United States Army, or against the Philippine Army while serving with the Armed Forces of the United States. The claims that arose from guerrilla activities are not accepted as obligations unless the Guerrilla Units have been recognized by official order of this Command.

which established that the unit served during the war period. Such recognition establishes that the unit is a component of the Philippine Army. Claims are processed by this Command throughout its area from the Ryukyus, Okinawa, throughout the Philippine Islands, and including Australia, where there remain a very few matters pending at this time.

SECTION II:

MISSION OF CLAIMS SERVICE

1. The mission of Claims Service is to receive, file, investigate and determine by negotiation the obligations of the United States Army and of the Philippine Army while serving with the Armed Forces of the United States prior to the independence of the Philippines.

2. In the performance of this mission, Claims Service makes investigations of the factual matters presented by the claim or that affect the claim, and the valuation of the articles, equipment or services so rendered or of the rate of exchange or value of currencies loaned to the Guerrilla Units during the war. For that purpose, a great deal of source information and statistical records of the war activities have been compiled, and are available. In addition, the problems connected with the valuation of supplies throughout the islands during the changing period of the war years required the compilation of price ceiling regulations of the Commonwealth, source records for the valuation of vehicles and ships, and information establishing the valuation of commodities that have been compiled from commercial houses and other available sources.

3. Claims have involved unusual legal questions as to whether or not that claim or series of claims should be paid from appropriated funds, and in addition, from which of the appropriations that may be available. The Legal Research Division serves to analyze the source information of past Army orders, Regulations, and of the Australian Statutes and Laws, the Philippine Statutes and Laws, and United States Statutes, Laws and available court decisions that may assist in forming the correct opinion on which liability is established or denied.

4. In practice, the mission is accomplished by the Claims Commissions, determining what sum should be paid to the claimant, and whether the obligations arose from the activities of the United States Army or of the Philippine Army while serving with the Armed Forces of the United States.

5. Claims determined to be valid against the United States Army are forwarded with appropriate voucher to the Disbursing Officers, United States Army, for payment. Claims determined to be valid against the Philippine Army while serving with the Armed Forces of the United States are forwarded to the Disbursing Officers, Army of the Philippines, which is the designation of this Force by the Republic of the Philippines, for the preparation by it of the voucher, and payment.

SECTION III.PERSONNEL BUDGET 423.01 FUND

1. In compliance with letter dated 17 April 1947, General Headquarters, Far East Command, file AG 121 (17 Apr 47) JA, subject, "Funds and Overhead Allotment for Claims Service", the budget for FY 1948 and first two quarters of FY 1949 was prepared for the expeditious disposal of claims in the Philippines by 31 December 1948. The budget was prepared in conjunction with the flow of claims chart estimated by the Chief of Claims Service for the period 1 July 1947 to 31 December 1948.

2. The following amounts were budgetted and allocated to date:

<u>PERIOD</u>	<u>BUDGET ESTIMATE</u>	<u>ALLOCATED</u>
First Quarter FY 1948	\$304,500.24	\$250,116.92
Second Quarter FY 1948	\$333,953.47	\$210,167.00
Third Quarter FY 1948	\$376,929.10	Not Allocated
Fourth Quarter FY 1948	\$376,929.10	Not Allocated
First Quarter FY 1949	\$376,929.10	Not Allocated
Second Quarter	\$312,212.90	Not Allocated

3. The allocation for First Quarter, FY 1948, curtailed the proposed increase in personnel deemed necessary to meet the required terminal date as fixed by Far East Command.

4. The decision of the Commanding General, PHILRYCOM, to terminate the activities of the Claims Service Branch Offices located outside the Manila area by 31 October 1947 provided the necessary reduction in personnel thus making the amount allocated sufficient for the Second Quarter, FY 1948.

SECTION IV:MONTHLY PERSONNEL STRENGTH
MAY THRU DECEMBER 1947

DATE	PERSONNEL			TOTAL
	MILITARY	CIVIL SERVICE	LOCAL CIVILIANS	
31 May 47	51	49	582	682
30 Jun 47	47	53	590	690
31 Jul 47	43	55	626	724
31 Aug 47	42	54	628	724
31 Sep 47	42	52	612	706
31 Oct 47	39	51	619	709
30 Nov 47	39	49	379	467
31 Dec 47	37	49	379	465

On 31 October 1947, the services of approximately 265 local civilian personnel will be terminated due to the closing of Claims Service Branch Offices and/or Teams outside the Manila Area.

The current charts which indicate the disposition of claims personnel, functions of the various Claims Divisions, and general organization of Claims Service, PHILRYCOM, are attached hereto.

SECTION V.

INVESTIGATION OF CLAIMS

1. Some of the claims that are filed are received from claimants or law firms who are skilled in the preparation of papers and in the presentation of claim matters, and an examination discloses that the file is complete and ready for final negotiation without further investigation. However, due to the various dialects and languages used by the inhabitants of this large area, and inexperience and possibly illiteracy of claimants and witnesses, an unusually high percentage of claims activities is based upon needed investigation. This investigation is for the purpose of tracing the identity of the Army Units involved in the commandeering or incident that forms the basis of claim. Additional requirements are placed upon the Investigating Division due to the destruction of records and papers by the Japanese, or by the claimant to avoid the penalties established by the Japanese during the occupation, or during the retaking of the Philippine Islands. In addition, the destruction of transportation and communication facilities have delayed the completion of claims activities. The larger number of Philippine Army Guerrilla claims arose in the mountainous and almost inaccessible regions of Northern Luzon and Mindanao, where the terrain was an asset in safeguarding the guerrilla personnel, but is a detriment to the processing and completion of claims that arose in such areas for supplies or services furnished the Guerrilla Units.

2. Investigating Teams are assigned claims that have been filed, or receive claims while in the field. These teams consist of local civilians who are skilled in the dialect, supervised by officer and military personnel where available, or United States civilian employees skilled in investigation work. In most areas an Advance Party will precede the team, securing source information as to the dates of the guerrilla occupation of the area, the size of the guerrilla forces, and an estimate of the normal requirements of such a guerrilla unit for the expected volume of claims from the area, which is used as a control over the number of claims that will be recognized from such area, and allows a better chance of detecting fraudulent claims. This information is compiled by the Advance Party from barrio or municipal officials, witnesses to the guerrilla occupation, the meagre records of the guerrilla units, and statements from surviving guerrilla personnel or officers. A large majority of the guerrilla claims are for small amounts, and the claimant offers in support of his claim receipts from the original guerrilla personnel or from persons designated by the guerrilla unit in such barrio to collect and forward supplies to the guerrilla forces.

3. The investigation of the larger claims for the commandeering by United States Army personnel is conducted by other teams composed of

local civilians with the same type of supervision by officers and United States civilian employees. Many of these large procurement claims have required a great deal of tracing to check the authenticity of such commandeering. The officers that were involved in the taking in 1941 to 1945 have, in the majority of cases, been redeployed to the United States and the securing of statements from such officers has delayed the normal completion of such investigation. This tracing of information with the officers involved in the original taking has resulted in the establishment of a sounder factual basis on which to negotiate settlement. In one instance, the tracing eliminated several hundred claims for the commandeering of automobiles that never existed, from the Davao area, and confession by witnesses who had filed sworn statements that they had no personal knowledge of the facts contained in this statement. The estimated savings include many thousands of dollars.

4. Every effort is being made to reduce the number of papers required for support of claims, and a short claims form is being used for all claims under \$100.00.

5. All of the Branch Offices are being closed effective 31 October 1947, and records and claim information is being returned to the Manila headquarters. The Governors of the Provinces, the Mayors of the Municipalities, and other public officials have been advised of such moving, and furnished claim forms with instructions for the preparation of claims. It is expected that in the future, the claims will be prepared by the claimant in the different Provinces and Municipalities in accordance with such instructions, and mailed to the Manila headquarters for filing and disposition. This will reduce the number of Investigating Teams and personnel operating in the field.

SECTION VI.

LEGAL PROBLEMS

1. Many of the claims that have been filed present unusual and complex problems, that have required a factual study extending over all of the war years and the actions and orders of both military and civilian officials of the United States, of the Commonwealth of Australia, of the Commonwealth of the Philippines, and now, of the Republic of the Philippines, its acts and laws. These problems have included, among others:

a. Claims filed by the Commonwealth of the Philippines, now presented by the Republic of the Philippines, for its Provinces, Municipalities, Cities, Barrios and Instrumentalities. These claims are based upon the commandeering or delivery of supplies, vehicles and equipment to the United States Army or to the Philippine Army while serving with the Armed Forces of the United States. As an illustration, one of the claims is filed by the Bureau of Forestry, Commonwealth of the Philippines, for the value of "quinine" bark delivered to the United States Navy submarines during the early years of the war.

b. Other claims are for the value of lumber and piping from school house buildings removed by United States Army Forces during the combat period, for use in construction of billets or warehouses.

2. Another type of claim has been filed by officials of the Provinces appointed by the Philippine Army Guerrilla Forces during the Japanese occupation, or by the Philippine Civil Affairs Unit, known as PCAU. These claims are filed for the payment of salaries and wages of Governors, Mayors, janitors, other officials and employees of the reconstituted civil government. The question of the responsibility to pay these claims has formed the basis of a long legal study, and recommendations that the claim should not be paid from appropriated funds, but are the obligation of the Commonwealth of the Philippines, now assumed by the Republic, has been completed and forwarded to the Commander-in-Chief, Far East Command, for concurrence. It is estimated that approximately 100,000 persons would be involved in this ruling.

3. Another group of claims is filed for the value of property that was taken possession of by the United States Army in 1941-43 for the purpose of demolition to keep the property from falling into the hands of the enemy. The claimants contend that the property was commandeered by the United States Army, and therefore that its ultimate demolition was a subsequent act and not connected with the commandeering, and that property so commandeered should be paid for as procurement.

4. The application of the several Acts of the Congress of the United States as to Limitations of Actions and Claims receives constant study and is applied to claim matters daily. The limitation on Foreign

Claims in different from the limitation on Military personnel Claims. The limitation on Procurement Claims is fixed by Congress as six years in some instances, before the Court of Claims, and as ten years in other instances, before the General Accounting Office.

5. Claims have been filed for injuries and unlawful death of Filipino nationals caused by personnel or units of the Philippine Army Guerrilla Forces during the period of official recognition. The basis of these claims is factually established as involving either individual raids or pillaging against barrios or areas for private gain, and not connected with combat activities against the enemy. Claimants have sought recovery under the provisions of Army Regulations 25-90, 31 July 1945, on the theory that the regulation covers such unlawful actions. After an extensive legal analysis of the Act of the United States Congress, and of the provisions of AR 25-90, it is apparent that there is an uncertainty as to whether the funds appropriated by the United States Congress to pay claims arising under the provisions of AR 25-90 may legally be used to pay these claims caused by personnel of the Philippine Army. It is the opinion of this Headquarters that such funds are not available and the Commander-in-Chief, War East Command, has been requested to concur in such conclusion prior to action being taken on such claims. It is estimated that the claims that arose from such depredations, involved several hundred thousand. The Statute of Limitations has reduced the number that may be filed under such provisions.

6. Claims of Filipino Nationals have been filed for injury and death under the provisions of Army Regulations 25-90, but where the facts disclose that the claimant has already applied for and received payment under the provisions of the Philippine Law on Workmen's Compensation, the effect of such receipt of compensation by the claimant may involve the election between remedies available to him, whereby he has estopped himself from proceeding for further relief from other sources.

7. Many of the claims of the Philippine Army Guerrilla Units during recognition involve partial payments or credits made by the Guerrilla Units, using unusual types of currency, like Emergency Currency, Guerrilla Currency, Mountain Money, and Japanese Occupation Peso Currency. To establish a proper basis on which the payment of the balance may be made, it has been necessary to formulate a policy for computing the value of the currency involved in making such partial payments.

SECTION VII

CURRENT STATUS OF CLAIMS

From January 1945 through 30 September 1947, a total of 126,947 claims with an aggregate value of \$127,490,733.25 have been presented to Claims Service, PHILRYCOM. The claims are of three major categories: procurement claims, claims for damages, and United States Army personnel claims. Procurement claims comprise the greater portion, and of these the majority are small individual claims for property and services furnished the army and guerrilla forces. The large claims have been filed by marine and land transportation companies, hardware and construction firms. With the recognition of additional guerrilla units, more wage and small property claims are expected to be filed.

As of 30 September 1947, 74,479 claims with a total value of \$81,692,516.32 have been disposed of. Among these are 57,240 claims valued at \$25,205,635.75, which have been approved for payment. The difference constitutes transfers to other agencies due to jurisdictional limitations, and other dispositions like abandonment by the claimant, which do not involve disbursement of funds.

The balance of claims as of 30 September 1947 is 53,467 with a value of \$45,898,216.93. 48,139 of this total with a value of \$26,129,227.14 represents procurement claims of Philippine citizens, 1,007 claims valued at \$15,445,595.40 are procurement claims of other nationals, 1,762 claims with a value of \$3,509,110.77 are claims for damages, 1,503 claims valued at \$674,375.97 are personnel claims and the remainder PX claims and unclassified claims.

STATUS OF FUNDS ALLOTTED FOR THE PAYMENT
OF CLAIMS

Funds for the payment of U. S. Army Contract Claims were allotted for the 4th Qtr, FY 1946 and FY 1947 in the amount of \$45,550,000 of which \$30,045,523.54 is unliquidated to date.

Funds for the payment of personnel claims (AR 25-100) are allotted quarterly. A budget estimate of \$91,000 was submitted for 2nd Qtr, FY 1948, but funds have not been allotted yet.

Foreign Claims (AR 25-90, 25-25) are paid from an open allotment.

Funds for the payment of Contract Claims arising from Philippine Army and Guerrilla activities are allotted to the Chief of Finance, PA, by the Fiscal Director, PHILRYCOM.

The estimate of claims that would be filed, shown on Inclosure 6, Comparative Schedule - Flow of Claims, has been supported from January 1947 to September 1947 by the actual receipt of claims. However, it is expected that the bringing in of the Branch Offices of Claims Service from the different islands to Manila, effective 1 November 1947, will normally cause a reduction in the number of claims received. This will assist in allowing the reassignment of claims personnel to secure the completion of claims already filed. Every effort is being exerted to eliminate the present backlog of claims already filed as expeditiously as possible.

It is recommended that no further reduction be made in the quarterly budgets for the local and United States civilian employees to the end of the third quarter, at which time a better perspective of the requirements of Claims Service may be obtained.

In addition, it is recommended that officers with claims experience be assigned to assist in the disposition of the present backlog of claims.

/s/ William S. Hely
/t/ WILLIAM S. HELY
Colonel, Infantry
Chief of Claims Service

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HEADQUARTERS
PHILIPPINES-RYUKYUS COMMAND
OFFICE OF THE CHIEF OF CLAIMS SERVICE

Progress Report for the Period 1 January 1945 to 30 September 1947

	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1. Claims Received, January 1945 to 30 September			126,946	\$127,490,733.25
<u>Dispositions</u>				
2. Allowed	57,240	\$25,205,635.73		
3. Disallowed	4,050	22,595,385.80		
4. Forwarded to JAGO	535	2,682,785.63		
5. Transferred to other agencies	5,470	3,606,888.27		
6. Withdrawn by claimants	1,411	11,965,902.12		
7. Abandoned or otherwise disposed of	<u>5,773</u>	<u>15,535,918.77</u>		
8. Total Dispositions			<u>74,479</u>	<u>\$ 81,592,516.32</u>
9. Balance, 30 September 1947			<u>52,467</u>	<u>\$ 45,898,216.93</u>

HEADQUARTERS, CLAIMS SERVICE, PHILRYCOM, APO 4

Comparative Schedule - Flow of Claims

DATE	Balance on Hand		Rec'd During Month		T O T A L		Number Disposed		Balance Forwarded	
	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual
1947										
JANUARY	20,253	20,254	4,281	5,708	24,534	25,982	2,685	3,530	21,848	22,532
FEBRUARY	21,848	28,432	6,350	4,783	28,198	27,165	4,300	4,331	23,898	22,834
MARCH	23,898	22,834	7,330	8,894	31,228	31,728	5,082	3,965	26,146	27,765
APRIL	26,146	27,765	7,563	5,332	33,715	33,097	6,877	2,854	26,838	30,245
MAY	26,838	30,243	8,063	6,930	34,907	37,193	8,299	2,787	26,618	34,406
JUNE	26,618	34,406	8,369	8,000	35,187	42,406	8,783	2,078	26,404	40,328
JULY	26,404	40,328	8,764	4,696	35,168	45,014	9,085	3,743	26,083	41,271
AUGUST	26,086	41,271	9,063	5,114	35,146	46,385	9,582	2,281	25,564	44,104
SEPTEMBER	25,564	44,104	9,063	9,862	34,627	53,766	9,578	1,299	25,049	52,467
OCTOBER	25,049		9,063		34,112		9,588		24,524	
NOVEMBER	24,524		9,553		34,007		9,586		24,491	
DECEMBER	24,491		9,052		33,543		10,086		23,457	
TOTAL			96,726				93,522			
1948										
JANUARY	23,457		8,542		31,999		10,089		21,910	
FEBRUARY	21,910		8,542		30,452		10,104		20,348	
MARCH	20,348		7,542		27,890		9,654		18,236	
APRIL	18,236		6,331		24,767		8,703		16,064	
MAY	16,064		5,536		21,600		8,252		13,338	
JUNE	13,338		5,016		18,354		7,302		11,152	
JULY	11,152		4,011		15,163		6,157		9,006	
AUGUST	9,006		3,005		12,011		5,102		6,909	
SEPTEMBER	6,909		2,002		8,911		5,062		3,849	
OCTOBER	3,849		1,500		5,349		3,527		1,822	
NOVEMBER	1,822		566		2,388		2,012		376	
DECEMBER	376		500		876		876		0	
TOTAL			150,009				170,262			

DECLASSIFIED

Authority AWD 583078

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SUBJECT: Semi-annual report to 2400 hours 3 July 1946.

FROM: Chief of Claims

TO: G-2

15 July 1946

**A HISTORY OF CLAIMS SERVICE, AFWESPAC
TO 3 JULY 1946**

I. ORIGIN

1. Claims Service was created on 4 October 1944 to supervise the investigation, processing, and settlement of claims by and against the United States in the Southwest Pacific Area. For eight months Claims Service functioned as an arm of USAFFE. An advance section moved forward from Australia into Leyte and Manila during January 1945 as our troops advanced. On 10 June 1945, Claims Service was assigned to AFWESPAC as a separate installation, designated "Claims Service, AFWESPAC."

II. THE JOB

1. The tremendous volume of Philippine claims fell into eight categories:

First: Construction claims arising out of installations begun but not completed prior to 7 December 1941;

Second: Claims for goods and services furnished prior to 7 December 1941, but not subsequently paid for;

Third: Accounts incurred by post exchanges in December 1941 but never paid;

Fourth: Amounts owing by military units, normally payable from unit funds, but not paid;

Fifth: Claims arising from military activities between 7

12 July 1946

TO: SAC

FROM: Chief of Claims

A HISTORY OF CLAIMS SERVICE, KWANGSIPAC
TO 2 JULY 1946

I. CLAIMS

1. Claims Service was created on 4 October 1944 to supervise the investigation, processing, and settlement of claims by and against the United States in the Southwest Pacific Area. For eight months Claims Service functioned as an arm of USARP. An advance section moved forward from Australia into Japan and Korea during January 1945 as our troops advanced. On 10 June 1945, Claims Service was assigned to KWANGSIPAC as a separate installation, designated "Claims Service, KWANGSIPAC."

II. THE CLAIMS

1. The tremendous volume of Philippine claims fell into eight categories:

CLAIMS: Construction claims arising out of installations begun but not completed prior to 7 December 1941;

CLAIMS: Claims for goods and services furnished prior to 7 December 1941, but not independently paid for;

CLAIMS: Accounts incurred by post exchanges in December 1941 but never paid;

CLAIMS: Accounts owing by military units normally payable from unit funds, but not paid;

CLAIMS: Claims arising from military activities between 7



December 1941 and the fall of Corregidor;

Sixth: Claims resulting from Army and guerrilla activities between 6 May 1942 and the time of liberation;

Seventh: The vast number of claims incident to the final stages of our military operations in the recapture of the Philippines including

(a) those for procurement;

(b) those resulting from the negligence of our personnel,

and

(c) those arising out of acts of depredation by persons subject to military control.

Eighth: Claims of military personnel and civilian employees for personal effects lost, damaged or destroyed as the result of military operations, larceny, pilferage, negligence of Army, etc.

2. The existing authority and procedures necessary to handle these claims were not always adaptable to local problems, and in some cases were not in existence. It became necessary to revise old processes, establish new procedures, and to obtain the delegation of additional authority. For example, the Foreign Claims Act which provided for the settlement of certain types of meritorious claims of inhabitants of "foreign" countries, did not apply to the Philippine Islands. Consequently, such claims arising in the Philippines, had to be forwarded to the War Department for submission to Congress before payment could be made. To alleviate this condition, a bill was sponsored by Claims Service to extend the benefits of the Foreign

December 1941 and the fall of Corregidor;
 (a) claims resulting from army and guerrilla activities
 between 6 May 1942 and the time of liberation;
 (b) The vast number of claims incident to the final
 stages of our military operations in the reception of the Philippines
 including
 (a) those for procurement;
 (b) those resulting from the negligence of our personnel;
 and
 (c) those arising out of acts of repatriation by persons
 subject to military control.

Subject: Claims of military personnel and civilian employees
 for personal effects lost, damaged or destroyed as the result of
 military operations, lawlessness, pillage, negligence of army, etc.
 3. The existing authority and procedures necessary to handle
 these claims were not always adaptable to local problems, and in
 some cases were not in existence. It became necessary to revise old
 processes, establish new procedures, and to obtain the delegation of
 additional authority. For example, the Foreign Claims Act which
 provided for the settlement of certain types of war-torn claims
 of inhabitants of "foreign" countries, did not apply to the Phil-
 ipine Islands. General War Reliefs Act, 1945, provided that such
 claims existing in the Philippines, had to be forwarded to the War
 Department for submission to Congress before payment could be made. To alleviate this condition, a bill
 was sponsored by the Philippine Government to extend the benefits of the Foreign



Claims Act to the Philippines. Introduced in both houses of Congress in April 1945, it became law on 31 July 1945.

III. ORGANIZATION

1. In order better to accomplish its assigned mission, Claims Service was divided into three sections: Investigation, Commissions, and Administrative. Sections were further broken down as needed; e.g., the Commission Section included a Fiscal Branch, and the Investigating Section a Valuation, Statistics and Legal Research Branches.

2. In addition to the headquarters located in Manila, it was necessary to establish various branch offices in order to cover the large area under the jurisdiction of AFWESPAC. The former headquarters of Claims Service in Brisbane, Australia, had already become a branch office and other branches were soon established in Lingayen, Cebu, Leyte, Pangasinan, Batangas, and Okinawa, with sub-branches in Negros, Mindanao, and Panny. These offices are located at military bases and embrace an area coextensive with that under the control of those bases. Branch offices function under the same general policies established for Claims Service.

3. All claims are investigated by teams from an office within the geographical area in which the claims arose. After investigations are completed claims are forwarded to the Commission Section where, according to their subject matter, they are assigned to either a Contract Claims Commission, Personnel Claims Commission, or a Foreign Claims Commission. Claims not exceeding \$500.00 are routed

which was to be the Philippines. Introduction in both houses of

Congress in April 1942, it became law on 21 July 1942.

III. ORGANIZATION

1. In order better to coordinate the various divisions,

Certain divisions were divided into three sections: Investigation,

Administration, and Administrative. Sections were further broken down

as follows: e.g., the Investigation Section included a Field Branch,

and the Administrative Section a Valuation, Statistics and Legal

Research Division.

2. In addition to the headquarters located in Manila, it was

necessary to establish various branch offices in order to cover the

large area under the jurisdiction of COMSEC. The former head-

quarters of Civilian Service in Budapest, Australia, had already become

a branch office and other branches were soon established in Langkay,

Cebu, Leyte, Pangasinan, Batavia, and Okinawa, with sub-branches in

Manila, Mindanao, and Pangay. These offices were located at military

bases and worked in close cooperation with them under the control

of their bases. Branch offices functioned under the same general

policy established for Civilian Service.

3. All claims are investigated by teams from an office within

the geographical area in which the claim arose. After investigation

is completed claims are forwarded to the Commission Section where,

according to their nature, they are assigned to either a

General Claims Division or a Special Claims Commission, or a

Foreign Claims Commission. Claims not exceeding \$500.00 are treated

to a Commission consisting of one member, but if over that amount they are routed to a Commission consisting of more than one member. All claims, therefore, in excess of \$500.00 are forwarded to Headquarters Claims Service, AFWESPAC. It is the commission's duty to study each claim and determine whether it is to be allowed or disallowed, and if it is to be allowed, the amount of the award. Claims adjudicated for payment are then processed by the Fiscal Branch of this Service, after which payment is made by a U. S. Army Finance Officer, or by the Fiscal Section, Philippine Army.

4. Claims which arose between 7 December and the Philippine liberation have been processed entirely by Claims Service. The large number of claims which arose out of the activities of military units after liberation should have been investigated by the claims officer of the unit concerned and forwarded to Claims Service for approval or disapproval by a Commission. However, because of a lack of trained unit personnel it was found that practically all of the claims submitted were not in proper shape to be turned over to Commissions, and additional work was required by the Investigating Section. In order to minimize this duplication of effort and to expedite the settlement of claims in this theater, experienced Claims Service officers were sent to various units for the purpose of assisting unit claims officers, and to train the officers and enlisted men assigned to that task. Thereafter, the work of these unit claims officers was reflected in the speedy disposition of claims.

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to a Commission consisting of one member, but it over that matter
they are referred to a Commission consisting of more than one member.
All claims, therefore, in excess of \$200.00 are forwarded to Headquarters
Quarterly Claims Service, WASHINGTON, D. C. It is the Commission's duty to
study each claim and determine whether it is to be allowed or dis-
allowed, and if it is to be allowed, the amount of the award. Claims
adjusted for payment are then processed by the Fiscal Branch of
this Service, after which payment is made by a U. S. Army Finance
Officer, or by the Fiscal Section, Philippine Army.
A. Claims which arose between 7 December and the Philippine
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large number of claims which arose out of the activities of military
units after liberation should have been investigated by the claims
officer of the unit concerned and forwarded to Claims Service for
approval or disapproval by a Commission. However, because of a lack
of trained unit personnel it was found that practically all of the
claims submitted were not in proper shape to be turned over to Com-
missions, and additional work was required by the investigating
Section. In order to minimize this duplication of effort and to
expedite the settlement of claims in this theater, experienced Claims
Service officers were sent to various units for the purpose of as-
sisting unit claims officers, and to train the officers and enlisted
men assigned to the work of these unit claims
officers was the best disposition of claims.



IV. PROBLEMS ENCOUNTERED

1. The problem of physical organization and the establishment of administrative procedures was but one of many confronting Claims Service. Claims resulting from the irregular procurement in December 1941 and early 1942, and from guerrilla procurement during Japanese occupation, posed legal questions never previously encountered by Army claims officers. Answers to these questions required a legal research into American Law, Philippine Law, and International Law. In the charred ruins of Manila, it appeared that no reference materials were available.

2. One troublesome and constant source of difficulty has been the lack of factual evidence respecting 1941-1942 procurement claims. In a large percentage of the claims arising during the last days of 1941 when, amid dire emergencies, regular procedures were disregarded, units took materials and vehicles they needed with or without the consent of the owners, sometimes being able to give receipts, but often lacking time for that clerical detail. Vehicles were rented and never returned; goods were frozen and reserved by the Army, but never called for; labor was hired and not paid. To complicate matters further many of the receipts given were later captured or destroyed, or otherwise lost, and our own Army records were similarly destroyed. To obtain information needed to adjudicate claims it has been necessary to locate hundreds of officers, enlisted men and civilian employees of the Army and to obtain from them the story of the transactions in those last days preceding the Japanese invasion. Every

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1. The problem of physical evidence of the Japanese invasion of the Philippines is a complex one. It is a problem that has been discussed in the past by the Joint Fact-Finding Commission and the Senate Select Committee on Intelligence. The problem is that the Japanese have been able to keep their activities secret and to avoid detection. This is due to a number of factors, including the use of cover stories, the destruction of evidence, and the use of false information. The Joint Fact-Finding Commission reported that the Japanese had been able to keep their activities secret for a long period of time. The Senate Select Committee on Intelligence has also reported that the Japanese have been able to keep their activities secret. This is a serious problem that needs to be addressed.

2. One of the most serious problems is the lack of physical evidence. This is due to a number of factors, including the use of cover stories, the destruction of evidence, and the use of false information. The Joint Fact-Finding Commission reported that the Japanese had been able to keep their activities secret for a long period of time. The Senate Select Committee on Intelligence has also reported that the Japanese have been able to keep their activities secret. This is a serious problem that needs to be addressed.

3. The problem of physical evidence is a complex one. It is a problem that has been discussed in the past by the Joint Fact-Finding Commission and the Senate Select Committee on Intelligence. The problem is that the Japanese have been able to keep their activities secret and to avoid detection. This is due to a number of factors, including the use of cover stories, the destruction of evidence, and the use of false information. The Joint Fact-Finding Commission reported that the Japanese had been able to keep their activities secret for a long period of time. The Senate Select Committee on Intelligence has also reported that the Japanese have been able to keep their activities secret. This is a serious problem that needs to be addressed.



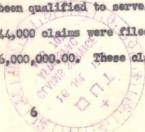
clue has been followed by Claims Service personnel. Records entrusted to civilian employees have been uncovered, personnel formerly assigned to or who had worked in Army installations in the Philippines have been traced and interviewed, signatures which appeared on receipts have been verified, remaining public records have been consulted and, in general every possible effort has been made to substantiate the statements of claimants.

3. Those who attempt to defraud the Government, even as to parts of a claim, forfeit their legal right to any recovery.

4. In the investigation of claims in certain localities, teams have found it impossible to reach their destinations by road or air. Water has often been the only feasible means of transportation. Thus, one team was able to accomplish its mission only through the cooperation of naval authorities who placed a destroyer-escort at its disposal. Another difficulty encountered has been the absence of mail or other communication facilities.

5. Language difficulties have given rise to other problems. Claims Service officers could not hope to have Chinese, Spanish, Tagalog and various dialectic experts continuously available. It has therefore been necessary to require claimants to furnish their own interpreters in those cases where none of the civilian employees of Claims Service have been qualified to serve.

6. Approximately 44,000 claims were filed to 3 July 1946, involving in excess of \$56,000,000.00. These claims ranged from one



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has been followed by Civil Service personnel. Records extracted
to civilian employees have been reviewed, personnel formerly as-
signed to or who had worked in Army installations in the Philippines
have been traced and interviewed, photographs which appeared on
receipts have been verified, remaining public records have been
examined and, in general, every possible effort has been made to
substantiate the statements of claimants.
3. Those who attempt to demand the Government, even as to
parts of a claim, forfeit their legal right to any recovery.
4. In the investigation of claims in certain localities, teams
have found it impossible to reach their destinations by road or air.
Water has often been the only feasible means of transportation.
Here, one team was able to accomplish its mission only through the
cooperation of naval aviators who placed a destroyer-escort at
its disposal. Another difficulty encountered has been the absence
of rail or other communication facilities.
5. Language difficulties have given rise to other problems.
Civil Service officers could not hope to have Chinese, Spanish,
Tagalog and various dialectic experts continuously available. It
has therefore been necessary to require claimants to furnish their
own interpreters in those cases where none of the civilian employees
of Civil Service have been available to serve.
6. Approximately 14,000 claims were filed to 3 July 1946. In
volving in excess of \$3,000,000 these claims represented one



filed by a "magsasaka" (farmer) seeking payment for the value of two eggs furnished military personnel, to claim of a bank for \$6,500,000.00, furnished to USAFFE units cut off on different islands without fund. The usual subjects involved were damages to real estate, the furnishing of subsistence, lumber, vehicles and ships, labor depreations by military personnel, baggage loss, marine casualties, traffic and operational accidents. A careful and continuous study of fair values is made by the Valuation Branch. A high percentage of claims are disallowed, and a large number are reduced from the claimed amount. A daily average of claims on hand is estimated at \$30,000,000.00. A recapitulation of claims is attached as inclosure 1.

V. THE FUTURE

1. The mission of Claims Service has remained constant without material change in this planned organization and/or mission subsequent to 1 January 1946. Sufficient personnel have never been available to complete the processing to final disposition of claims as rapidly as the claims have been filed. Large numbers of claims are received from the States or from outlying areas of the Philippines by mail. Due to redeployment of military personnel, and reduction in the budget with which to obtain civil service and civilian assistance, it has become necessary to close sub-office in many areas and it has been impossible to send investigating team to many of the areas and islands for the acceptance of claims, or the completion of claims

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already filed. On Mindanao, the Sub-Offices at Davao, Dipolog, Cotabato, Zamboanga have been closed. At Tagbilaran on Bohol a survey has disclosed approximately 15,000 claims undetermined. The sub-office has been withdrawn. Information has been received that on the island of Palawan there are approximately 10,000 claimants. No investigating team has been available for this island. Many other areas are in the same condition.

2. The problems of Claims Service increase as the volume of claims increases. As word spreads throughout the Philippines that claims are being paid, more claims are filed. The officer who goes out to establish the facts as to five claims, may return with twenty additional claims, not previously reported, based on the same facts. Such condition, together with the deployment of units from the theater, which throws upon Claims Service the burden of supervising unit claims, indicates that the volume of claims activity will become increasingly disproportionate to the supply of personnel available to handle it.

3. Approximately 90 per cent of claims processing time is used on the procurement claims, which include the irregular requisitions and commandeering by military personnel during 1941 to the return in 1945. Foreign Claims absorb approximately 7 per cent and military personnel baggage and miscellaneous claims the remaining 3 per cent. Continuous study is being made seeking to use the reduced personnel in as favorable positions and locations as possible, and reduce the backlog of approximately 16,000 claims involving approximately

already filed. On January 10, 1954, the Sub-Office
at Washington has been closed. At Washington an Office
survey has indicated approximately 12,000 claims outstanding. The
Sub-Office has been advised that information has been received that
on the island of Taiwan there are approximately 10,000 claims.
Investigation has been available for this island. Many
other areas are in the same condition.
2. The problem of Claims Service increases as the volume of
claims increases. As work spreads throughout the Philippines and
claims are being paid, more claims are filed. The office has been
one to establish the facts as to live claims, may work with newly
Additional claims, not previously reported, based on the same facts.
Such conditions, together with the deployment of units from the
theater, which throw upon Claims Service the burden of reviewing
and claims, indicates that the volume of claims activity will become
increasingly disproportionate to the supply of personnel available to
handle it.

3. Approximately 90 per cent of claims presented are in need
on the present claims, which include the irregular regulations
and commencing by military personnel during 1951 to the return in
1952. Foreign Claims Service approximately 7 per cent and military
personnel baggage and miscellaneous claims the remaining 3 per cent.
Continuous study is being made relative to one the reduced personnel
in as favorable position as possible, and where
the backlog of approximately 100,000 claims involving approximately



\$46,000,000.00.

4. Many claims of comparable problem are assigned for joint legal study and investigation. One group are the 1941 Philippine Army constructions and the expansion contracts, which continued subsequent to the outbreak of hostilities and were totally or partially unpaid. The second group are the maritime losses where investigation discloses a connection between the movement instructions of the vessels issued by the Navy separately or jointly by officers and Naval Staff. Claims for certain localities have developed a similarity of pattern as to the supporting facts, sometimes sufficient to catch the "eye" of the Team Director or the Investigating Officer. All claims from one section were separated for analysis or study, and the findings disclose that concerted efforts to manufacture post-dated evidence a joint study readily developed this attempted fraud.

Every effort is being exerted to make final payment or disposition of claims with a minimum of delay.

BASIL A. WOOD
Lieutenant Colonel, JAGD
Chief of Claims

1 Incl:
Recapitulation of Claims



... Navy claims of comparable profits are assigned for total
 legal study and investigation. The group are the FBI, Department
 Army construction and the expansion contracts, which contained
 equipment to the outbreak of hostilities and were totally or
 partially written. The second group are the various losses where
 investigation discloses a connection between the movement and
 of the vessels owned by the Navy separately or jointly by others
 and Navy staff. Claims for certain losses have developed a
 similarity of pattern as to the reporting facts, sometimes sufficient
 to catch the eye of the Tax Director or the Investigating Officer.
 All claims from one sector were separated for analysis or study and
 the findings disclose that concerted efforts to manufacture post-
 dated evidence a joint study readily developed and attached items.
 Every effort is being exerted to make final payment or
 disposition of claims with a minimum of delay.

BRUCE A. WOOD
 Lieutenant Colonel, USAF
 Chief of Claims

1 Incl:
 Investigation of Claims



HEADQUARTERS
CLAIMS SERVICE, AFWESPAC
OFFICE OF THE CHIEF OF CLAIMSRECAPITULATION
*****Period to 3 July 1946

	<u>No. of Claims</u>	<u>AMOUNT</u>
1. Claims Filed	43,746	\$56,269,549.84
2. Claims Processed	27,677	10,124,006.13
3. Claims Filed But Not Processed	16,069	46,145,543.71
4. Claims Anticipated during Fiscal Year 1947	16,605	22,102,500.00
5. Claims to be Processed During Fiscal Year 1947	32,674	\$68,248,043.71



Incl. 1.

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DEPARTMENT OF THE ARMY
 CLAIMS SERVICE, WASHINGTON
 OFFICE OF THE CHIEF OF CLAIMS

STATEMENTS

Period from 1 July 1945

No. of Claims

1	Claims Filed	43,746	240,200,242.84
2	Claims Processed	37,071	20,121,000.73
3	Claims Filed but Not Processed	16,675	40,128,242.11
4	Claims Anticipated during Fiscal Year 1947	16,602	32,100,200.00
5	Claims to be Processed during Fiscal Year 1947	32,674	68,248,023.71



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1

History of Claims Service, AFWESPAC

HQ., Claims Service, TO: Historical Division,
AFWESPAC, APO 707. Assistant Chief of Staff,
G-2, AFWESPAC, APO 707

1. Transmitted herewith are two copies of History of Claims Service, AFWESPAC, 1 June 1945 to 31 December 1945.

2. Supplementary monthly historical reports will be submitted in accordance with AFWESPAC Regulation No. 1-25, 19 October 1945.

FOR THE CHIEF OF CLAIMS:

ROBERT J. BENSON
Captain, Inf.
Adjutant

1 Incl. (in dup.)

PREPARED BY:

CAPTAIN GEORGE WARREN
chavs

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HEADQUARTERS
CLAIMS SERVICE, AFWESPAC
OFFICE OF THE CHIEF OF CLAIMS

A HISTORY OF CLAIMS SERVICE, AFWESPAC,
From 1 June 1945 to 31 December 1945

I. ORIGIN

CLAIMS SERVICE was created on 7 October 1944 to supervise, direct and coordinate the investigation, processing and settlement of claims against and in favor of the United States. For eight months it functioned as an arm of USAFFE moving forward from Australia with HQ., USAFFE during the rapid progress northward of our Armed Forces. On 10 June 1945 CLAIMS SERVICE, USAFFE was assigned as a separate installation to AFWESPAC and was redesignated CLAIMS SERVICE, AFWESPAC. The advance office established in Manila had already merged into CLAIMS SERVICE'S headquarters and was then processing its largest volume of claims.

By 13 July 1945, when CLAIMS SERVICE was designated as an operating field agency of AFWESPAC, a systematic attack had already been launched against the vast and varied claims problems which had accumulated in the Philippines as a result of three and one-half years of military operations. This was in addition to the considerable volume of claims of all nature arising in Australia.

II. THE JOB

With experience gained while functioning under USAFFE, CLAIMS SERVICE came to AFWESPAC prepared for the biggest job in its existence, and found it. The claims which began to pour in were divided into ten types:

First:

Those created in the building of installations begun but not completed prior to 7 December 1941;

Second:

Those for goods and services furnished prior to 7 December 1941 but not subsequently paid for;

Third:

Claims against post exchanges for money owing in December 1941 and never paid;

Fourth:

Claims for amounts owing by military units, normally payable by units funds;

Fifth:

Those arising from military activities between 7 December 1941 and the fall of Corregidor on May 6th, 1942;

Sixth:

Those resulting from guerrilla activities between the time of our evacuation ^{and} to the reconquest;

Seventh:

The vast number of claims incident to the final stages of our military operations in the recapture of the Philippines including,

(a) those for procurements;

(b) those resulting from the negligence of our personnel, and

(c) those arising out of acts of depredations by persons subject to military control;

Eighth:

Claim of military personnel and civilian employees of the Army or War Department for personal effects lost, damaged or destroyed as the result of military operations, larceny, pilferage, etc.;

Ninth:

Employees' Compensation claims for injuries or death to civilians resulting from

(a) enemy action or other cause between December 1941 until the fall of Corregidor,

(b) enemy action or other cause while employed by military organizations during the reconquest of the Philippines,

(c) accidents while engaged in erecting installations, making repairs, or while otherwise employed by the Army after the reconquest,

(d) all types of activities described above

- 3 -

arising ^{by them} for U.S. Naval operations, these claims having been made the responsibility of this Service upon request of the Secretary of Navy and by direction of Commander-in-Chief, SWPA.

Tenth:

Large claims relating to war damage specifically referred to this Service by the War Department.

The existing powers and procedures for the handling of these claims were often either cumbersome or not adaptable to local problems. It was therefore necessary to revise old processes, establish new procedures and, in some cases, to obtain delegation of additional authority. For example, the Foreign Claims Act, which provided for the settlement of certain types of meritorious claims of inhabitants of countries in which the claim arose, had not been made applicable to the Philippine Islands. All approved claims arising in that area which, in other localities would have come under its provisions had to be forwarded to Washington D.C., to be enacted into a law before the claimant could receive payment. To alleviate this condition a bill, prepared by CLAIMS SERVICE, was introduced in both houses of Congress in May 1945 and became a law two months later.

In order to better accomplish its mission, this organization was divided into four major sections: Investigation, Commission, Compensation, and Administrative. Sections were further broken down as needed; i.e. the Commission Section included a Fiscal Branch, and the Investigating Section a Valuation Branch.

In addition to the headquarters located in Manila, it was necessary to establish various branch offices, in order to cover the tremendous area under AFWESPAC jurisdiction. The former headquarters of CLAIMS SERVICE in Brisbane, Australia became a branch office and other branches were soon established in Lingayeh, Cebu, Leyte, Pangasinan, Batangas, and Okinawa, with sub-branches in Negros, Mindanao, and Panay. These offices are located at military bases and embrace an area coextensive with that under the control of those bases. Branch offices function under the same general policies established for CLAIMS SERVICE. (See organizational chart attached.)

All claims are investigated by teams from an office within the geographical area in which the claim arose. After investigations are completed claims are forwarded to the Commission Section where, according to their subject matter, they are assigned to either a Contract Claims Commission, Personnel Claims Commission, Foreign Claims Commission, or an Employee Compensation Claims Commission. (If the amount involved does not exceed \$500.00 it is routed to a commission, consisting of one member, which has jurisdiction; but if over that amount, to a commission consisting of three members.) There are

normally four three-man and twenty-four one-man commissions functioning. With the exception of Brisbane no branch office has a three-man commission, with the result that all claims arising outside of Australia in excess of \$500.00 are forwarded to Headquarters CLAIMS SERVICE, AFWESPAC. It is the commission's job to study the claim and determine whether it is to be allowed or disallowed, and if it is to be allowed, the amount of the award. Claims adjudicated for payment are then processed by the Fiscal Branch of this Service, after which payment is made by an U.S. Army Finance Officer.

III. PROBLEMS ENCOUNTERED

The administrative and physical organization was but one of the hurdles CLAIMS SERVICE had to clear. It was expected that a large number of diversified problems would arise, and there was no disappointment on that score. Many of the questions of irregular and Guerrilla procurements had never previously been encountered and their satisfactory solution called for the combined efforts and perseverance of all CLAIMS SERVICE personnel.

One of the most annoying handicaps encountered was the absence of precedents as to ~~the many~~ legal phases of the claims and a lack of legal reference materials. ~~Many~~ ^{many of} troublesome questions of law have arisen in which it was necessary to apply international as well as local law in making adjudications. The fact that the local law is founded on traditional Spanish precedents, which are quite distinct from the common law prevailing in the United States and Australia, doubled the need for reference materials. Such books as might have been saved from the effects of invasion and counter-invasion appeared to have been destroyed in the final ravage of Manila. As a result the Legal Research Branch faced the unenviable task of rendering opinions based on foreign laws, copies of which were not available. At this point luck stretched a helping hand. A sergeant, recognizing the JAGD insignia worn by a CLAIMS SERVICE Officer casually mentioned the presence of law books in the private house his unit was then occupying. As a result of this remark, a good portion of the U.S. High Commissioner's Library was located and recovered by CLAIMS SERVICE, and has since been used to great advantage.

Luck, however seldom sufficed to resolve the problems which were continually arising. One troublesome and constant source of difficulty was the non-availability of factual evidence respecting the claims filed. In a large percentage of the thousands of claims arising during the last days of 1941, when, amid dire emergencies regular procedures had to be disregarded, units took what they had to have with or without the consent of the owners, sometimes being able to give receipts, but often lacking time for that clerical de-

tail. Vehicles were rented and never returned; goods were frozen and reserved by the Army, but never called for; labor was hired and not paid. To complicate matters further many of the receipts given were later captured or destroyed or otherwise lost, and our own Army records were similarly destroyed. To obtain information needed to adjudicate claims it was (and is) necessary to locate hundreds of officers, enlisted men and civilian employees of the Army and obtain from them the story of the transactions and actions in those last days. Every clue was followed by CLAIMS SERVICE personnel. Records entrusted to civilian employees were uncovered, personnel formerly assigned to or who had worked in Army installations in the Philippines were traced and interviewed. Signatures which appeared on receipts were verified, remaining public records consulted and, in general every possible effort was made to verify the statements of claimants as the basis of their right to recover. Those who attempted to defraud the Government, even as to parts of a claim, forfeited their legal right of recovery as to all of it. In somewhat the same manner claims of collaborationists were ferreted out and denied.

Branch offices found themselves beset by additional problems. Starting out to investigate a group of claims in certain localities, investigating teams found it impossible to reach their destination either by road or air. Water was the only feasible method of transportation. Thus, one team was able to accomplish its mission only through the cooperation of naval authorities who placed a destroyer-escort at their disposal.

Another difficulty encountered by the branch offices was the absence of mail or other communication facilities. It was obviously impossible to establish enough branch offices to blanket the Philippine Islands, and just as impractical to individually investigate hundreds of claims in distant localities; at the same time it was desired to make CLAIMS SERVICE available to thousands of far-flung claimants. The practical solution arrived at was to send an investigating team to a specific area to make a comprehensive study of the circumstances under which the claims in that locality arose. The team then returned to their office to prepare necessary documents to meet the special situation, leaving with the municipal authorities thousands of mimeographed handbills by means of which these authorities notified claimants in the surrounding areas that CLAIMS SERVICE Officers would return on a specified date to accept claims against the Government. At the appointed time the team would return and were able to obtain the signatures of many hundreds of claimants during the one trip.

Language difficulties furnished another problem. CLAIMS SERVICE officers could not hope to have Chinese, Spanish, Tagalog and various dialectic experts available. It was there-

necessary to require claimants to bring their own interpreters when none of the civilians in the office were qualified to serve. In the field it was usually possible, after considerable search, to find someone able to act as an interpreter.

The Compensation Section found a difficulty peculiarly its own. The United States Employees' Compensation Act of September 1916, as amended, requires certain procedures for paying claims, the most important of which deal with reports of death or accidents. There was a wholesale disregard by employing units of the instructions for completing and forwarding the necessary forms. In so far as units now in the Philippines are concerned this was corrected by a general distribution of memorandum and instructions by CLAIMS SERVICE. In a majority of cases, however, the civilian employees injured or killed were employed by Units which, because of prevailing combat conditions, failed to investigate and report the accident, which units in many instances had left the Philippines. It therefore became necessary for CLAIMS SERVICE to assume the responsibility of investigating and processing these cases in order to expedite payment to deserving injured employees and dependents of employees killed.

Probably the most unusual investigation undertaken by the Compensation Section arose from the death of a civilian employee of the Army under circumstances which indicated that it was possible for the cause of death to have been a heart failure rather than an accident. If the former were true no compensation was possible; hence an autopsy was requested. A decision in favor of the claimant was speedily given when within a few days the Manila Office was treated to the sight of the deceased's severed head with the open skull exposing an indisputable fracture.

IV CLAIMS SERVICE AT WORK

The thousands of claims which arose between 7 December 1941 and the Philippine Liberation have been processed entirely by CLAIMS SERVICE. The large number which arose out of the activities of military units should have been investigated by the claims officer of the unit concerned and forwarded to CLAIMS SERVICE for approval or disapproval by a Commission. However, because of a lack of unit personnel trained in claims work, it was found that practically all of the claims submitted were not in proper shape to be turned over to Commissions, and additional work was required by the Investigating Section. In order to minimize this duplication of effort and to improve the claims service in this theater, experienced CLAIMS SERVICE officers were sent to various units for the purpose of assisting in the establishment of the Unit Claims Office and in training the officers and enlisted men assigned to that job. Thereafter, the work of these unit claims officers was reflected in the speedy disposition of claims.

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Approximately twenty-six thousand claims involving more than \$35,000,000.00 were handled by CLAIMS SERVICE from 1 June 1945 to 31 December 1945. These claims ranged from that of a farmer for the value of two eggs furnished military personnel for food, to that of a bank for \$6,500,000.00 advanced to USAFFE units cut off without funds. During that period claims under investigation maintained a daily average of \$23,000,000.00. The more common subjects involved were damage to real estate, furnishing of food and supplies, lumber, trees, vehicles, boats, labor, depredations, baggage losses, marine casualties, traffic accidents, operational accidents, employee compensation, personal injury and death. Many were not allowed and as to those that were, the successful claimants received the carefully studied fair values established through the Valuation Branch in a sum often much less than that claimed. A great many claims are entirely unfounded and in the majority of these cases the rejection of the claims rests lightly on the claimant who simply figured he would see what he could get.

Results are seldom so spectacular as those in an Australian claim where, after processing more than five thousand individual units into which the total claim of \$3,500,000.00 was divided, a satisfactory settlement was effected for less than \$40,000.00. They have, however, furthered the promotion and maintenance of friendly relations with the residents of Pacific islands in which our troops are stationed and have effected the compensation of military and civilian personnel for losses incident to the functioning of our vast military machine in this area while, in both cases, protecting the interests of our Government--which is the mission of CLAIMS SERVICE.

V. THE FUTURE

Only the surface of claims problems has been scratched. Now that claims are being paid that information is spreading rapidly and is returning in the form of almost every conceivable type of request for compensation. It has also been found that claims are received in increasing numbers in proportion to the personnel available for investigation, for an officer sent out to establish the facts as to five claims will often return with twenty additional claims based upon the same facts, but which had not previously been filed. These conditions, together with the rapid redeployment of units from this theatre, a movement which will throw the burden as to the remaining unit claims upon this Service; the estimated 400,000 claims arising from guerrilla activities in the Philippine Islands which were directly assigned to CLAIMS SERVICE; and the mass of regular claims; combine to create an unrivalled volume of claims work.)

It is not believed that the peak will be reached for another six months and even this estimate depends on a greatly enlarged personnel to handle the enormous volume of claims and the great variety of problems presented by them.

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CONFIDENTIAL

HEADQUARTERS
AUSTRALIA BASE SECTION USASOS
CLAIMS OFFICE

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MONTHLY HISTORY

APRIL 1945

CONFIDENTIAL

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HEADQUARTERS
AUSTRALIA BASE SECTION USASOS

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AF0 923
10 May 1945

CLAIMS OFFICE HISTORY
FOR THE MONTH OF
APRIL 1945

I

1. Pursuant to authority USASOS Regulation 1-15, 25 April 1945, Subject: "Compilation of the Military History of USASOS", the following History Report is submitted for month of April 1945.

2. PERSONNEL:

Officers	Captain Earl O.V. Nelson, 0326543, Inf. 2nd Lt. W.R. Lindstrom, 02035856, CAG 1st Lt. E.R. Werngren, 02036347, QMC (TD)
Enlisted Men	Tec/3 Henry Kniss, ASN 19096002
Stenographers	Miss Anna Boyatzes Miss Gwen Mease Miss Shirley Reynolds Miss Berry Benfield

1st Lt. Edwin R. Werngren, 02036347, QMC was placed on Temporary duty with the Claims Office, this headquarters as of 21 April '45. Captain James M. Edwards, 01000747, AGD, who was placed on T.D. in this office, completed his duties on 10 April 1945. Miss Gwen Mease - stenographer, took seven days leave on 9 April 1945 and spent it in Toowoomba, Queensland.

II

PURPOSE AND SCOPE:

A. The purpose of the claims office is to investigate all cases arising out of accidents or incidents provocative of claims where damage, loss or destruction of private property, or for personal injury or death has occurred, and where U.S. Government personnel (including civilian employees) or personal property is involved.

B. The accidents or incidents out of which cases may arise are governed by and must fall within the provisions of the following regulations:-

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DOD Directive No. 5200.9
27 Sept 1958

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- AR 25-20 - Claims; Investigation of accidents; General provisions
- AR 25-25 - Claims for damage to or loss or destruction of property, or for personal injury or death, incident to noncombat activities of the War Department or of the Army.
- AR 25-90 - Claims for Damages to or loss or destruction of property or for personal injury or death caused by Army forces in Foreign Countries.
- AR 25-100 - Claims of personnel for property lost, damaged, destroyed, captured or abandoned in the service.
- AR 25-220 - Claims in favor of the United States for damage to or loss or destruction of Government property and for expense or loss sustained by the Government incident to injury to or death of military personnel.

Also USAFFE Regulations 1-75, dated 7 April 1945 and the provisions of USAFFE Claims Manual, dated 15 March 1945.

III

ACTIVITIES:

A. The following report of cases for April 1945 is noted:

1. Number of cases (whether or not a claim has been filed on hand at the beginning of month.....	21
2. Number reported during month.....	49
3. Number forwarded to Chief of Claims Service with an accompanying claim.....	9
4. Number formally investigated and forwarded to the Chief of Claims Service, no claim having been filed.....	11
5. Number closed due to fact that no claim will be filed and no formal investigation is required (informal invest. made)..	25
6. Number of cases on hand at end of month.....	25

B. The nature and type of the 45 cases completed for the month of April are as follows:-

AR 25-90 Cases - 44

1. Billeting Cases	3
2. American Red Cross cases.....	2
3. Loss of Property	3
4. Damage to private property.....	5
5. Accident Investigations.....	<u>21</u>
	<u>44</u>

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6. In view of the diminishing importance and closing down of bases on the mainland of Australia and the gradual turnback of properties leased, hired or otherwise bailed to the U.S. Government for use in connection with prosecuting the war effort, a special survey of all claims provoking accidents or incidents, past, present and potential, has been requested by the Commanding General, ABSEC USASOS, APO 923. In addition to the type cases mentioned under Paragraph B Section II, the survey covers contract claims, (leased property, real and personal), Marine Casualty Claims (AR 55-500, and Employees Compensation Claim cases.

1. CONTRACT CLAIMS: These claims are not the subject of handling in the claims office since such matters are processed through G.P.A. as obligations arising out of contract. However under the provisions of Circular 33, Headquarters USAFFE, dated 7 April 1945, subject: 'Contract Claims', a contract Claims Commission within Claims Service, has been originated and assigned responsibility for adjustment and settlement of outstanding obligations, arising out of agreements, expressed or implied, where data may be lacking, procedural irregularities exist, or determination or investigation of facts may be required to establish conclusively whether or not the claim has sufficient basis to receive meritorious consideration. Claims Service USAFFE has recently taken over the Board of Contracts and Adjustments from Theater Fiscal Office thus accounting for the invocation of the Contract Claims Commission.

2. MARINE CASUALTY CLAIMS: These claims likewise are not the subject of handling in the claims office, since separate provision is made under AR 55-500 for appointment of a Marine Casualty Investigating Officer, Transportation Corps, designated to pursue cases arising out of Marine Casualty accidents or incidents and submit a report to Claims Service, USAFFE.

3. EMPLOYEES COMPENSATION: The present Claims Officer was designated as Representative of Employees Compensation Commission this headquarters in October 1944 and with the able assistance of a 'key' stenographer processes claims of all civilian personnel working for the U.S. Government within this base, including U.S. Air Corps. Included also is civilian personnel hired by Luya Julius Pty. Ltd. under contract to the U.S. Government. Considerable effort has been made to impress the importance of reporting injuries sustained by civilian employees during working hours, so initial emergency or other treatment can operate to the minimize possible liability resulting in prolonged absence and further chances of partial or permanent disability. Wanton disregard and lack of proper care and responsibility appears to be the basis for a number of the cases giving rise to late notification and subsequent difficulty in securing necessary information needed in completing the required compensation forms forwarded to the Compensation Commission for meritorious consideration. Compensation for injuries sustained by civilian employees hired by Luya Julius Pty. Ltd. under contract to the U.S. Government are handled by the Commonwealth Government through District Finance Officer, District Finance Office. Under present arrangements this Representative has been authorized to furnish the District Finance Office with the following compensation forms which contain the essential information necessary to

promulgate payment of logical claims arising out of injury sustained; Report of Injury (CA-1 Form), The Official Superior, Form of Injury (CA-2) and the Claim for Compensation (CA-4). The District Finance Office requires that a U.S. Army officer certifies that the claimant was injured while an employee of Luya Julius Pty. Ltd. working under contract with the U.S. Government. Written authorization has been forwarded to the present representative to comply with the foregoing certification. This certification is accomplished on District Finance Office Form prior to presentation for payment of the claim.

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IV

CHANGES:

A. CLAIMS OFFICE: The Claims Office was relieved of assignment from G-4 and assigned to the Staff Judge Advocate's Section as of 5 April 1945. This change is noteworthy and should have taken place long ago in view of the fact that the regulations under which the claims office operates pertain to the Judge Advocate's General's Department.

B. REGULATIONS: The principal 'Bible' of the Claims Office has been USAFFE Regulations 1-75 dated 4 October 1944, entitled "Claims for Damage to or loss or destruction of property or for personal injury or death incident to activities of the War Department or of the Army in the S.W.P.A." This regulation has been rescinded and is superseded by USAFFE Regulations 1-75 dated 7 April 1945 (Claims Service USAFFE). The new regulation is a one page regulation designating the Claims Service of this Theater with its component parts, setting forth administrative responsibility of the claim service and of unit commanders in connection with claims that arise within the scope of Regulations hereto for cited in this report and refers to new USAFFE Claims Manual dated 15 March 1945 which covers in detail the procedure governing processing of all claims in this theater.

E. O. V. NELSEN,
Captain, Inf.,
Claims Officer.

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Drawer 2