

billings rendered to five of the mines we visited:

a. Equipment was found at mine sites (as shown on KOMEP records) which was not being billed and was not in use at the time of our visit. This equipment may have been used between the final rental date and the time of our visit.

1. *Sungju Coal Mine*: Mixer at mine site since October 1963; never billed. Grader at mine site from October 1963 which we saw at the local rail station. Transferred back to KOMEP as of August 1965; never billed.

2. *Shi Heung Graphite Mine*: Rooter Road at mine site since August, 1963; billed only from August 1963 through May 1964.

b. In this group of five mines, no billing had been rendered for either 1/4-ton utility trucks or 3/4-ton trucks; however in our visit to these mines we found a 1/4-ton truck in use at Sungju mine and a 3/4-ton truck fully repaired at Dai Myung Mine. Elsewhere in this report we note that other trucks were in limited use at mine sites without licenses and other privately licensed trucks were being fully utilized. KOMEP had not rendered billings for any of these trucks since they were not under contract.

c. Billings are rendered on a sporadic basis and at times several months after the usage period had ended. Examples follow:

billings to all mines. We therefore feel that not only should these specific deficiencies be corrected, but KOMEP's procedures relating to the billing of rental charges must be definitely strengthened.

Recommendation No. 6.—EPB should insure that the billing section of KOMEP: (a) Institutes use of the rental rates established by the KOMEP Board on February 23, 1965, and retroactively adjusts all billings rendered for usage subsequent to February 23, 1965.

(b) Investigates thoroughly all billings rendered over the past two years to ascertain the extent of billing errors relating to (1) equipment in use at mines for which billings were not made, and (2) computation errors; and renders adjusted billings as applicable.

(c) Revises its contracting and billing procedures to insure that all equipment being utilized at mine sites is under contract, and is invoiced on a prompt and regular basis at the established rates.

Method of computing royalties

Our audit report No. 285 contained a recommendation (No. 7) pertaining to payment of exploration royalties which has not been resolved. The program relating to ROKG assistance in exploring and developing mines calls for the mine owners to contract with the ROKG to explore potential veins, and the mine owners agree to reimburse the ROKG for the costs incurred through payment of royalties at the rate of 59 percent of ore sales over a period not to exceed ten years. If exploration proves the vein is unproductive, the mine owners are not obligated to repay the exploration costs. Assistance to the ROKG in this area has been provided by the USOM since 1961 through counterpart funding of ROKG development budgets. The USOM is not correcting the conflict between the ROKG law and the project agreements as noted above.

Recommendation No. 7.—EPB should research and report to the USOM the reasons for the inconsistency between the Project Agreement and the ROKG law (which was enacted after the Project Agreement).