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**TREATIES AND OTHER INTERNATIONAL ACTS SERIES 8980**

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**AUDIT OF CERTAIN SUBCONTRACTS**

Undertaking Between the  
UNITED STATES OF AMERICA  
and CANADA

Effected by Exchange of Notes  
Signed at Washington October 13 and 28, 1977

64612

NOTE BY THE DEPARTMENT OF STATE

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**CANADA**

**Audit of Certain Subcontracts**

*Undertaking effected by exchange of notes  
Signed at Washington October 13 and 28, 1977;  
Entered into force October 28, 1977.*

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ACQUISITION

*The Secretary of State to the Canadian Ambassador*

October 13, 1977

**Excellency:**

I have the honor to refer to the discussions between representatives of our two Governments and to the attached Memorandum of Understanding between the Comptroller General of the United States of America and the Auditor General of Canada. The Memorandum of Understanding is a reciprocal arrangement resulting from discussions between the Comptroller General and the Auditor General whereby the Auditor General has agreed to conduct an examination and audit of certain subcontracts which were awarded to Pratt and Whitney of Canada under a prime contract from the United States Department of the Navy to Pratt and Whitney of West Virginia. The Memorandum of Understanding includes in return assurances of cooperation in the future by the Comptroller General.

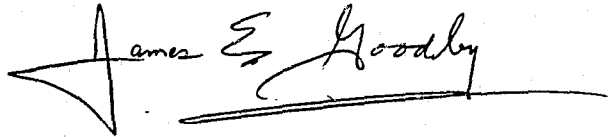
If the proposal to conduct an examination and audit under the terms and conditions agreed in the Memorandum of Understanding is acceptable to your Government, I have the honor to propose that this note, including its attachments, together with Your Excellency's reply to that effect, shall constitute an undertaking between our two Governments, which shall

His Excellency  
Peter M. Towe,  
Ambassador of Canada.

enter into force on the date of your reply and shall remain in effect until terminated in writing by either Government or until the examination and audit have been completed.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State:

A handwritten signature in cursive script that reads "James E. Goodby". The signature is written in black ink and is underlined with a single horizontal line.

Enclosures:

4 Copies of Memorandum of Understanding

## MEMORANDUM OF UNDERSTANDING

BETWEEN THE COMPTROLLER GENERAL OF THE UNITED STATES OF  
AMERICA AND THE AUDITOR GENERAL OF CANADA FOR  
AUDIT OF CERTAIN SUBCONTRACTS AWARDED TO PRATT AND WHITNEY  
OF CANADA BY PRATT AND WHITNEY OF WEST VIRGINIA, U.S.A.

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1. In accordance with his responsibilities, the Comptroller General has initiated a review of contracts Number N00019-72-C-0592 and Number N00019-73-C-0333 between Pratt and Whitney of West Virginia and the United States Department of the Navy. A substantial portion of the prices under the contracts reflects costs incurred under subcontracts awarded to Pratt and Whitney of Canada by Pratt and Whitney of West Virginia. Both the prime and subcontracts set forth the right of the Comptroller General to examine the books, documents, papers, and records of the contractor and subcontractor relating to transactions under the respective prime and subcontracts.

Since the subcontractor is located in Canada, the Comptroller General has held discussions with the Auditor General on mutually agreeable arrangements for carrying out the desired examination and audit. As a result of these discussions, the Auditor General has agreed to conduct an examination and audit with the understanding that requests by the Auditor General for reciprocal cooperation in the future will be facilitated by the Comptroller General in accordance with United States law to the maximum extent practicable.

2. The purpose of such examination is to test whether, as disclosed by the contract documents, the interests of the United States of America were properly safeguarded by the Department of the Navy in the transaction. In order to assist the Auditor General, the Comptroller General agrees to provide such technical and staffing assistance as required.

3. The Auditor General will initially conduct preliminary examinations of the subcontracts to determine the need for a more detailed examination and prepare a report thereon. To assist in the preliminary examination, the Comptroller General will provide as many staff members as

may be mutually agreed upon, but not less than two. The Comptroller General will decide after review of the report on the preliminary examination whether a detailed review is required.

4. If it is required, the Auditor General may conduct the detailed review. The scope of the review shall include all items the Comptroller General regards as necessary to discharge his responsibilities. The Comptroller General will provide such technical and staffing assistance as required. Staffing assistance will include as many staff members as may be mutually agreed upon, but not less than two.

5. The Comptroller General and the Auditor General shall enter into any further arrangements appropriate for the conduct of the audit.

6. If exceptional circumstances should arise, such as in the event the Auditor General is unable to perform this examination and audit, the Comptroller General may determine to perform the audit at Pratt and Whitney of Canada with his own resources. Before such a determination is made, the Comptroller General will consult with the Auditor General. Further, the Auditor General will be (I) provided the



opportunity to accompany the Comptroller General in the performance of the audit, (II) apprised of the results of the audit, and (III) provided access to the Comptroller General's workpapers.

7. This arrangement will enter into force with an exchange of diplomatic notes between the Governments of the United States and Canada.

*Elmer B. Staats* [1]  
 COMPTROLLER GENERAL OF THE  
 UNITED STATES OF AMERICA

DATED October 11, 1977

*J. J. Macdonell* [2]  
 AUDITOR GENERAL OF CANADA

DATED October 26, 1977

[SEAL]

<sup>1</sup> Elmer B. Staats

<sup>2</sup> J. J. Macdonell

*The Canadian Ambassador to the Secretary of State*

Canadian Embassy



Ambassade du Canada

WASHINGTON, October 28, 1977.

Sir:

I have the honour to refer to your Note of October 13, 1977, proposing that the understandings set forth in it and the attachment thereto, which accord with the understandings reached between representatives of our two Governments, should govern the terms and conditions under which the Auditor General of Canada agrees to conduct an examination and audit of certain subcontracts which were awarded to Pratt and Whitney of Canada under a prime contract from the United States Department of the Navy to Pratt and Whitney of West Virginia.

I am pleased to inform you that my Government concurs in the proposal set forth in your Note and welcomes in particular the assurances of co-operation in the future by the Comptroller General contained in the Memorandum of Understanding. My Government agrees that your Note, including its attachment, together with this reply, shall constitute an undertaking between our two Governments which shall enter into force on today's date and shall remain in effect until terminated in writing by either Government or until the examination and audit have been completed.

Accept, Sir, the renewed assurances of my highest consideration.

Ambassador.

The Honourable Cyrus R. Vance,  
Secretary of State,  
Washington, D.C. 20530.

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<sup>1</sup> P. M. Towe

**END**