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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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APR 30 1974

LOGISTICS AND COMMUNICATIONS DIVISION

RELEASED

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74-0430

The Honorable William V. Roth, Jr.
United States Senate

Dear Senator Roth:

This report is in response to your request of March 22, 1974, that we provide answers to two questions posed by one of your constituents concerning Department of Defense (DOD) funds for Indochina. The questions arose as a result of a newspaper article that quoted our report to Congresswoman Patricia Schroeder concerning DOD's reporting of the Military Assistance Service Funded (MASF) program to Congress.

The answers to the questions follow.

QUESTION I

"Does not the Department of Defense have a legal obligation to accurately report to Congress how much it has spent in a given budget line such as military assistance or "supplies and support contracts" or how much it intends to spend for a given area?"

Until fiscal year 1966 the United States furnished military assistance to the Vietnamese and other free world forces in Vietnam through the Military Assistance Program. In 1966 the Congress authorized the use of military funds to support Vietnamese and other free world forces in Vietnam. This arrangement is known as the MASF program. The Secretary of Defense had requested this program on the grounds that separate financial and logistics systems for U.S. and other military forces in Vietnam would be too cumbersome, time consuming, and inefficient. The Secretary stated that a similar problem during the Korean War had been solved by programming, budgeting, and funding all requirements under military appropriations.

The MASF system was not designed or intended to provide program data, budgets, costs, and other management information normally required by Congress when military assistance is funded under foreign assistance legislation. Since the system was not intended to provide this information, the Congress has included in the appropriate appropriation acts each year a provision requiring the Secretary of Defense to provide the Congress with quarterly reports of the estimated value of MASF assistance to Vietnam.

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QUESTION 2

"Where did the Defense Department get this "unreflected" 400 million dollars? Did it come from the "pipeline" or from "transfer authority" or "excess stocks," some combination of these or in another fashion?"

The \$400 million did not come from the pipeline, transfer authority, or excess stocks.

The \$400 million is the difference between the amount of military assistance that DOD reported it provided to Vietnam in fiscal year 1971 and the amount we estimated it had provided during that year. The difference occurred mainly because the Army and Air Force had estimated the value of support rather than reporting the actual value of materiel delivered, as was done under the Military Assistance Program.

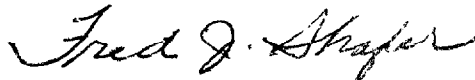
For your information we are enclosing our report to Congresswoman Patricia Schroeder dated February 12, 1974, and our report to the Congress on Suggestions for Changes in U.S. Funding and Management of Pacification and Development Programs in Vietnam dated July 18, 1972. These two reports discuss in part the same subject matter that is discussed in this report.

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We do not plan to distribute this report further unless you agree or publicly announce its contents.

We trust this information responds to your request. Please advise us if we can be of further assistance.

Sincerely yours,



Fred J. Shafer
Director

Enclosures - 2