



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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The Honorable Patricia Schroeder  
House of Representatives

Dear Mrs. Schroeder:

In your August 29, 1973, letter, you asked us to examine the financing of Department of Defense (DOD) contracts in Indochina. During a later meeting with your office, it was agreed that we would limit our examination to determining if DOD, in reporting to the Congress on the Military Assistance Service Funded (MASF) program, had used the value of the contracts shown on the list of the U.S. Defense Attache Office in Saigon.

We found that DOD's reports to the Congress have not reflected the entire value of contracts shown on the Attache Office's list.

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 assistance 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. In authorizing the MASF program, the Congress stated:

"Within thirty days after the end of each quarter, the Secretary of Defense shall render to Congress a report with respect to the estimated value by purpose, by country, of support furnished from such appropriations." (Underscoring supplied.)

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During 1971 and 1972 we reviewed the MASF program to determine if DOD's reports to the Congress adequately showed the value of the assistance provided. In our report to the Congress,<sup>1</sup> we stated that the estimated amounts reported to the Congress were significantly understated. DOD reported it had provided \$1.5 billion in military assistance to Vietnam in fiscal year 1971, but we estimated it had provided about \$1.9 billion in military assistance. The primary reason for this difference was that the Army and Air Force had estimated the value of support rather than reported the actual value of materiel delivered, as was done under the Military Assistance Program.

The fiscal year 1974 MASF budget follows.

| <u>Service</u> | <u>Appropriation</u>                           |                          |                               | <u>Total</u>     |
|----------------|--|--------------------------|-------------------------------|------------------|
|                | <u>Operation<br/>and<br/>mainte-<br/>nance</u> | <u>Procure-<br/>ment</u> | <u>Military<br/>personnel</u> |                  |
|                | (millions)                                     |                          |                               |                  |
| Army           | \$355.9  | \$ 80.4                  | \$40.4                        | \$ 476.7         |
| Air Force      | 247.1  | 278.4                    | -                             | 525.5            |
| Navy           | <u>19.9</u>                                    | <u>-</u>                 | <u>-</u>                      | <u>19.9</u>      |
| Total          | <u>\$622.9</u>                                 | <u>\$358.8</u>           | <u>\$40.4</u>                 | <u>\$1,022.1</u> |

Of the \$622.9 million budgeted for operations and maintenance, we identified at least \$190 million for contractual support.

The Army and Air Force obligation amounts contained in DOD's reports to the Congress on the MASF program were estimates of the appropriations that were obligated during the past quarter, but the Navy reported actual obligations. Since

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<sup>1</sup>"Suggestions for Changes in U.S. Funding and Management of Pacification and Development Programs in Vietnam" (B-159451, July 18, 1972).

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the estimates did not necessarily have a direct relationship to actual obligations during a quarter, we examined the actual contracts in effect during the first quarter of fiscal year 1974.

According to the Acting Assistant Secretary of Defense (Installations and Logistics), the best available list of all contracts in Vietnam is the Attache Office's monthly list, which includes contracts for the support of Vietnamese and U.S. Armed Forces. The September 30, 1973, list included 187 contracts, of which 27 were for U.S. Armed Forces. DOD officials told us that contracts for the support of U.S. Armed Forces were not part of the MASF program.

The remaining 160 contracts were valued at \$134 million. There are a number of reasons why the amount budgeted for contractual support--\$190 million--differs from the value of contracts on the Attache Office's list. Two reasons are (1) the budgeted amount covers the entire fiscal year, whereas the Attache Office's list includes only contracts awarded through September, and (2) negotiated contract prices usually differ from the estimates on which the budget is based.

The Army and Air Force budgets (see p. 2) include a list of the types of contractual support to be provided to the Vietnamese. We therefore considered matching the contracts awarded through September 30, 1973, with those included in the budget descriptions to determine whether the support being procured was consistent with the provisions of the budget. But service representatives told us that we could not do this because (1) two or more contracts could be awarded for a specific budgeted line item, (2) the negotiated contract price can vary significantly from the budget price, and (3) descriptions of the types of support shown in the budget and on the Attache Office's list differed.

To make a detailed analysis of the differences, if any, between the Attache Office's list and reported budgeted line items, a considerable amount of work would have to be done in Hawaii and Vietnam. We discussed this with your office, and it was agreed that this work would not be done at this time.

AVAILABLE

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,



[Deputy Comptroller General  
of the United States