of commodities being imported into Vietnam under the economic assistance program. These operations by their nature and circumstances are conducive to manipulation and irregularity.

The underlying problems relating to management control of the economic assistance programs in Vietnam, although intensified, are generally not new. The more obstinate continuing difficulties have received considerable attention in congressional hearings and reports over the past several years. They also have been observed in our earlier reviews and are included in two reports which we transmitted to the Congress in July 1964.

AID has taken aggressive action in recent months toward applying greater audit and review effort in significant program areas. For example, a special group has been established in Vietnam to give particular attention to strategic commodities; and action has been started to increase and upgrade the Mission audit staff in Vietnam.

In connection with the military construction program, totaling nearly $600 million up to March 1966, $504 million had been incurred under a single joint-venture contract for construction of air bases, port facilities, cantonments and logistical and administrative facilities for United States and Vietnamese military forces, and other projects. Audits to date by the defense agencies having responsibility have been limited mostly to examinations of the contractors' cost representations as shown on vouchers presented for payment. Insofar as we could determine, no management reviews or evaluations have been undertaken of substantive contract performance or of the broader control aspects of the construction program.

The atmosphere surrounding the billion-dollar construction undertaking in Vietnam and the conditions of urgency under which the work is proceeding are at best conducive to a large element of waste, some of it unavoidable. Many of the management controls which are applied in a normal construction operation are precluded by the circumstances. In our opinion, this creates an urgent need for a counterbalance in the form of a searching management review and inspection function on a continuing basis to reduce avoidable waste without hindering the program. There appears to a particular need for audits and inspections concerning the adequacy and timeliness of delivery, the end use, and the propriety of costs of the large amounts of equipment, spare parts, and supplies that are being provided under the program.

We found no audits being conducted nor did we find any current plans by the audit agencies of the Departments of the Army and Navy to perform audits of military supply or logistics activity other than construction in Vietnam. The Air Force Auditor General was planning some audit by temporary duty staff in the areas of accounting and finance, procurement, and nonappropriated funds. However, Army and Air Force audit agencis were performing extensive audits at Pacific bases and in the United States of activities relating to logistics support of the military effort in Vietnam. Audits conducted by the military commands in Vietnam have been limited mostly to nonappropriated fund activities such as officers' and enlisted men's clubs and open messes.

The circumstances under which the economic and military assistance and military construction programs are conducted and the scope, complexity, and uniqueness of the activities in Vietnam suggest a greater than ordinary need for a continuing plan of top management