

surveillance. The internal audit and review problems, however, are aggravated, particularly in the economic assistance program, by (1) limited audit and inspection manpower, as to both numbers and qualifications, (2) diffusion of audit staff efforts, and (3) the war conditions and other environmental elements including difficulties in securing access to information in regard to joint activities with the Government of Vietnam.

We recognize that special management techniques have been applied in the Vietnam operation. Our report does not imply derogation of these techniques, but is related to the extent to which the regularly constituted audit and investigative organizations have performed their functions in Vietnam. In this connection we believe that the Defense practice, which has in essence excluded the regularly constituted audit arms of the military services from performance of audits of support activities in Vietnam, should be reconsidered to permit these agencies to perform needed audit and review functions in areas where these functions would not interfere with combat operations nor obstruct United States purposes.

Following through from the information developed in this survey, our Office is scheduling further work to be performed in the United States and in Vietnam, relating to the more crucial areas of the commercial import program and the vast construction program.

[Index No. 50—B-118660, Aug. 9, 1966]

SAVINGS AVAILABLE BY CANCELING HAZARD INSURANCE POLICIES ON PROPERTIES ACQUIRED UPON DEFAULT OF HOUSING LOANS, VETERANS' ADMINISTRATION

On the basis of our review, we believe that estimated savings of about \$112,000 could have been realized in fiscal year 1965 at the six Veterans' Administration regional offices visited by us, if (1) available refunds on unexpired insurance policies had been obtained and (2) regulations had been revised to enable cancellation of hazard insurance policies in certain States granting mortgagors redemption rights.

Since the regional offices which we visited administered about 29 percent of all properties acquired by the Veterans' Administration during fiscal year 1965, we believe that substantially greater savings are available nationwide.

It is the stated policy of the Veterans' Administration to be self-insured against hazards to properties owned by it. This policy is consistent with the general policy of the Government to assume its own risk of loss, on the theory that the magnitude of the Government's resources makes it more advantageous to carry its own risks than to have them assumed by private insurers. However, in May 1964 the Veterans' Administration revised its instructions to require that a hazard insurance policy on acquired property be permitted to remain in force regardless of the amount of the unexpired premium, unless the property is sold prior to the expiration date of the policy. Previous instructions required prompt cancellation of an insurance policy on property acquired by the Veterans' Administration when the unexpired premium amounted to \$20 or more.