

A basic point to admit is that few if any U.S. advisers knowledgeable about financial procedures enough detail to make specific recommendations for simplification or improvement. They do know several things that lead to the conclusion that some changes are necessary if some of the apparent major deficiencies are to be corrected.

They know (a) that contractors charge the GVN excessive amounts because it will take months of waiting to get paid after a contract is finished.

(b) It is a rare occurrence when any funds or materials are returned as excess when a project is completed. Usually all funds appropriated are spent or claimed to be spent.

(c) There are often long delays by the ministries and by the provinces in releasing funds.

(d) In spite of multitudes of documents the officials at all levels seem to be able to take a share of the funds and materials.

(e) That there is no system of auditing that demands a full accounting of funds and materials.

There is no questioning that sound management procedures are ^anecessary part of any endeavor whether public or private but the judgement of at what point do procedures reasonably guarantee proper use of funds and beyond which point they become excessively complicated and inhibit progress is difficult to make without a detailed study. To really determine whether the financial procedures are unduly complicated it would be necessary for a person to take a typical set of documents and walk them through the process.

If you question a highlander village chief the reply would usually be that the procedures are very complicated. An experienced

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Vietnamese village chief would not feel the same way though few officials get much pleasure from paper work.

The use of cash in small amounts is not necessarily a bad idea. It can often ~~save~~ much time for all concerned and for small transactions that do not justify a lot of paper work it is the best way. Cash transactions like all others must be subject to audit.

This Headquarters is concerned that funds and materials furnished by the government be properly utilized and accounted for and that reasonable procedures be used to assure that this happens but without the detailed study of current financial procedures we are at a loss to make detailed recommendations for improvements.