Mr. Francis M. [illegible] AD/Control [illegible] 23, 1965

THRU: Mr. Ralph E. Stansbury, Chief Auditor — AID-84/65

Nghiem Van Minh, Auditor

John B. O'Donnell, former USOM Representative to Kien Hoa Province.

On April 13, 1965 I flew to Kien Hoa province to help winding up our audit there. I had my first lunch at Kien Hoa with our auditors and Mr. Chinh, the local Area Specialist to USOM/Kien Hoa, at a Chinese restaurant. On this occasion I learned that the joint CPC/USOM audit team had been invited to certain meals by the Province Chief, Lt. Colonel Tran-Ngoc-Chau. Conscious of the ethical requirements of an auditor, I sort of discouraged our auditors in their accepting the Province Chief's invitation to take meals at the Province's cost. Mr. Xuyen explained however, that Captain Phung-Ngoc-Se who represented CPC in this audit, was to accept the invitation since Col. Chau knew him a long time ago. At this point Mr. Chinh of the Kien Hoa USOM office disclosed that Mr. John O'Donnell, the former USOM Rep. had been taking meals at the Province Chief's cost for almost two years. Late in the afternoon of April 13, I mentioned this fact in the presence of Mr. Luan, the Province Chief's Secretariat Head, and noted that Mr. Luan, although making no specific comments, did not raise any questions as to the veracity of that fact.

This apparently excessive hospitality allegedly received by O'Donnell prompted me to scan certain expenditure vouchers falling within the period of time when he functioned as USOM Rep. to Kien Hoa. I observed that O'Donnell had signed off an estimated VN$1.6 million in payment of expenditures entirely inconsistent with the Release Agreement objectives. Exceptions will be taken in Kien-Hoa Audit Report currently prepared by the joint audit team. I further observed that in at least seven instances O'Donnell had signed off after-the-fact authorizations for expenditure of Agreement funds for purchases of lumbers totaling VN$312,000. It also is worth mentioning that the related supporting vendor's invoices are dated 1½ years before expenditure authorizations and were unquestionably spurious. These transactions will be excepted in our forthcoming audit report.

I am of the opinion that Mr. J. O'Donnell's acceptance of free subsistence from the Province Chief should be one of the factors responsible for serious laxity in the administration and control of the Kien Hoa Release Agreement.