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#1 Report	GAO Secret <i>Sanitized, Army to 7/6/77</i> Review of Military Assistance Program Requirements for the Army and Air Force of Korea 4lp <i>open 9-14-09</i>	01/--/61	A

FILE LOCATION
VP Security File, Nations and Regions
[Review of Military Assistance Program Requirements for
the Army and Air Force of Korea, 1/61]

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**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**REVIEW
OF
MILITARY ASSISTANCE PROGRAM REQUIREMENTS
FOR THE
ARMY AND AIR FORCE OF KOREA**

This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, U.S.C., Secs. 793 and 794, as respectively amended, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.



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By cbw/jc, NARA, Date 4-2-09

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**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES**

JANUARY 1961

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(UNCLASSIFIED IF DETACHED FROM REPORT)

COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON 25



B-125099

JAN 31 1961

Honorable Lyndon B. Johnson
President of the Senate

Dear Mr. President:

Enclosed is our report on the review of military assistance program requirements for the Army and Air Force of Korea. Our first report on the Military Assistance Program for Korea was transmitted to the Secretary of Defense and to several congressional committees on October 4, 1957. Our second report was transmitted to the Congress on February 26, 1960.

The deficiencies cited in this third report and summarized below were for the most part referred to in testimony by officials of the General Accounting Office on May 16, 1960, before the Subcommittee on Foreign Operations, Committee on Appropriations, House of Representatives, during the second session of the Eighty-sixth Congress.

Our review, made in April and May 1959, disclosed that outstanding requisitions contained unneeded items and that the refined fiscal year 1960 program was overstated. As a result of our review, immediate action was taken at the local level to cancel requisitions totaling \$7.9 million and to reduce the 1960 program by \$3.7 million. In April 1960 we followed up the actions taken and were informed that directly or indirectly because of our review requisitions aggregating \$24.3 million were canceled and the 1960 program was reduced by \$4.3 million.

In commenting on our findings, the Assistant Secretary of Defense, International Security Affairs, has cited several actions taken to improve programing processes. The effectiveness of these actions will be evaluated during our next review in Korea.

This report is also being sent today to the Speaker of the House of Representatives. Copies are being sent to the President of the United States and to the Secretary of Defense.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Kenneth C. Campbell".

Comptroller General
of the United States

Enclosure

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REPORT ON REVIEW

OF

MILITARY ASSISTANCE PROGRAM REQUIREMENTS

FOR THE

ARMY AND AIR FORCE OF KOREA

The General Accounting Office has reviewed the fiscal year 1960 military assistance program (MAP) requirements for selected items for the Army and Air Force of the Republic of Korea (ROK). Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). This review was directed to examining the validity of programmed or requisitioned requirements for selected items and did not include an over-all evaluation of the Military Assistance Program for Korea. The scope of our review is shown on page 20. (UNCLASSIFIED)

HIGHLIGHTS

The fiscal year 1960 military assistance material program for Korea was significantly overstated, and considerable amounts of unneeded material included in prior years' programs were being requisitioned for delivery to Korea from United States supply sources. As a result of our review, immediate action was taken at the local level to cancel requisitions totaling \$7.9 million and to reduce the 1960 program by \$3.7 million. In April 1960 we followed up the actions taken and were informed that, directly or indirectly due to our review, requisitions aggregating \$24.3 million were canceled and the 1960 program was reduced by \$4.3 million.

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Subsequently, the Office of the Assistant Secretary of Defense for International Security Affairs (ISA) commented that the refined ROK Army fiscal year 1960 program which we had reviewed was not final and that a later review resulted in a reduction in the program, as submitted in March 1959, of \$25.3 million.

In commenting on our findings, ISA stated also that the following continuing actions are being taken in the field to refine the programing process:

1. Improvement in recordkeeping and inventory control of depot stock.
2. Publication of various ROK Army regulations and effective utilization of ROK Army logistics personnel.
3. Logistic demonstrations and command inspections.
4. Monthly review of material on order.
5. Internal follow-up on findings of the General Accounting Office.
6. Recomputation of requirements for consumable items at time of requisition.

Following is a summary of the findings disclosed by our review. The comments obtained from ISA on these findings are appended to this report (see appendix II) and have been incorporated in the body of the report where appropriate.

PROGRAM SUBMISSIONS AND REQUISITIONS OVERSTATED BY \$8.7 MILLION

Our review of the programing and requisitioning of material disclosed major deficiencies requiring corrective action in order to provide more effective and more economical support of the ROK Army and Air Force. We found that programed and requisitioned quantities were overstated in the amount of \$8.7 million because

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of failure to consider available stocks and the use of incorrect factors in computing requirements.

As a result of our review, overstated requisitions valued at \$3.6 million were canceled and the fiscal year 1960 program was reduced by about \$3.7 million. It was also expected that further reductions of about \$1.4 million would be made against fiscal year 1960 requisitions and the fiscal year 1961 program. (See p. 8.)

SPARE PARTS VALUED AT \$4 MILLION REQUISITIONED IN EXCESS OF NEEDS

Automotive spare parts, valued at \$4 million, on requisition from United States stocks under prior years' programs were excess to current needs at the time of our review.

When we brought this condition to the attention of advisory personnel, a review of requirements for high-value spare parts was made, which resulted in recommending cancellation of requisitions for 299 line items totaling \$3,953,908. In addition, ISA has informed us that all spare parts requisitions, not on procurement, for World War II vehicles have been canceled and stock control procedures have been initiated to strengthen management controls over inventories and requisitioning policies. (See p. 11.)

NONUTILIZATION OF CONSTRUCTION AND COMMUNICATIONS MATERIALS

We found that MAP-furnished material was not being effectively utilized because of (1) improper planning and ineffective controls over military construction, resulting in stock imbalances totaling more than \$1.7 million, and (2) ineffective management and programming of communications and electronics equipment. (See p. 14.)

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UNECONOMICAL MANAGEMENT OF EXCESS STOCKS

We found that excess stocks valued at approximately \$500,000 were being uneconomically managed because of (1) inadequate cross and intraservice screening of excesses, (2) requisitioning of unneeded material, and (3) failure to report unneeded items as excess. As a result of our review, requisitions totaling \$360,722 were canceled and actions were taken locally to improve the control of excess stocks. (See p. 16.)

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BACKGROUND

The objectives of the Military Assistance Program for Korea are to maintain Korean forces capable of assuring internal security and, together with United States forces in Korea, capable of (1) deterring or successfully resisting aggression from North Korean forces alone, (2) deterring aggression by North Korean forces, together with those Chinese Communist forces estimated to be in the proximity of the Korean Peninsula, or conducting a successful holding operation against these Chinese and North Korean forces, and (3) exercising the degree of power and range of capabilities sufficient to demonstrate throughout Asia the continuing determination of the Republic of Korea to oppose Communist aggression.

~~(SECRET)~~

The cumulative dollar value of the Military Assistance Program for Korea through June 30, 1959, as reported in budget estimates, was \$1,221 million. In addition, the approved fiscal year 1960 program was \$178 million and the fiscal year 1961 program is estimated at \$265 million. The United States has also furnished economic aid to Korea in the cumulative amount of \$1,648 million through fiscal year 1959; and an estimated \$381 million of economic aid was to be programmed for fiscal years 1960 and 1961.

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The General Accounting Office's first report on the Military Assistance Program for Korea, dated March 1957 (B-125099), disclosed that program requirements were developed without adequate documentation and without adequate consideration of materials on

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hand. At that time, we were advised that inventory controls had been established and that current data as to country assets, attrition factors, and usage factors were being developed and used in military assistance programing. However, a subsequent review made in September and October 1958 disclosed that, although certain corrective actions had been initiated, material requirements continued to be developed in an inaccurate and incomplete manner without adequate supporting documentation. This review was the subject of a second report, dated February 1960.

An official of ISA testified before the Subcommittee for Review of the Mutual Security Programs of the Committee on Foreign Affairs, House of Representatives, on January 13, 1959, that the establishment of programing controls by the Joint Military Assistance Advisory Group, Korea (Provisional) (PROVMAAG-K), in September 1957 resulted in the development of more realistic and valid programs, that overlapping and duplication were being minimized, and that corrective action to improve programing for the ROK Air Force was reflected in the resubmission of the Air Force fiscal year 1960 military assistance program.

As a result of this testimony, we made a follow-up review in March 1959. A brief test of programed items for fiscal year 1960 disclosed such serious deficiencies that we concluded that a more detailed study of requirements should be made. Accordingly, in April and May 1959, we reviewed ROK Army and Air Force program requirements contained in the refined fiscal year 1960 submission.

The purpose of this review was to examine the validity of the refined fiscal year 1960 military assistance material program for

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Korea and the validity of outstanding requisitions based upon previously approved programs. The refined program is the product of a material program prepared by PROVMAAG-K and reviewed by the Commander in Chief, Pacific (CINCPAC), by the respective military departments at the Washington level, and by ISA and coordinated with the Department of State. Among those policies and procedures which control the development and review of the program are:

1. Grant aid normally will be provided only to the extent that the recipient is capable of absorbing, maintaining, and utilizing effectively the aid provided.
2. Total military requirements will be the minimum required to accomplish the military task.
3. Available assets must be deducted from essential gross requirements in order to determine net programable deficiencies.
4. The military departments are responsible for reviewing data submitted by PROVMAAG-K with respect to gross requirements, assets on hand, and undelivered programmed amounts, taking into account all approved programs and program changes as of the date of the review.

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FINDINGS

PROGRAM SUBMISSIONS AND REQUISITIONS OVERSTATED BY \$8.7 MILLION

Our review of the programing and requisitioning of material disclosed major deficiencies requiring corrective action in order to provide more effective and more economical support of the ROK Army and Air Force. We identified programed and requisitioned quantities which were overstated in the amount of \$8.7 million because of failure to consider available stocks and the use of incorrect factors in computing requirements. In addition, items were unnecessarily shipped to Korea because of a lack of timely review of prior year requisitions.

As a result of our review, overstated requisitions valued at about \$3.6 million were canceled and the fiscal year 1960 program was reduced by about \$3.7 million. It was also expected that further reductions of about \$1.4 million would be made against fiscal year 1960 requisitions and the fiscal year 1961 program.

Examples of the deficiencies disclosed during our review are generally described in the following sections and are discussed in further detail in appendix I to this report.

Failure to consider available stocks

Military assistance program guidance provides that gross country requirements for a programable item will be reduced by the quantities on hand including all substitute items. Failure to show in the program submissions correct quantities on hand or on order from prior programs will result in showing erroneous programable requirements. Unless these errors are corrected, overfunding and overdelivery may result.

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Our review disclosed that, in developing the refined 1960 program for the Army and Air Force of Korea, erroneous data as to stocks on hand and on order were used in many instances and that in other instances substitute items on hand or on order were not considered.

Erroneous asset data used in computing requirements

ROK Air Force requirements for organizational, base, and maintenance supplies were overstated by about \$1.4 million in the fiscal year 1960 refined program because of understatement of stocks on order from previous years' programs. In another instance, the requirements for tire recapping supplies were overstated by about \$230,000 because of PROVMAAG-K's failure to consider recapping supplies already on hand for tires previously programed for recapping. We noted also that the fiscal year 1960 program for personal equipment, such as mess kits and cots, was overstated as a result of a failure to consider items on hand valued at about \$1.5 million.

These and the other examples included in appendix I indicate that PROVMAAG-K should consider all items on hand or due in when computing program requirements. We have since been informed by PROVMAAG-K that the specific programing deficiencies we noted have been corrected and that assets from all sources are now being used to adjust the fiscal year 1960 program.

Substitutes not considered in determining requirements

Excessive quantities of raw natural cotton, cotton cloth, and wool cloth were included as requirements in the fiscal year 1960 program as a result of a failure to consider substitute items on

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hand. We were advised that, as a result of our disclosure, requisitions totaling \$857,000 were canceled and programed requirements were reduced by about \$382,000.

Use of incorrect factors in computing requirements

Requirements shown in the refined 1960 program were overstated by about \$566,000 because of the use of improper factors in computing requirements. For example, we noted that photographic chemicals, anti-icing fluid, sewing machines, spray material, oil trucks, and glassine paper requirements were overstated because of the use of either erroneous flying hours, inadequate replacement factors, or erroneous tables of allowance authorization. We noted also that items, such as vehicle tires, machine gun mounts, and high value Air Force items, were programed, requisitioned, or rebuilt in excess of Korea's authorized quantities.

We apprised ISA and PROVMAAG-K of these deficiencies in detail and were informed that appropriate adjustments would be made to the fiscal year 1961 program.

Lack of timely review of prior year requisitions

In April 1959, 120 generators valued at \$212,760 were unnecessarily shipped to Korea because prior year requisitions were not reviewed. The items had been requisitioned in January 1958, but some time after this date the ROK Army developed an excess of these generators. However, no action was taken to cancel the requisitions until shipping notices were received. As a result, delivery of the unneeded generators took place. Had a more timely

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review been made of outstanding requisitions, the shipment of this unneeded equipment could have been avoided.

SPARE PARTS VALUED AT \$4 MILLION REQUISITIONED IN EXCESS OF NEEDS

Automotive spare parts, valued at \$4 million, on requisition from United States stocks under prior years' programs, were excess to current needs at the time of our review.

Our test of requirements for ordnance spare parts disclosed that requisitions for 10 line items with a total value of \$698,912 were overstated by \$509,154, as follows:

<u>Item</u>	<u>Requisitioned</u>	<u>Excess requisitioned</u>
2540-770-3114 Absorber	\$ 94,421	\$ 60,143
2540-773-5300 Absorber	91,003	40,457
2530-773-5496 Shaft	13,808	11,133
2540-734-9135 Absorber	11,330	4,988
2530-368-4867 Arm	10,710	7,650
2805-741-0865 Gasket set	48,524	18,631
2520-274-4499 Gear	41,503	27,516
2510-737-1203 Leaf	14,969	3,652
2530-449-5390 Torque rod	332,000	332,000
2530-447-2341 Drum	<u>40,644</u>	<u>2,984</u>
Total	<u>\$698,912</u>	<u>\$509,154</u>

Following are the reasons for the excess requisitioning of the items we tested:

1. Duplication of requirements--Consideration was not given to stocks already on order in computing current requirements. As a result, unneeded items valued at \$80,881 were requisitioned. When we brought this to the attention of the agency, the excess items on requisition were canceled.

2. Erroneous stock records--Requirements for a gasket set were overstated by \$18,631 as a result of incorrect data on stock

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records concerning material on order. In another instance, the failure to report and post all assets on hand in a depot resulted in requisitioning excess gears valued at \$27,516.

In both cases mentioned above, action was taken to correct the stock records and to cancel the excesses on order. In addition, depot officials conducted a physical inventory and promised to correct the records accordingly.

3. Erroneous computation of requirements--Requisitions were overstated due to including in requirements computations for the Ordnance Base Depot a 5-month supply of parts to be stored at the automotive rebuild shop as well as the 27-month authorized supply for the Ordnance Base Depot. Since the 27-month authorization already included the 5-month supply for the rebuild shop, this resulted in excess requisitions of \$286,881 for torque rods and \$2,984 for brake drums. Similar overstatements were made for using units other than the automotive rebuild shop.

We have been advised by PROVMAAG-K that controls have now been established to prevent a recurrence of this type of error in computing requirements.

4. Inadequate control over reclaimable parts--Torque rods being reclaimed by the machine shop were understated in computing net requirements. This resulted in requisitioning unneeded quantities. Further review by agency personnel, based on our findings, showed that sufficient quantities of torque rods could be reclaimed to supply existing requirements. This resulted in reducing active requisitions by \$45,119.

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5. Use of incorrect parts replacement factors--Requisitions for some parts to support the automotive rebuild shop were overstated because of the use of incorrect estimates of requirements. Estimates were based on the assumption that all vehicles disassembled would require parts; however, many of the vehicles disassembled do not require parts since they are not economically repairable. (UNCLASSIFIED)

For example, 3,000 2-1/2-ton trucks were disassembled during 1958 but only 1,600 were reassembled, and the balance was not economically repairable. However, spare parts had been requisitioned to repair 3,000 trucks. (~~CONFIDENTIAL~~)

Specific instances of excess requisitioning because of the use of incorrect replacement factors were \$35,840 for shock absorbers and \$11,302 for spring parts. (UNCLASSIFIED)

Agency action

When we brought to the attention of advisory personnel our finding that excessive quantities of automotive spare parts were on requisition from United States stocks, they suspended half of all quantities requisitioned with a line-item value of \$5,000 or over, pending a review of requirements for these items. This study of high-value spare parts resulted in PROVMAAG-K's advising the United States Army Logistical Depot, Japan, to cancel requisitions for 299 line items of automotive spare parts. The cancellations effected by the depot as of December 9, 1959, were as follows: (UNCLASSIFIED)

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<u>Cancellations</u>	<u>Line items</u>	<u>Value</u>
Line items which were to be locally procured	260	\$3,742,225
Line items which were to be shipped from the United States Army Logistical Depot, Japan	<u>39</u>	<u>211,683</u>
	<u>299</u>	<u>\$3,953,908</u>

A committee was also established to completely review and develop new bases for estimating the spare parts needed for the automotive rebuild shop. Also, a continuous program of study and research is to be carried out until such time as actual usage rates are established.

ISA subsequently reported the cancellation of all requisitions, not on procurement, for World War II vehicle spare parts and an intensified program to salvage useful parts from inoperative vehicles in order to reduce spare parts requirements. In addition, reviews of stock levels, requisitions, and consumption rates were performed. ISA reported further that recent inventory counts and consolidation of stock records had improved controls over quantities on hand and on order and that a new requisitioning system, to have been implemented on July 1, 1960, would result in a complete review of repair parts requirements.

NONUTILIZATION OF CONSTRUCTION AND COMMUNICATIONS MATERIAL

We found that MAP-furnished material was not being effectively utilized because of (1) improper planning and ineffective controls over military construction, resulting in stock imbalances totaling more than \$1.7 million, and (2) ineffective management and programing of communications and electronics equipment.

Improper planning and ineffective controls
over military construction

ROK military construction was not properly planned, and effective controls had not been established over receipt and use of construction materials. As a result, serious imbalances were found in materials available for ROK military construction. (UNCLASSIFIED)

At January 1, 1959, the ROK Army had a reported construction backlog of \$5.6 million, which was approved and funded for supply of materials from MAP. Based on the quantities of materials requisitioned for these projects and the stock position at January 1, 1959, we found that materials required by the Army for plumbing, heating, and water systems were in the depot and in some instances had been there for as long as 2 years. On the other hand, the ROK Army needed \$1.7 million worth of cement and lumber whereas the ROK Air Force had stocks that were not currently required because of delays in implementation of its construction projects.

~~(CONFIDENTIAL)~~

We believe that this situation was due primarily to the fact that ROK military construction had not been properly planned and that adequate controls over receipt and use of construction materials had not been maintained. On May 8, 1959, the United States proposed to the ROK Ministry of National Defense that a joint construction agency be created within the ROK defense organization to plan and control the ROK military construction program. The agency would, at the outset, receive the necessary technical assistance from MAP personnel. At the time of our review this plan was in the formative stages. We believe that this plan, if

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properly administered, offers an effective organizational tool through which controls can be established for the orderly planning and implementation of the ROK military construction program.

ISA has informed us that the deficiencies in planning and controlling military construction have been corrected and that accounting procedures presently in effect will help to insure that materials are used for the purposes intended.

Ineffective management and programing of communications and electronics equipment

The ROK Air Force had on hand in the depot at Pusan 166 major line items of communications and electronics equipment which had not been distributed to the using units for which originally programmed. They had not been distributed to the using units because of inadequate identification and lack of realistic ROK Air Force unit authorization lists which could be used as a basis for issue.

Advisory personnel reported to us that the authorization lists would be revised by September 30, 1959. We proposed an immediate review of requirements for major communications and electronics equipment and the related adjustment of programs and requisitions. ISA reported that action had been initiated to identify the equipment and that, upon completion of this, distribution would be accomplished.

UNECONOMICAL MANAGEMENT OF EXCESS STOCKS

We found that excess stocks valued at approximately \$500,000 were being uneconomically managed because of (1) inadequate cross and intraservice screening of excesses, (2) requisitioning of unneeded material, and (3) failure to report unneeded items as

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excess. As a result of our review, requisitions totaling \$360,722 were canceled.

Inadequate cross-service screening of excesses

The ROK Navy reported excesses of 3,944 reams of map paper valued at \$102,544. This paper had been furnished to the ROK Navy in 1957 for hydrographic requirements but was the wrong type and, according to advisory personnel, could not be utilized for that purpose.

No action had been taken to transfer this paper to the ROK Army even though it could be utilized to reduce fiscal year 1960 programed requirements.

ISA advised us that it was difficult to obtain a consistent position from the ROK services as to what was and was not excess to their requirements. ISA reported that, when ROK Army and advisory personnel sought to obtain the map paper, ROK Navy personnel denied that it was excess.

Inadequate intraservice screening of excesses

Numerous items of stock were found to be excess at a ROK Air Force base supply unit while similar items were being ordered by a ROK Air Force depot. Following are examples:

<u>Description</u>	<u>Excess at base</u>	<u>Material on order for depot</u>	<u>Value of excess material on order</u>
Stabilizer	4	7	\$ 5,420
Stabilizer	3	8	4,491
Elevator	12	17	8,616
Combustion chamber	5	1	125
Fuel control	8	2	<u>2,642</u>
			<u>\$21,294</u>

We concluded that more effective coordination should be sought in processing base excesses against depot requirements and

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that corrective supply action should be taken on the above items and any other items similarly affected. PROVMAAG-K advised us that the shortages and excesses had been reconciled and that a quarterly and semiannual reporting procedure had been initiated to prevent a recurrence of this situation. (UNCLASSIFIED)

Requisitioning of unneeded material

Weapons valued at \$339,428 which were in excess of current authorizations were being requisitioned by the ROK Air Force from the ROK Army at the time of our review. The following examples were noted:

<u>Description</u>	<u>Excess on order</u>	
	<u>Quantity</u>	<u>Value</u>
Carbine, cal. 30	2,794	\$237,490
Submachine gun, cal. 45	45	3,128
Rifle, cal. 30	865	81,310
Browning automatic rifle	70	17,500
		<u>\$339,428</u> (SECRET)

As a result of our examination, United States advisory and ROK Air Force personnel reviewed weapons requirements and excess quantities on order were canceled. (UNCLASSIFIED)

Failure to report unneeded items as excess

Our review at the ROK Army signal depot disclosed that the depot prepared a list of 1,012 items, principally component parts, with no issue experience in 24 months. This list was forwarded to ROK Army headquarters in November 1958 but was returned to the depot on the basis that some of the items might be needed in the modernization program. (UNCLASSIFIED)

We proposed that United States advisory personnel review these items jointly with ROK Signal Corps officials to determine

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whether there were valid requirements for any of them and, if not, to initiate appropriate disposition action. ISA advised us that ROK Army headquarters was reluctant to acknowledge that the items on this list were excess. We were advised further that ISA still believed all the items to be excess and that a new list had been compiled, including additional items. ISA added that normal depot review procedures provide for the cancellation of requisitions for items no longer required and that these procedures would prevent the further accumulation of excesses.

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SCOPE OF REVIEW

Our review, which was made in April and May 1959, was directed primarily to examining the validity of programmed and requisitioned requirements for consumable items as set forth in the fiscal year 1960 refined program. This review included quartermaster, engineer, signal, and ordnance items which composed 95 percent of the total dollar value of the ROK Army and Air Force program for consumables. Our examination was made on a test basis and was directed to verifying, at the depot level, the validity of asset data. We also reviewed at the depot level and at various United States advisory offices the validity of requirements computations. No attempt was made to evaluate technical or strategic matters. At the conclusion of our review, we discussed our findings with cognizant United States representatives in Korea. Subsequently, in April 1960 we followed up the actions taken as a result of our 1959 review.

APPENDIXES

EXAMPLES OF PROGRAMING AND REQUISITIONING DEFICIENCIESDISCLOSED DURING REVIEWERRONEOUS ASSET DATA USED IN COMPUTING REQUIREMENTS1. Undelivered ROK Air Force stocks

About \$1.4 million worth of stocks on order from prior years' programs were not accurately reported in the Air Force portion of the fiscal year 1960 refined program submission. Therefore, proper consideration was not given to the availability of these stocks for meeting future program requirements. (UNCLASSIFIED)

Our review disclosed that \$4,385,000 worth of organizational, base, and maintenance supplies of the fiscal years 1950-59 programs were still on order as of December 31, 1958. The fiscal year 1960 refined program submission, however, showed stocks on order of only \$3 million. As a result, net requirements for these supplies in the fiscal year 1960 program were overstated by \$1,385,000. (~~CONFIDENTIAL~~)

ISA commented that the fiscal year 1960 program was overstated for some items because of the understatement of assets on order from prior years' programs. It reported that this was due to the fact that at the time the 1960 program was prepared only a small part of the approved fiscal year 1959 program had been received by PROVMAAG-K. ISA further stated that it recognized that adjustments to the fiscal year 1960 program would be necessary and that these adjustments were being made as requisitions against the fiscal year 1960 program are submitted and as the fiscal year 1961 program is refined. (UNCLASSIFIED)

2. Tires and recapping supplies

Tire recapping supplies were overstated in the fiscal year 1960 program by about \$230,000 because PROVMAAG-K failed to apply the tires programed for recapping against total fiscal year 1960 ROK Army tire requirements. PROVMAAG-K has informed us that it has taken corrective action. (UNCLASSIFIED)

Tires for general-purpose vehicles were not included in the fiscal year 1960 program; however, CINCPAC added \$3.5 million to the program when United States representatives reported that the requirements for tires had been omitted. (~~CONFIDENTIAL~~)

At the time of our review, stocks of several types of tires were excessive and no action had been taken to stop unneeded tires from being delivered. After discussing this with advisory personnel, the following adjustments were made:

- a. Requisitions valued at \$623,632 were canceled.
- b. The \$3.5 million programed for general-purpose vehicle tires was reduced by \$2.4 million since requirements existed for a much smaller quantity than programed by CINCPAC. (CONFIDENTIAL)

3. Barrier material

Fiscal year 1960 program requirements for various types of barrier material were overstated because of inadequate information on quantities due in or on hand from previous programs.

(UNCLASSIFIED)

We found that \$45,000 worth of undelivered barrier material, requisitioned in January 1959, had not been considered in developing the program. In addition, there were more than 5,800 rolls of barrier material worth about \$60,000, which had not been considered

in developing the program, and about 600 rolls on hand in ROK organizations which do not use the material. (UNCLASSIFIED)

As an illustration, the actual and programed status for 36-inch by 100-foot greaseproofed flexible barrier material is shown below:

	<u>Gross requirements</u>	<u>On hand and on order</u>	<u>Excess or shortage (-)</u>	
			<u>Quantity</u>	<u>Value</u>
Actual	13,184	20,869	7,685	\$109,127
Per program	11,124	10,025	-1,099	-15,600

(CONFIDENTIAL)

Advisory personnel agreed to survey barrier material requirements to determine the types and sizes required, giving due consideration to acceptable substitutes, and to adjust the fiscal year 1960 program as appropriate. (UNCLASSIFIED)

4. Personal equipment

Fiscal year 1960 program requirements for many personal equipment items were substantially overstated as the result of erroneous data concerning stocks on hand. During our tour of two Korean depots, we found large quantities of serviceable assets which were not considered in preparing the programs or in reducing quantities of material on order from United States stocks. (UNCLASSIFIED)

Some instances of erroneous asset data are as follows:

<u>Nomenclature</u>	<u>Quantities on hand</u>		<u>Items on hand not considered</u>	
	<u>Per warehouse inventory records</u>	<u>Per requirements computation</u>	<u>Quantity</u>	<u>Value</u>
Mess kit pan	267,637	131,601	136,036	\$ 108,829
Folding canvas cot	9,078	6,046	3,032	20,921
Canvas field pack	270,011	70,535	199,476	698,166
Liner chin strap	309,196	61,480	247,716	37,157
Helmet liner band	115,342	78,440	36,902	11,070
Water canteen	250,600	35,792	214,808	128,885
Canteen cover	162,004	-	162,004	129,603
Field pack suspenders	281,415	39,312	242,103	351,049
				<u>\$1,485,680</u>

All the above items were subsequently reviewed by advisory personnel. Consideration of these additional stocks permitted the cancellation of requisitions valued at \$1,165,421.

5. Other available assets not properly considered

Erroneous asset data resulted in the overstatement or understatement of fiscal year 1960 program requirements and excessive requisitions. For example, our review disclosed that six line items involving batteries, semitrailers, and cloth were overstated and understated in amounts of \$428,153 and \$769,086, respectively. These errors were primarily attributable to inaccurate stock records or failure to consider quantities previously programed and not yet delivered. In addition, we noted that requisitions outstanding for four line items were overstated by about \$84,000 because correct quantities of items on hand were not considered. PROVMAAG-K has since informed us that about \$40,000 worth of excessive amounts of stocks on requisition were canceled.

SUBSTITUTES NOT CONSIDERED IN DETERMINING REQUIREMENTS

1. Cotton, raw, natural

Natural raw cotton was programed in fiscal years 1959 and 1960 for use in the manufacture of padded clothing and shoes, although ample stocks of felted padding material suitable for this purpose were on hand or on order under prior programs. Furthermore, personnel at the ROK 7th Quartermaster Clothing Factory advised us that raw cotton is unsuitable for the purpose programed and is considerably more expensive than the felted cotton padding material received in the past. ISA informed us that the raw cotton was programed in fiscal years 1959 and 1960 in place of the

felted cotton because the ROK Army preferred it to the felted padding on hand for making padded clothing. However, felted cotton had been used for padding in the past, and the United States Quartermaster Testing Laboratory, Philadelphia, has confirmed its suitability for this purpose. (UNCLASSIFIED)

We found that more than 2 million pounds of padding material were on hand and additional quantities were on order. These quantities were more than sufficient to meet requirements of 1,349,514 pounds of cotton which were included in the fiscal year 1960 program. (~~CONFIDENTIAL~~)

As a result of our bringing these matters to the attention of advisory personnel, they canceled a January 1959 requisition for 699,483 pounds of cotton valued at \$224,000. We were informed that programed requirements for fiscal year 1960 would be adjusted and it was expected that this would reduce programed requirements by an additional 540,031 pounds valued at \$172,000. ISA has informed us that all known assets of cotton, both raw and felted, have been considered in the refined fiscal year 1960 program. (UNCLASSIFIED)

2. Cloth, cotton warp wool and nylon

The fiscal year 1960 program documents showed 120,050 yards of cotton warp wool and nylon cloth on hand and 354,318 yards on order. This cloth is used to manufacture padded caps, padded gloves, and overcoats. In prior programs, wool felt cloth had been requisitioned and received to manufacture these items.

(~~CONFIDENTIAL~~)

Our review disclosed an additional 46,950 yards of substitutable wool felt cloth on hand and 25,553 yards of wool felt cloth on order from the fiscal year 1958 program which had not been considered in developing the program. (~~CONFIDENTIAL~~)

Considering these additional assets, the fiscal year 1960 refined program was overstated by about 72,500 yards, valued at \$177,000. ISA informed us that adjustments to the fiscal year 1960 program showing the additional assets disclosed by our review had been made. (UNCLASSIFIED)

3. Cloth, wool tropical

The fiscal year 1960 refined program showed a gross requirement for 38,900 yards of 56-inch-wide wool tropical cloth at a unit cost of \$3.30. The program submission also showed none on hand and 32,877 yards undelivered from prior year programs which would be applied against this requirement. (~~CONFIDENTIAL~~)

We found that 119,393 yards of 56-inch-wide cloth currently on order against a fiscal year 1958 requisition were not shown as undelivered assets. This material is exactly the same as that being programed except that it has the additional property of being moth repellent. In addition, we found that at least 62,400 yards of substitute material on hand had not been considered. The material is in varying widths ranging from 50 to 55 inches and has been accepted in the past as a substitute for 56-inch-wide cloth previously programed. (UNCLASSIFIED)

Advisory personnel informed us that the fiscal years 1958 and 1959 requisitions for 152,270 yards valued at about \$502,000 would be canceled and that the fiscal year 1960 program net requirement

of 6,023 yards, valued at \$19,800, would be deleted. ISA advised us that action had been taken to cancel all quantities on order and to delete this item from the fiscal year 1960 program.

(UNCLASSIFIED)

4. Officers' elastique clothing

The fiscal year 1960 program for 56-inch-wide wool elastique cloth, used to manufacture officers' clothing, showed gross requirements of 41,530 yards, of which 17,416 yards were programed for the manufacture of 11,808 wool elastique coats. The fiscal year 1960 program showed no coats on hand or on order. (CONFIDENTIAL)

In our tour of warehouse areas, we noted about 122,000 yards of 55-inch-wide cloth which was the same, except for width, as that being programed. We also noted 11,645 wool elastique coats, some of which had been on hand for about 2 years. PROVMAAG-K advised us that ROK Army officials said that these coats are a different style from those currently in use. (UNCLASSIFIED)

Subsequent to our examination, advisory personnel reviewed requirements and canceled requisitions for 16,322 yards of this cloth valued at \$40,805. ISA has reported that the coats on hand cannot be economically restyled and that action is being taken by the ROK Army to use these coats or declare them excess.

(UNCLASSIFIED)

5. Phosphate

Phosphate was overrequisitioned and overprogramed because the ROK Armament Rebuild Shop would not use an available substitute item which was on hand in large quantities. Pursuant to our inquiry, advisory personnel decided that the phosphate substitute

should be used and, as a result, material on order valued at \$4,785 was canceled and the fiscal year 1960 program was reduced by \$12,904.

6. Propeller and tank assemblies

ROK Air Force depot personnel failed to consider substitute assets on hand in determining net amounts to be requisitioned. This resulted in the requisitioning of unneeded propeller assemblies valued at \$53,868 and unneeded tank assemblies valued at \$31,800. Because of our findings, advisory personnel reviewed these items and canceled the unneeded quantities from outstanding requisitions.

USE OF INCORRECT FACTORS IN COMPUTING REQUIREMENTS

1. Photographic chemicals

Requirements for photographic chemicals included in the fiscal year 1960 program were based on total flying hours for all aircraft rather than on flying hours of the using squadron or some other more realistic basis. We were informed by ISA and PROVMAAG-K that the fiscal year 1961 program would be adjusted for this error.

2. Anti-icing fluid

At the ROK Air Force depot, excess quantities of anti-icing fluid were on hand and on order. The item was programed on the basis of flying hours for all types of aircraft, whereas it is needed only for the C-46. We discussed the matter with advisory personnel and were advised that cancellation action was initiated on an order for 11,286 gallons valued at \$7,110.

3. Sewing machines

General-purpose sewing machines were overprogramed for the following reasons:

- a. Requirements were based on replacement factors applied against table of allowance authorizations which were greater than the quantity of machines actually in use and required.
- b. The adequacy of the replacement factor was not evaluated in terms of the age and condition of the machines in use.

The ROK Army made a study of sewing machine requirements when we called attention to the matter. This study encompassed a complete review of the age and condition of all machines on hand. As a result, 207 sewing machines valued at about \$69,000 were canceled on fiscal year 1959 requisitions and the programing for replacement purposes was evaluated and necessary adjustments were made to the fiscal year 1960 program.

4. Spray material

Wire spray material was programed in fiscal year 1960 for consumption by 75 spray machines at a rate of 4,800 pounds a month. At the time of our review, only 12 of these machines were available in the ROK Army. ISA informed us that subsequent reviews reduced the original consumption estimate to 2,360 pounds a month. This would result in reducing the program by about \$22,000.

5. Oil trucks

The ROK Air Force was scheduled to receive, under the fiscal year 1959 approved program, 27 aviation oil trucks valued at \$249,800. However, we could find no requirement for the additional trucks since the ROK Air Force had sufficient vehicles on hand to meet current needs. As a result of our review, action was taken to cancel those oil trucks on order.

6. Glassine paper

One hundred and fifty rolls of glassine paper valued at \$4,292 were programed for topographic purposes, even though glassine paper cannot be used for this work. (UNCLASSIFIED)

7. High-value items for ROK Air Force

Stock levels being computed by ROK Air Force supply personnel for high-value items were based on erroneous factors. This resulted in stock levels' being two to three times over normal requirements. Two examples which we analyzed showed excess quantities on order of \$27,000. PROVMAAG-K informed us that, as a result of our review, all stock levels of high-value items for the ROK Air Force were studied and supply adjustments were made. (UNCLASSIFIED)

8. Vehicle tires

Tires for 29 crushing plants, 2 asphalt plants, and 349 155 mm. howitzers were overprogramed by \$63,491. This occurred because one set of tires a year was programed in place of the half set a year as required. ISA reported that 3,039 tires were deleted from the program. (~~CONFIDENTIAL~~)

9. Machine gun mounts

Tripod mounts for the 30 caliber M2 machine gun were programed in excess of authorized weapons. PROVMAAG-K advised us that the value of the mounts in the fiscal year 1960 program had been reduced by \$26,000. (UNCLASSIFIED)

10. Other items

The following other items programed in fiscal year 1960 had been requisitioned in prior years or were scheduled for rebuild in excess of the country's authorized quantities.

	<u>Au-</u> <u>thorized</u>	<u>On</u> <u>hand</u>	<u>Additional</u> <u>quantities</u> <u>programed</u> <u>or req-</u> <u>uisitioned</u>	<u>Overprogramed</u> <u>or</u> <u>requisitioned</u>	<u>Quan-</u> <u>tity</u>	<u>Value</u>
Programed:						
Warehouse crane	9	15	4	4	4	\$48,000
Forklift truck	10	16	3	3	3	21,789
Warehouse tractor	38	43	4	4	4	6,000
Hand truck	1	-	23	22	22	11,352
Requisitioned:						
Generators	4,900	-	5,903	1,003	1,003	10,000
Rebuild scheduled:						
Radio set	539	586	55	55	55	Repair costs

\$97,141

~~(CONFIDENTIAL)~~

As a result of our review, requisitions for the 1,003 generators, valued at about \$10,000, were canceled. Action was also taken to make appropriate adjustments in the approved programs for the material handling equipment. (UNCLASSIFIED)



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APPENDIX II

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

In reply refer to I-14899/60
INTERNATIONAL SECURITY AFFAIRS

AUG 5 1960

Dear Mr. Gutmann:

Attached are comments on the draft report on your Review of the Military Assistance Program Requirements of the Army and Air Force of Korea, dated March 1960. This report was based on a field examination conducted in April - May 1959. The following continuing actions are being taken by the field to refine the programming process:

- a. Improvement in record keeping and inventory control of depot stock.
- b. Publication of various ROKA regulations and effective utilization of ROKA logistics personnel.
- c. Logistic demonstrations and command inspections.
- d. Monthly review of due-ins from CONUS.
- e. Internal follow-up on GAO findings.
- f. Recomputation of spread sheets at requisition time.

It is noted that on page 5 of your report that you state the refined fiscal year 1960 program was over-stated by \$5 million. Your attention is invited to the fact that no materiel program is funded until a spread sheet exercise is conducted. This exercise resulted in a reduction in the Army FY 1960 program, as submitted in March of 1959, of \$25.3 million.

We have reviewed the draft report from a security viewpoint and concur with the classifications indicated.

Sincerely yours,

1 Attachment
(2 copies)

Mr. Richard W. Gutmann
Assistant Director, Defense Accounting
and Auditing Division
General Accounting Office

J. W. [Signature]
Deputy Director of Military Assistance

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~~SECRET~~

COMMENTS ON DRAFT GAO REPORT
ON REVIEW OF Army and Air Force of
MILITARY ASSISTANCE PROGRAM FOR/KOREA

FINDINGS AND RECOMMENDATIONSProgram Submissions and Requisitions Overstated by \$8.7 MillionAssets on-hand and due-in not considered in determining requirements1. Cotton, raw, natural

The ROKA desired raw cotton for use as a padding material in making their padded clothing rather than the felted padding on hand. This was questioned by the MAAG and the USQM Testing Laboratory tested and advised that the felted padding was suitable for clothing and as a result is being so used.

All known assets of cotton, both raw and felted, have been applied as assets against the FY 1960 refined program.

2. Personal Equipment

Each item in question was investigated to obtain necessary facts to effect corrective action. A revision of combat reserve consumption factors, items and quantities has been completed and is being reflected in the 1960 program refinement.

3. Cloth, cotton warp wool and nylon

The adjustments to the FY 1960 Program reflecting these additional assets have been effected.

4. Undelivered ROKAF assets

The GAO report does not consider the circumstances existing at the time the FY 1960 program was being formulated, nor does it adequately recognize the cognizance given to those circumstances by the Advisory Group in the formulation of the FY 1960 program.

At the time of the 1960 program preparation, approval of only a small portion of the approved FY 1959 program had been received.

As a result, the FY 1960 program was overstated for some items due to the non-availability of undelivered asset information.

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It was fully realized that subsequent adjustments would be necessary to reconcile the FY 1960 program against that approved for FY 1959. This is being accomplished as requisitions are submitted against the approved FY 1960 program, and as the FY 1961 program is refined.

Substitute assets in excess of \$770,000 were not considered in determining requirements

1. Cloth, wool tropical

Action has been taken to cancel all quantities due-in and to delete this item from the FY 1960 program.

2. Officers' elastique cloth

Coats in stock are out of style and cannot be restyled economically. Action is being taken by ROKA to use these items in the ROKA system or declare them excess.

Determination of Requirements in Excess of Control Levels and the Capacity to Use the Item

1. Requirements based on erroneous flying hours

The 1961 program refinement will include an adjustment in the programmed quantities of photographic chemicals.

2. Incorrect factors used in determining requirements

Sewing Machines

Replacement requirements were reviewed and appropriate adjustments made.

Tires

Three thousand thirty-nine tires have been deleted from the program.

3. Wire Spray Material

Wire spray was not programmed as an amount per machine, but by the quantity to be consumed regardless of the number of machines. Subsequent reviews reduced the original estimate to 2,360 pounds per month.

4. Determination of requirements in excess of authorizations

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~~SECRET~~Glassine paper

A detailed study of all ROKA requirements for glassine paper versus assets had been made by U.S.A. QM Advisory personnel. Based upon this study, 400 rolls have been cancelled from outstanding requisitions and the entire item was deleted from the FY 1960 program.

Spare Parts Valued at \$4 Million Requisitioned in Excess of Requirements

All spare part requisitions for World War II vehicles were cancelled with the exception of those items on procurement, which are being diverted to USALDJ. Stock levels, requisition orders and consumption rates are being reviewed during the period 1 April to 30 June 1960. During this period, all requisitioning has been suspended except for emergency requirements. The cannibalization program has been intensified in an effort to reduce the requirement for new spare parts for World War II type vehicles.

Recent inventories and consolidation of stock records has greatly improved the asset picture with regard to on-hand and due-in quantities. On 1 July 1960, a new requisitioning system will be implemented which will cause complete review of all repair parts requirements.

Inadequate Programming for ROK Construction Projects

This situation was corrected on 1 July 1959 and accounting procedures presently in effect will help to insure that materials are used for their intended purpose.

Ineffective Management and Programming of Communications Electronic Equipment

Action is being taken to distribute those items of communications and electronic equipment that are properly identified. As identification action is complete, distribution will be accomplished.

Uneconomical Management of Excess Stocks1. Inadequate Cross Service and Intra Service Screening of Excesses

Procedures for cross service screening are followed. The basic problem is in obtaining a consistent position from the ROK services concerning what is and is not excess to their requirements. When the ROKA and U.S. Advisory personnel attempted to obtain the paper, ROK Navy depot personnel stated it was not excess to ROKN and no transfer was made to

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ROKA. The Minister of National Defense published a Directive 1 June 1959 prescribing procedures and time schedules for processing excess, scrap and salvage reports.

2. Failure to Report Unneeded Items as Excess

List of excess items from the ROKA Signal Depot was not reported to KMAG because ROKA higher headquarters was reluctant to acknowledge the items as excess. It is believed that all items shown on the list are still excess. A new list, including additional items, has now been prepared. In addition, cancellation action on requisitions for items no longer required is part of the normal depot review procedures. This action will prevent the accumulation of additional future excesses.

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