



UNITED STATES GENERAL ACCOUNTING OFFICE
INTERNATIONAL DIVISION
FAR EAST BRANCH
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HONOLULU, HAWAII 96815

MAR 17 1972

Lt. General William J. McCaffrey
Deputy Commanding General
United States Army, Vietnam
APO San Francisco 96375



Dear General McCaffrey:

In connection with our recent inquiry into alleged incorrect payments to Ly Hai Stevedoring Company for stevedoring services in Vietnam, we reviewed contract payments to Thanh Loi Stevedoring Company which replaced Ly Hai at the Cat Lai Ammunition Terminal.

The problems associated with the Ly Hai contract (payments for unnecessary barge gangs and dual compensation for removal of dunnage) have not prevailed under the Thanh Loi contract; however, increased costs have been incurred because of work stoppages and the contractor has overbilled for detention payments due as a result of these stoppages.

Effective July 1, 1971, the Army of the Republic of Vietnam (ARVN) assumed operational control over the Cat Lai Ammunition Terminal. Tugs and other equipment to operate the terminal were transferred to the ARVN. However, because ARVN has not provided adequate tug support for the ammunition discharge/loading operation, the contractor's work crews have been unable to work on occasions for considerable periods of time. The work stoppages have resulted in detention charges by the stevedoring contractor totaling over \$196,000 as of December 21, 1971.

The contract provides that Thanh Loi receive detention payments at a fixed rate of VN\$ 2,360 per hour for each ship's hatch that cannot be discharged or loaded for reasons beyond his control. The contract also provides that Thanh Loi receive a fixed rate per man per hour for extra labor ordered by the contracting officer.

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The contractor has overstated its billings for detention payments. Thanh Loi has billed the Army for each hatch that could not be worked, but it has also billed on a per man per hour basis for each barge and cleaning gang that was idle even though the gangs had not been ordered or paid as extra labor. These gangs were a part of the normal crew paid for under the commodity rate. Our analysis of the contractor's billings submitted as of December 21, 1971 disclosed overcharges of about \$64,000.

These matters were discussed with representatives of your command on January 18, 1972. At that time we suggested that steps be initiated to induce ARVN to fulfill its responsibility for providing adequate tug support at Cat Lai, so as to reduce the amount of detention charges. We also suggested that Thanh Loi's billings for detention payments for barge and cleaning gangs should be disallowed and actions taken to recoup any overpayments already made.

We would appreciate being advised of actions taken in regard to these matters.

Sincerely yours,


G. Roman
Director