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**Report On  
The Payment Of Phantom Troops  
In The Cambodian Military Forces**

B-169832

Department of State  
Department of Defense

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

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JULY 3, 1973



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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The Honorable Michael J. Harrington  
House of Representatives

Dear Mr. Harrington:

In your letter of December 29, 1972, you requested GAO to investigate allegations that Cambodian Army unit commanders inflate their payrolls and pocket the pay of nonexistent (phantom) troops.

American officials acknowledge that the reported corrupt payroll practices have existed for some time and that, despite corrective efforts, the problem of phantom troops has not been eliminated. However, neither the American officials nor the Government of the Khmer Republic (GKR) know the extent of the corrupt practices. Using estimated percentages of padded troop strengths provided by U.S. officials in Phnom Penh, we estimate that Forces Armees Nationales Khmeres commanders may have drawn the local currency equivalent of \$750,000 to \$1.1 million in January 1973 for phantom-troop pay.

In 1971 and 1972 the United States provided the local currency equivalent of about \$56 million to support military pay and allowances. These funds were commingled with GKR resources and cannot be attributed to payments to specific troops or units; however, the availability of such large amounts undoubtedly facilitated corrupt pay practices.

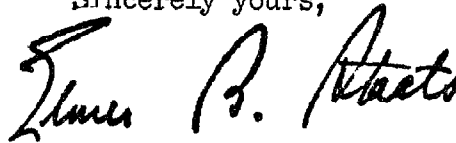
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We did not obtain official written comments from either the Department of Defense or the Department of State because of your expressed desire for us to expedite the report. We did, however, submit the draft report to these Departments and requested declassification, where possible, of the classified information and permission to release the information which remained classified.

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As a result of the responses received from the Departments, we removed two classified sections from this unclassified report and placed them in a classified supplement. Information in both of these reports is arranged in such a manner that the readers may easily combine the two documents.

We do not plan to distribute this report or the classified supplement further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Axtell". The signature is written in dark ink and is positioned below the typed name.

Comptroller General  
of the United States

PAYMENT OF PHANTOM TROOPS  
IN THE CAMBODIAN MILITARY FORCES

American officials in both Washington, D.C., and Phnom Penh acknowledge that corrupt payroll practices exist within the Cambodian Forces Armees National Khmeres (FANK). They have been aware of the problem since 1971. Neither the Military Equipment Delivery Team (MEDT) in Cambodia nor FANK knows the exact extent of payments for phantom troops even though spot checks in mid-1971 disclosed problems in personnel pay and accounting procedures.

The Cambodian Information Minister reported in December 1972 that the Cambodian Government had, at times, paid salaries to as many as 100,000 nonexistent soldiers. The Chief of MEDT estimated in February 1973 that reported troop strength was padded by 10 to 15 percent. On this basis we estimate that in January 1973 FANK commanders could have drawn the local currency equivalent of \$750,000 to \$1.1 million for phantom-troop pay.

U.S. support for military budget

Local currency (riels) is generated through sales of commodities provided by the U.S. commodity import and Public Law 480 programs, a cash grant, and the U.S. contribution to the Exchange Support Fund. In both 1971 and 1972, the United States and the Government of the Khmer Republic (GKR) entered into agreements to use most of the local currency generations for military budget support—primarily for FANK pay and allowances. The United States supported one-third of the 1972 GKR military budget through release of 5,940 million riels (the equivalent of about \$47 million).

From the inception of the current assistance program in 1971 through December 1972, 7,018.9 million riels (the equivalent of about \$56 million) was provided for FANK pay and allowances. Of this amount, 5,273.1 million riels, or 75 percent, was provided between August 3 and November 28, 1972—a period when FANK payroll strength expanded from nearly 254,000 to over 300,000. These funds are commingled with GKR resources and cannot be attributed to payments to specific troops or units.

Origin of the problem

A significant factor contributing to the corrupt payroll practices was the rapid expansion of the Cambodian Armed Forces from a largely ceremonial force of 28,000 to 35,000 to over 200,000 in less than 2 years. The basic problem revolved around the lack of centralized accountability and control of personnel and pay. Widespread recruitment by individual units was authorized, which resulted in uncontrolled strength increases since central headquarters was not equipped to adequately monitor and control strength increases.

The FANK pay system, developed by the French, was unsuited for the rapid force buildup. It relied on the unit commander's honesty, since he was responsible for preparing and paying the unit's payroll. Each unit submitted the name, serial number, and amount due each individual to the FANK regional military intendant (a combination quartermaster and finance officer). Since there was no centralized management of personnel, the regional intendant could not verify that the individuals paid actually existed.

#### Recognition of the problem

Payroll padding has been a continuing problem in FANK. A FANK census in July 1971 indicated a maximum actual strength of about 231,000 but a payroll of 253,000. The actual strength included about 46,000 troops who could not be physically counted, according to unit commanders, because they were unavailable for various reasons, such as leave and illnesses. The FANK personnel officers believed that at least 50 percent of the 46,000 was fabricated.

Marshal Lon Nol expressed concern in August 1971 over phantom troops and directed the Chief Finance Officer to make inspections. The number of personnel for whom pay was drawn decreased by 21,243 between August and September 1971.

In December 1971 the Ministry of National Defense and FANK officers counted the troops in nine infantry battalions and found the payroll strength to be 8 percent higher than the actual strength. The FANK Chief of Finance reported the problem to MEDT officials who referred him to the U.S. auditors from the Office of the Secretary of Defense. These auditors were conducting a review of the Military Assistance Program for Cambodia at the time and decided to watch the payment of troops at selected units in January 1972.

On the basis of their observations, the auditors concluded that the FANK payroll strength was overstated by at least 6 percent, or 12,000 troops, and possibly by as much as 8 percent. They estimated that the payroll had been padded for the month of January 1972 by \$280,000. According to the Chief of MEDT this was the first time that American officials in Cambodia recognized that payroll padding was a serious problem.

In April 1972 the Chief of MEDT discussed the problem with the FANK Chief of Staff who requested assistance in revamping the payroll system. The FANK military pay organization, system, and procedures were reviewed and recommendations for changes were made.

(Classified section was removed and placed in the classified supplement on p. 1.)

Despite knowledge of corrupt payroll practices, the FANK payroll strength increased throughout most of 1972 and reached a peak of over 300,000 in November, as shown in the following table.

January	231,928
February	233,038
March	229,201
April	232,441
May	239,968
June	241,511
July	253,945
August	266,696
September	285,257
October	293,385
November	300,090
December	288,228

Late in November 1972 MEDT learned that Marshal Lon Nol had authorized increased recruiting by the regional commanders without informing the Minister of Defense or the Chief of Staff. As a result, the payroll jumped from 250,000 to over 300,000 by the end of November. After the Chief of MEDT discussed the situation with FANK officials, the Chief of Staff stopped all recruiting and established a forcewide strength ceiling of 250,000 for 1973.

#### FANK corrective measures

A new FANK Chief of Staff, appointed in September 1972, was given specific instructions to correct personnel and pay problems. He appointed an Assistant Chief of Staff for Personnel who had experience in the personnel field. The new Assistant Chief of Staff reorganized his staff and instituted a uniform and comprehensive unit strength accounting system.

Changes were made during the last part of 1972 to the FANK payroll system.

—Committees were formed at the national level to accompany the unit commander and observe his payment of all troops.

--Unit level verification committees were formed to review payrolls and observe pay procedures for validity.

--A central and regional structure was established to supervise and control FANK pay operations.

In January 1973 pay responsibility was placed under a newly established Finance Service and plans were made to withdraw the pay responsibility from units and place it in regional and specialized finance units.

Several FANK force structure changes were also made during this period.

--A high command directive limited FANK strength to 250,000 men in 1973 and ordered all recruiting stopped.

--Territorial and maneuver forces in the force inventory were defined to include functions, command, and control arrangements.

--The size of some maneuver forces was standardized.

--195 largely understrength and untrained battalions were dissolved. Headquarters of 29 infantry brigades, all regiments, and certain brigade groups were disbanded and their personnel were transferred to other understrength FANK units.

#### Recent U.S. sanctions

(classified section was removed and placed in the classified supplement on p. 2.)

As of March 1, 1973, no agreement to continue local currency support of the military budget had been entered into and no local currency for 1973 pay and allowance support had been released.

Adequacy of corrective measures

Although the corrective measures taken or planned seem impressive, they have not eliminated the problem. Officials of the Departments of State and Defense acknowledge that phantom troops have not been eliminated. Although the January 1973 pay level of about 282,000 was about 6,200 fewer than the December level, it remains substantially above the 1973 strength ceiling of 250,000 established by FANK.

The Department of State believes that top GKR leadership wants to eliminate the phantom-troop problem but that GKR lacks the technical competence to precisely determine the size of its forces. The Department believes also that GKR should make substantial progress in eliminating phantom troops as an automatic data processing system centralizes personnel and pay procedures. This system should, according to the Department, provide FANK with the technical capability to accurately count its active-duty strength.

Conclusion

Neither the United States Government nor GKR knows the extent of the phantom-troop problem and, despite repeated U.S. urgings and GKR corrective efforts, the problem remains.

Local currency provided through U.S. assistance programs cannot be directly attributed to payment of these troops, since the funds are commingled with other GKR resources, but the large amounts provided facilitated corrupt pay practices. It is unlikely that GKR could, by itself, finance the practice to the extent reported by the Cambodian Minister of Information.



CONGRESS OF THE UNITED STATES  
HOUSE OF REPRESENTATIVES  
MICHAEL J. HARRINGTON  
ARMED SERVICES COMMITTEE

169832  
December 29, 1972

The Honorable Elmer B. Staats  
Comptroller-General of the United States  
U. S. General Accounting Office  
441 G Street, N. W.  
Washington, D. C. 20548

Dear Mr. Staats:

A recent article in the New York Times (December 28, 1972) describes a system whereby unit commanders in the Cambodian Army submit false and inflated payrolls and pocket the salaries of non-existent soldiers.

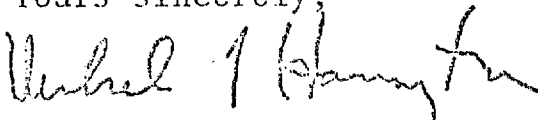
Since the Cambodian Army is largely paid through AID administered funds, these frauds have cost the American taxpayers millions of dollars each year.

Indications exist that the Executive Branch is well aware the fraud exists, but has declined to take any action to correct it. I believe, therefore, that it is incumbent on Congress to audit the program and feel that the GAO is the best agency to carry out that investigation.

It is my understanding that certain statutory restrictions impair the ability of the GAO to investigate some programs administered by AID. However, I would like to request the GAO to investigate the Cambodian situation to the fullest extent possible, and also to recommend to Congress any changes in current regulations necessary to permit a complete and thorough investigation of the Cambodian aid program.

Thank you very much.

Yours sincerely,

  
Michael J. Harrington

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