



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

096212

3.44.05  
73-0410 36

B-177126

DEC 19 1972



CLR

Dear Mr. Chairman:

This is in reply to your letter of September 19, 1972, wherein you requested that our auditors in Saigon examine into the purchases of liquor supplies and conversions of Military Payment Certificates (MPC) by American Legion Post 34, D-1913

Purchases of liquor supplies

Your letter stated that you had information which indicated that the Legion Post has been purchasing its liquor supplies from Vietnamese Customs, and that the liquor was clearly marked as being the property of the U.S. "Vietnam Regional Exchange" (VRE). You suggested that we visit Post 34 to determine the accuracy of this information and obtain additional information, if possible, from Mr. Robert G. Kay, Commander, Post 34.

During a visit to Post 34 on October 19, 1972, we examined the liquor and beer stocks. We found that 35 of the 254 bottles of liquor and wine in the Post's inventory had either a VRE stamp or VRE price marking. We also counted 34 cases of canned Budweiser beer in the Post's liquor storeroom but none of these had any identifying VRE markings.

Mr. Kay, who resigned as Commander of Post 34 effective October 10, 1972, informed us that prior to a May 1972 raid by Government of Vietnam (GVN) Customs, his understanding had been that Post 34 imported its liquor and beer duty free through GVN Customs. Mr. Kay stated that he was not familiar with the details concerning these imports because they were handled entirely by Mr. Stuart W. Reichstein, former Executive Director of Post 34.

Documentation made available to us by U.S. Agency for International Development (USAID) customs advisors showed that seven duty-free imports of liquor and beer for Post 34 cleared GVN Customs on the basis of U.S. military transportation control and movement documents (TCMD's). Six of the imports cleared Customs during the period January 14, 1972-April 28, 1972. We were unable to determine the clearance date for the remaining import.

We were not able to ascertain the authenticity of the TCMD's because (1) the military unit cited on the documents as the consignor has been disestablished, and (2) transportation control numbers normally printed on TCMD's were not shown on the documents. The customs advisors informed us that the TCMD's probably were forged.

~~701354~~ | 096212

We were advised that, although the GVN had not ruled on the Post's application for duty free status, Post 34 was given permission to import certain equipment and liquor for its grand opening in September 1971. According to Mr. Kay, possible assessment of duties on these imports was to be deferred until the GVN had ruled on the Post's application.

Mr. Kay stated that Post <sup>in voice</sup> 34 is currently purchasing its liquor and beer from a Vietnamese firm (Toa Giao Hang) recommended to him by a GVN customs official after the Post's liquor and beer inventory was confiscated by GVN Customs in the May 1972 raid. Mr. Kay stated that liquor purchased from the Vietnamese source may include bottles which have VRE markings, but he said that Post 34 did not question the source since it was recommended by a GVN customs official. A USAID customs advisor informed us that liquor bottles bearing VRE markings could be obtained legally by Vietnamese nationals from sales of confiscated liquor by GVN Customs.

Mr. Kay said that the Post's only other source of liquor supplies was Marshall Hall, a facility operated by the American Embassy for its Marine Guard Detachment. Approximately \$1,200 worth of beer was obtained from Marshall Hall around April 1972. He said this transaction was also arranged by Mr. Reichstein and repayment-in-kind was to have been made from the Post's beer stocks after its imports cleared GVN Customs. He added that confiscation of the Post's beer by GVN Customs in May 1972 had made it necessary to repay Marshall Hall with a dollar check drawn on the Post's stateside account.

#### Conversions of MPC

American Legion Post 34 had requested MPC and military banking privileges from the United States Military Assistance Command, Vietnam (MACV) on at least five separate occasions during the period, March 1969 to November 1971. All requests were signed by Stuart W. Reichstein, former Post 34 Executive Director. MACV, with the concurrence of the American Embassy, denied each of these requests. Notwithstanding these denials, officials or employees of Post 34 did convert MPC to piasters at the three locations cited in your letter of September 19, 1972.

Specifically, in our review of currency conversion sheets covering the period, September 1971 through September 1972, we found that \$900, \$5,000, and \$29,180 in MPC was converted to piasters at the 7th Air Force, MACV, and the American Embassy, respectively. The details of these transactions are listed in Enclosure I.

B-177126

The Administrative Officer at the American Embassy instructed Embassy Disbursing Office personnel to stop making accommodation exchanges for Post 34 after February 1972, and the Commander MACV instructed the military banking facilities to discontinue transacting business with the Post in May 1972. We found no MPC conversions for the Post after May 26, 1972.

Officials at the American Embassy and MACV currency exchange facilities stated that the conversions were made for the American Legion because they had mistakenly believed the organization had MPC privileges. The 7th Air Force conversions were made by Mr. Reichstein in the name of the Joint U.S. Public Affairs Office (JUSPAO) apparently because Mr. Reichstein was entitled to certain privileges based on his accreditation by MACV as a correspondent for Naval Affairs Magazine.

Included as Enclosure II is a copy of MACV Directive 37-6, as requested by Mr. Whittington of your staff in his letter of September 21, 1972, to the manager of GAO's Saigon Office.

If we can be of further assistance, please let us know.

Sincerely yours,



Comptroller General  
of the United States

Enclosures - 2

CI <sup>PR</sup> The Honorable William S. Moorhead, Chairman  
Subcommittee on Foreign Operations and  
Government Information  
Committee on Government Operations  
House of Representatives

H1511

LISTING OF MPC/PIASTER CONVERSIONS BY INDIVIDUALS ASSOCIATED WITH  
AMERICAN LEGION POST 34-SAIGON      SEPTEMBER 1971-SEPTEMBER 1972

<u>Date</u>	<u>Converted by</u>	<u>Converted at (Note a)</u>	<u>Organization Cited on Conversion Sheet</u>	<u>A M O U N T</u>	
				<u>MPC</u>	<u>Piasters</u>
9/29/71	Bill DeVries (Note b)	AmEmbassy	American Legion	US\$ 1,000	VN\$ 275,000
11/ 2/71	Mr. DeVries	"	None	1,800	495,000
11/ 5/71	Mr. DeVries	"	None	500	137,500
11/ 8/71	Mr. DeVries	"	American Legion	2,300	632,500
11/13/71	Gabe W. DeVries	"	" "	1,000	275,000
11/18/71	Mr. DeVries	"	" "	2,000	820,000
11/18/71	Mr. DeVries	"	" "	250	102,500
11/23/71	Gabe W. DeVries	"	" "	1,000	410,000
12/ 7/71	Mr. DeVries	"	" "	500	205,000
12/ 7/71	Mr. DeVries	"	" "	200	82,000
12/13/71	Mr. DeVries	"	" "	1,500	615,000
12/27/71	Mr. DeVries	"	" "	2,000	820,000
1/ 5/72	Mr. DeVries	"	" "	2,000	820,000
1/10/72	Mr. DeVries	"	" "	2,000	820,000
1/15/72	Mr. DeVries	"	" "	2,500	1,025,000
1/15/72	Mr. DeVries	"	" "	180	73,800
1/26/72	S. W. Reichstein	"	" "	800	328,000
1/31/72	(No name listed)	"	" "	500	205,000
2/ 7/72	S. W. Reichstein	"	" "	2,500	1,025,000
2/12/72	Stuart Reichstein	"	" "	2,500	1,025,000
2/18/72	S. Reichstein	"	" "	800	328,000
2/23/72	Stuart W. Reichstein	"	" "	450	184,500
2/25/72	S. W. Reichstein	"	" "	700	287,000
4/ 4/72	Stuart W. Reichstein	"	MACV	200	82,000
	Sub-total AmEmbassy			<u>US\$29,180</u>	<u>VN\$11,072,800</u>
1/ 5/72	S. W. Reichstein	7th AF	JUSPAO(Note c)	US\$ 500	VN\$ 205,000
1/ 7/72	S. Reichstein	"	"	200	82,000
1/20/72	S. W. Reichstein	"	"	200	82,000
	Sub-total 7th AF			<u>US\$ 900</u>	<u>VN\$ 369,000</u>
5/ 2/72	S. W. Reichstein	MACV	American Legion	US\$ 2,000	VN\$ 820,000
5/26/72	Robert G. Kay	"	" "	3,000	1,260,000
	Sub-total MACV			<u>US\$ 5,000</u>	<u>VN\$ 2,080,000</u>
<b>Grand Total</b>				<u><u>US\$35,080</u></u>	<u><u>VN\$13,521,800</u></u>

See Page 2 of Enclosure I for Notes.

- NOTES: a AmEmbassy conversions were executed at U.S. Disbursing Office, American Embassy, Saigon. Records reviewed covered the period September 1971-September 1972.
- 7th Air Force conversions were executed at 377th Air Base Wing Accounting and Finance Office, 7th Air Force. Records reviewed covered the period October 1971-September 1972. Previous records were destroyed.
- MACV conversions were executed at U.S. Army Central Finance and Accounting Office. Records reviewed covered the period October 1971-September 1972. Previous records were destroyed.
- b Mr. DeVries also obtained 1,564,000 piasters at the American Embassy by cashing 17 personal checks totaling \$4,100.
- c Joint U.S. Public Affairs Office.