Attached to your memorandum were four documents: (1) a budget form indicating the amount of authorized funds for the administration of the MyTho prison for 1956, the amount of funds expended during the first nine months of the year and funds requested for the remaining three months of 1956, (2) a copy of a request for additional funds to pay for supplementary and unauthorized obligations which the chief of province had made for the maintenance of prisoners, (3) a copy of a telegram sent by the chief of province to the Department of Interior requesting action on the two previous documents, and (4) a copy of a letter addressed to the Departments of Interior and Justice requesting action on the province chief's request for additional funds.

We have investigated this situation in quite some detail and believe that it was caused, not so much by improper budgetary procedure, but by the dislocation and administrative confusion which resulted from the abolition of the regional budgets and the implementation of the recommendation contained in the report concerning the Department of Interior, which proposed that the Department of Interior be responsible for all "housekeeping functions" of the provincial administration. At least the fact that no supplemental funds have been forthcoming can be directly contributed to the latter cause.

The Department of Interior did not prepare the budget request for the provincial prisons in general or for the MyTho prison for the budget year 1956. As in the past, the budget was prepared by the staff and authority of the Regional Delegation for South Vietnam. The prison budget was based upon an estimated number of prisoners to be confined in the MyTho prison. The person who made the estimate failed to take into account two large pacification operations which were held during the latter part of 1955 in the western provinces. As a result the prison population for the area has
about doubled over the original estimate. I am unable to determine if
the regional authorities or the budget directorate were informed of the
pacification operation before compiling the 1956 budget figures. If they
did know of the operation but failed to take it into account, then this
situation indicates extremely poor budgetary planning. If the large influx
of prisoners could not have been foreseen at budget preparation time, then
of course the officials responsible cannot be criticised. However, one of
the major principles which I hope to instill in the minds of Vietnamese
officials is that the budget is a major instrument of planning and that the
planning must be sound and realistic.

Because of the increase in the prison population, the funds meant to be
used to feed the prisoners for the full year have been used up during the
first nine months and now the province chief has requested just under
300,000 VND additional, or about 10% above the original amount. However,
no official request for additional funds has as yet been presented to the
Budget Bureau for the maintenance of prisoners in any province.

As to the reasons why no action has been taken to relieve this situation,
I offer the following facts.

On December 24, 1955, by Presidential decree, the regional authority of
the three regional delegations of the Vietnamese government were abolished.
This decree specifically included the regional budgets. However, neither
the administrative nor strictly budgetary aspects of this decree were
immediately implemented. A regional budget for the coming year - 1956-
for each of the regions - had already been prepared and this was bodily
incorporated in a unified National Budget, thus giving appearance of
abolishment of the regional budgets, but in fact little was changed.

Beginning on January 1, 1956 the regions began to give up their responsibili-
ties and by about the middle of August they were almost totally re-
duced to advisory and investigatory bodies of the national government for
regional affairs. One of the earliest removals of responsibilities con-
cerned various provincial police functions which had traditionally been
under the responsibility and authority of the regional delegations.
Specifically, in South Vietnam three functions were turned over to the
Department of Interior early in January of this year. They were: (1)
Provincial prisons, (2) Communal police, and (3) Auxiliary Brigade of the
Gendarmerie. Later a fourth function was turned over to the Department
of Interior, that of provincial administration.

However, in the case of provincial prisons the responsibility was not
entirely given to the Department of Interior. Apparently, some attempt
was made to follow the Field Administration Division's recommendation that
the Department of Interior become responsible for the "housekeeping func-
tions" within the thirty-five odd provinces. Thus, only responsibility for
material expenditures was turned over to the Department of Interior.
This means that chapters of the budget concerning material and special expenditures became the responsibility of the Interior. Personnel administration was assigned to the Department of Justice with the rational being that it was Justice's responsibility to guard the State's charges.

As a consequence of these changes, two organizations, neither of which had previously had any administrative responsibility or experience in managing the provincial prisons, suddenly became responsible for welfare of hundreds of Vietnamese, Chinese and French citizens. To cope with the financial aspects of the problem the government delegation for South Vietnam transferred to the Department of Interior four of their fifty-four employees trained in financial administration.

Apparently the administration of the prison operation did not go smoothly during the first months of 1956. The government delegations, for unknown reasons, turned a "deaf" ear to the requests from the Department of Interior for the records pertaining to the management of provincial prisons, with the consequence that untrained personnel were attempting to cope with an entirely new responsibility. The solution or at least a step towards a solution, was to resolve the divided responsibility and obtain the necessary documents concerning the previous administration. Triparty negotiations with this aim were entered into between representatives of the Departments of Interior and Justice and the Presidency. About the middle of April it was the consensus that the Department of Justice would assume complete responsibility for provincial prisons. However, there was a point of misunderstanding between representatives of Interior and Justice. The disagreement turned on the question of whether the Department of Justice would accept the responsibility for payment of obligations made by provincial officials for maintenance of prisoners during the period when Interior was responsible for such authorization of payments. Minor as this point might seem to some, its solution was not reached until the middle of August, when by presidential decree it was stated that from October 1, 1956, the Department of Interior would cease all responsibility for the administration and material support of provincial prisons, and that such responsibility and material support would henceforth be the total responsibility of the Department of Justice. At the same time, it was agreed that for obligations incurred during the period prior to the change in authority, the Department of Justice would liquidate these obligations only on the recommendation of the Department of Interior.

Hence, on September 30th the Department of Interior gave up all responsibility for initiating any action concerning the management of provincial prisons.

In order to present the most orderly possible transfer of management to the Department of Justice, the Department of Interior requested by letter on September 6, 1956 that all province chiefs, in their capacity as administrators of national prison programs at provincial level, submit to
the Department a revised request for funds through the ending of the third quarter. This was to permit the Department to present a consolidated request to the Budget Bureau for sufficient funds to cover all obligations made by provincial authorities, and clear their books of obligations incurred under their management.

It might be said that the budget system was at fault for permitting the provincial chiefs to obligate funds in excess of the authorized amounts available. However, the province chiefs had, in fact, not done this, as it is not possible to do so without the prior approval of both the Controller of Obligated Funds and the Budget Bureau. What had happened, was that the province chiefs had on their own authority and not as representatives of the Department of Interior's interests, encumbered obligations to local merchants for maintenance of the prisoners in their prisons, a very natural situation and a commendable one in light of the situation.

Unfortunately, not all provinces replied to the Department of Interior's letter in time for the Department to request additional funds before it gave up such authority on September 30th. In fact, the Department has still not received information from several provinces. As the financial administration of all provincial prisons is included in one chapter, the Department could not submit a request for additional funds for only the few needy provinces without explaining to the Budget Bureau that it had no idea what funds remained at the disposal of the other and majority of the provinces. The responsibility for the administration of provincial prisons has now been transferred from Interior to the Department of Justice.

The Department of Interior has released two of the four employees which they received from the Southern Delegation for the administration of their additional financial obligations to the Department of Justice, in order that this department might have two persons somewhat familiar with prison affairs.

I believe that the following conclusions can be drawn from this case:

1. There may be evidence of poor budget planning at the time of preparation of the original request, although the facts would seem to indicate the situation was unavoidable.

2. A workable budgetary allotment system and control report would have brought this situation to the attention of responsible authorities much earlier in the year so that some action could have been taken.

3. The major cause seems to be the disorganization caused by the reassignment of the prison function and the fact that the department assigned the responsibility had had no experience in this operation.

cc: Dr. Wesley R. Fishel, Chief Advisor
    /Dr. Guy Fox, Chief, N.I.A. Division