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BASIC PROJECT STATEMENT

Title: Design and Implement System of Cost Accounting
for Road and Bridge Construction Projects Carried
Out by General Direction of Public Works.

Background:

It is impossible under the current GVN budget and accounting system for anyone, including the management of the Department of Public Works, to determine the total cost of road and bridge construction and maintenance being carried out by the national budget. The Secretary of State for Public Works, the Secretary General of the Department, the Director of Road and Bridge Construction, and the executive staff of the General Direction of Budget are aware that this is not a good situation and are anxious to correct it. Also, USOM and Capital Engineers (several of whom are working as advisors to the Department of Public Works) have criticized this lack of adequate cost figures.

Further, for efficient management and control it is necessary that not only total cost of the construction program be known, but

that individual road and bridge projects be budgeted separately, and that cost records be kept on a project basis.

The Capital Engineering Advisors made the statement recently to the Secretary of State for Public Works and the General Director of Budget, that, in their opinion, what appeared to be the total cost of the construction program was 3 or 4 times greater than it should be for the results being obtained. This statement has led directly to the establishment of this project.

Road and bridge construction is currently administered as follows. The central agency responsible for the program is the General Direction of Public Works, which includes a Direction of Roads and Bridges. This central agency provides the over-all supervision and management of the program, both technical and administrative, and determines project priorities. A small staff of engineers in the central office makes the field surveys, and designs and prepares the required plans. For field operations the country is divided into five public works districts. Each district has a large staff (300 to 500 employees each) responsible for the implementation of all public works projects. These district agencies are technically under the supervision of the central agency, but the problem is complicated because each public works district contains several provinces and each province chief also has supervisory powers for those projects within his district. Almost all of the public works projects are done by force account. Each district has a separate budget and is responsible for issuing its own expenditure documents and maintaining its own accounts. Accounting records eventually arrive in Saigon where the Department of Public Works also keeps the accounts.

Within its budget, each district has an appropriation account for new construction-roads and bridges, but only part of the costs of road projects are borne by this account, because a large amount of labor, material and equipment costs are paid for out of other accounts.

Objectives of Project:

It will be the objectives of this project to set up a system of cost accounting and control within each public works district which will record all costs of labor, materials, equipment usage and overhead to each separate road and bridge project being constructed or repaired in the district. The system will be designed in such a manner that accurate cost figures will be available on a nearly current basis to the General Direction of Public Works and the General Direction of Budget.

Forms will have to be designed and procedures spelled out in detail. Establishment of such a system will require extensive training of administrative personnel in each district and will probably also require changes in the design of the budgetary system. This project is an extension of the project to develop program budgeting in the Department of Public Works, but its successful accomplishment does not necessarily depend upon that project.

If the project can be accomplished the benefits should be great. It could result in the following:

1. reduction of costs through elimination of alleged mismanagement, inefficiency and, perhaps, corruption.

2. better management and control of the road construction program by the central agency, and better planning by that agency.

3. the development of unit cost figures and standards for various types of construction, maintenance costs, etc. for budget and management purposes.

Personnel Assigned to Work on Project.

I have suggested to Vu van Thai that a team consisting of the following members be assigned to work on this project.

Americans:

1. Representative of Capital Engineering
2. Representative of USOM Accounting Section
3. Myself.

Budget Personnel:

1. Nguyen quoc ^LTan, Director of Program and Plan Division
2. ^LTe van Kim, Accounting and IBM Specialist
3. Heip, Budget Examiner.

Department of Public Works Personnel:

1. A top flight representative of the department, who knows the organization and operations, who is in favor of the project, and who can be assigned to it full time, if required.

General Comments.

I am not very optimistic about the chances for success of this project, but I believe that, because its goal is so desirable, and because both the Secretary of State for Public Works and the General

Director of Budget want the project and have asked our help, we must give it our best try. Following are the problems as I see them.

I have found, in trying to set up program budgeting in Public Works, which is a less complex project, that although the top level management in the Department of Public Works is capable and wants to make administrative improvements, the budget and accounting personnel, who will have to be trained to do the work are incompetent, resist changes, appear to be lazy and are completely untrained. Further, it is my understanding that many of the personnel in the department and districts are not responsive to the direction of the top management of the department and have successfully resisted the authority of the Secretary of State in other reform projects of his. Vu van Thai has said that if necessary he will go to the President so that we can get the necessary cooperation.

Cost accounting of the type that has been proposed is an extremely complex operation and requires trained accountants, even in well organized and administered agencies. In a country where it is almost impossible to locate trained bookkeepers, I believe this project may be far too technically advanced for the skills of the personnel who must be trained to understand and run the system.

Third, the present administrative structure of the department, and the habits and traditions of the established procedures, add many problems and complications which may be impossible to overcome without a complete reorganization of the operations ^{of the Public Works Department.} ~~of methods and procedures~~ *of course, such a total reorganization of methods and procedures is far beyond the scope of this project.* *beyond the scope of this project.*