

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 121.6 (30 Dec 46)GD  
(SCAFIN 1430)

AFO 500  
30 December 1946

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT

THROUGH: Central Liaison Office, Tokyo

SUBJECT: Expenditures

1. An investigation of expenditures made by the Imperial Japanese Government for Supplies delivered on procurement demand and for repair, rehabilitation and construction of facilities, indicates that prices are being paid for labor, supplies, materials, and services far in excess of value received. It is clearly evident that the prices allowed by the Imperial Japanese Government on construction and rehabilitation projects, reflect payment of black-market prices for a large share of materials, payment of excessive wage rates, inclusion of taxes and padding of costs for labor and materials.

2. The conditions outlined in the foregoing paragraph appear to be due largely to a failure on the part of the Imperial Japanese Government to establish and operate efficiently a system of supervision over the consummation of contracts and the performance of contractors, as well as otherwise to obtain the maximum return from required expenditures. It is therefore directed that, effective immediately, the Imperial Japanese Government will institute a system of supervisory inspection and auditing procedures adequately to control government expenditures.

FOR THE SUPREME COMMANDER:

*John B. Cooley*  
JOHN B. COOLEY,  
Colonel, AGD,  
Adjutant General.