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**Audit of USAID/Bosnia-Herzegovina's  
Municipal Infrastructure and Services Program  
for the Period  
October 1, 1997 through March 31, 1998**

**Audit Report No. B-168-98-007-P  
September 30, 1998**

**Regional Inspector General  
Budapest, Hungary**



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September 30, 1998

MEMORANDUM

TO: USAID/Bosnia-Herzegovina, Craig G. Buck  
Regional Contracting Officer/Budapest, Michael Kenyon

FROM: RIG/Budapest, *James R. Bonnell*  
James R. Bonnell

SUBJECT: Audit of USAID/Bosnia-Herzegovina's Municipal Infrastructure and Services Program for the Period October 1, 1997 through March 31, 1998

This memorandum is our final report on the subject audit. In preparing the report, we considered Mission comments on the draft report and included them at Appendix II. The Regional Contracting Office provided oral comments. The report concludes that, with one exception, program funds were used for the purposes authorized. Furthermore, our audit showed that the implementation of the Municipal Infrastructure and Services Program continues at a rate that, if maintained, should complete the construction targets in advance of the 4½ years originally established for the program.

This report makes three recommendations. Recommendation No. 1, addressed to USAID/Bosnia-Herzegovina, concerns contractor-maintained vehicle utilization logs. We reviewed the Mission's procedures put in place to ensure that all vehicle use is logged and consider that final action has been taken. Recommendation No. 1 is closed upon report issuance.

Recommendation Nos. 2 and 3, addressed to the Regional Contracting Officer/Budapest, are open. Recommendation No. 2 will be considered to have a management decision when the determination on the contractor's personal use of official vehicles is made. Recommendation No. 3 will be considered to have a management decision upon the Regional Contracting Officer's review of Parsons' vehicle use procedures and determination of the amount of recovery.

Please advise this office within 30 days of any action planned or taken to close these recommendations. Thank you for the assistance and courtesies extended to my staff during the audit.

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**Background**

In early May 1996, the Assistant Administrator for the Bureau of Europe and the New

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Independent States (ENI) authorized the 4½-year, \$182 million Municipal Infrastructure and Services (MIS) program. This balance-of-payments initiative finances the reconstruction of community infrastructure in Bosnia-Herzegovina. On January 21, 1998, the life-of-project funding was increased to a total of \$265 million when ENI's Deputy Assistant Administrator approved amendment number one to the MIS program. On May 9, 1996, a grant agreement was signed between the United States and Bosnia-Herzegovina to obligate the initial \$23 million for this program. As of March 31, 1998, approximately \$140.1 million has been obligated—about \$115.7 million for infrastructure projects and \$24.4 million for program implementation.

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## **Audit Objective**

The objective of this concurrent audit was to determine whether USAID/Bosnia-Herzegovina and the implementing contractor used economic revitalization assistance funds designated for the Municipal Infrastructure and Services program for the purposes authorized under the Grant Agreement and Public Law 104-122.

The Office of the Inspector General has issued periodic reports on the Municipal Infrastructure and Services program. This is the fifth report<sup>1</sup> on that program. Appendix I contains a discussion of the scope and methodology for the audit.

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## **Audit Findings**

### **Did USAID/Bosnia-Herzegovina and the Implementing Contractor Use Economic Revitalization Assistance Funds Designated for the Municipal Infrastructure and Services Program for the Purposes Authorized Under the Grant Agreement and Public Law 104-122?**

For the items tested, USAID/Bosnia-Herzegovina and the implementing contractor used the economic revitalization assistance funds designated for the Municipal Infrastructure and Services (MIS) program for the purposes authorized under the MIS grant agreement and Public Law 104-122. However, some U. S. Government funds were being used to pay for personal travel of contractor employees because the implementing contractor was not enforcing its policy and procedures on the use of official vehicles.

### **Status of the MIS Program**

As of March 31, 1998, USAID/Bosnia-Herzegovina (hereafter referred to as USAID or the Mission) had obligated and disbursed about \$115.7 million to Bosnia-Herzegovina; about \$63.7 million to implement the FY1996 MIS projects, \$52 million for FY1997 projects. See Appendix V for more detail on program obligations and disbursements.

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<sup>1</sup> See Audit Report Nos: B-168-97-003-P, dated March 26, 1997; B-168-97-005-P, dated June 27, 1997; B-168-98-002-P, dated January 9, 1998; and B-168-98-003-P, dated March 26, 1998.

During this reporting period, the implementing contractor (Parsons Delaware, Inc., hereafter referred to as Parsons) reconciled the final closeout of project costs. In a memorandum dated February 25, 1998, Parsons provided USAID with a list of FY1996 and FY1997 MIS projects for which all payments were complete. The list included 25 projects for FY1996 and 11 projects for FY1997. The following section summarizes key program information on the implementation of program activities.

Fiscal Year 1996 MIS Program Funds. In the 23 months since the MIS program was authorized, USAID identified and approved 213 projects totaling \$63.7 million, including:

- 48 major projects valued at \$56.9 million in five public sector areas: energy, transportation, water resources, education, and health.
- 165 small Community Infrastructure Rehabilitation Projects (CIRPs) with a value of \$6.8 million.

As of March 31, 1998, Bosnia-Herzegovina had transferred approximately \$58.4 million to Parsons and Parsons had issued:

- 75 subcontracts to implement MIS projects totaling \$17.8 million;
- 52 subcontracts for the CIRPs totaling \$5.6 million; and,
- 186 purchase orders for project commodities valued at \$31.6 million.

As of this same date, construction was in-progress on 12 of the 48 MIS projects, and the work was essentially complete for the other 36 projects. In addition, subcontractors had completed 152 of the 165 CIRP projects.

Fiscal Year 1997 MIS Program Funds. During this reporting period, USAID identified and approved 175 projects totaling \$48.2 million, including:

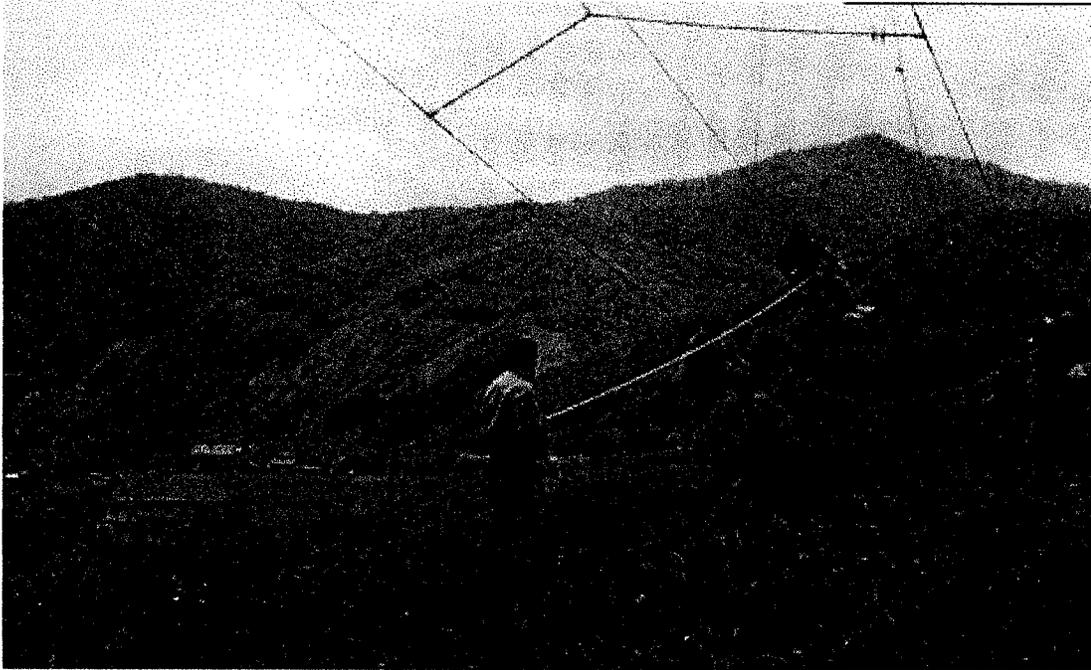
- 49 major projects valued at \$41.9 million in five public sector areas and
- 126 CIRPs valued at approximately \$6.3 million.

As of March 31, 1998, Bosnia-Herzegovina had transferred about \$37 million to Parsons and Parsons had issued:

- 60 subcontracts to implement MIS projects totaling \$16.2 million;
- 116 subcontracts for the CIRPs totaling \$4.7 million; and,
- 115 purchase orders for project commodities valued at \$23.1 million.

Of the 49 approved MIS projects, construction was in-progress for 33 projects, work had not yet begun for 1 project, and 15 projects were complete. In addition, subcontractors had completed 59 of the 126 CIRP projects.

The following photograph illustrates an essentially complete MIS project in Central Bosnia. A total of \$970,000 was budgeted for this power sector project.



Final work was the installation of the specialized line separators designed to keep the power lines from touching.  
Photograph by RIG/Budapest auditor in the Municipality of Zenica, May 1998.

Fiscal Year 1998 MIS Program. During this reporting period, USAID reviewed project proposals and, in March 1998, completed its 1998 planning process for the MIS program. The total value of the FY1998 program is \$45 million which will be distributed in six sectors: energy/power, water resources, transportation, health, education, and district heating. Also included in the FY1998 program are plans for CIRPs in Tuzla, western Republic of Srpska, and Central Bosnia. We will review and report on FY1998 program information during the next reporting period.

In summary, to put the fiscal years 1996 and 1997 MIS program accomplishments in perspective, one has only to compare the original construction targets with the information discussed in the preceding subsections. For example, program targets included 65 municipal infrastructure projects; but at about the midpoint of the 54-month program, 51 such projects (or 78 percent) were essentially complete. The construction targets also included 40 small infrastructure projects; again, midway into the program, subcontractors have completed 211 small infrastructure projects—more than 5 times the number of planned small projects. See Appendix III for information on construction targets and budget and for detail on the status of the MIS program.

At another site in Central Bosnia, work was in progress to construct a water intake structure and

filtration station pipeline. A total of \$350,000 was budgeted for this MIS project.



Widening the access road to the water intake site in the Municipality of Busovaca.  
Photograph by RIG/Budapest auditor, May 1998.

### **Results of Audit Tests**

For our fifth reporting period on the MIS program, our audit work was focused on: (1) visiting project sites and updating the status of project activities, (2) following up on CIRP monitoring, and (3) reviewing Parsons' controls over project vehicles.

Site Visits. During this period, we visited project sites to verify the project's existence, construction status, and the monitoring done by USAID and the contractor. We inspected 7 MIS projects and 14 CIRPs. No major problems were identified at the 21 projects visited. However, potential problems with project monitoring and incomplete scopes of work surfaced at three project sites. We discussed each instance with Mission management and action was taken to resolve the issue as discussed below:

- Under the Donji Vakuf Water Supply Project, we visited the Oborci Water Supply reservoir site. A critical point in the project was completion of the reservoir, but no workers were present the day we visited (May 6, 1998). The subcontractor explained that they were unable

to work that day because concrete had not been delivered. As a result of our visit, USAID's project engineer met with Parsons and discussed the need to increase monitoring of this subcontractor's activities. Subsequent to our field visit, the project engineer informed us that all work was completed by the end of May, the final inspection was completed in June, and the water system was fully operational.

- Approximately \$100,000 was budgeted for two CIRPs to reconstruct kindergartens. During our visits, the subcontractors claimed that the central heating and electrical works needed repairs, but that such work was not included in the project scopes of work. We discussed the situations with USAID's senior engineer who, in consultation with Parsons' engineer, reconfirmed that the heating and electrical systems were operational when the scopes of work were developed. We will revisit the schools during the heating season to determine if the systems are functioning and that the schools are being used as intended.

See Appendix IV for comments on the construction status of the 21 projects visited during this six-month reporting period.

CIRP Monitoring Efforts. In a previous audit report,<sup>2</sup> we discussed the new memorandum of agreement between USAID and Stabilization Force (SFOR) personnel which assigns monitoring responsibilities for the 1997 CIRPs among USAID, Parsons, and SFOR. In that report, we commented that we planned to review the SFOR monitoring operation during future fieldwork. Because SFOR was in the midst of preparing proposals for the FY 1998 CIRP program during this reporting period—and was experiencing numerous problems in doing so—we decided to postpone our review of their monitoring efforts until our April 1 through September 30, 1998, reporting period.

However, we did review the final report of the 1997 CIRP program evaluation that was conducted in September 1997 by a joint USAID and SFOR team. The team concluded that the CIRP program largely achieved its purpose and recommended that USAID and SFOR participate in a third program (CIRP III). To correct program problems identified during the evaluation, the team also recommended five changes in CIRP III. The evaluation team also made three additional recommendations for USAID action and one for joint USAID and SFOR action. For example, the team recommended that USAID hire two more local engineers and a U. S. personal services contractor to manage the CIRP and continue to look for ways of streamlining the proposal evaluation system. We plan to followup on the status of all recommendations during future fieldwork.

Review of Controls Over Project Vehicles. Parsons was not maintaining control over the use of official vehicles. Furthermore, Parsons did not ensure that its employees paid for personal use of USAID vehicles. These deficiencies are discussed in more detail on the next page.

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<sup>2</sup> See Audit Report No. B-168-98-002-P, dated January 9, 1998, for the period April 1 through June 30, 1997.

The Federal Acquisition Regulation prescribes the minimum requirements contractors must meet in establishing and maintaining control over government property. That is, the contractor's procedures shall be adequately documented to assure that government property is used only for authorized purposes. In addition, certain USAID policies and procedures apply to contractor vehicles which are titled with the U.S. Government. One such policy is that daily vehicle usage records must be filled out for each vehicle on dispatch. Furthermore, in a March 5, 1998, e-mail, USAID's executive office reminded Parsons that contractor employees are required to pay a minimum of 31 cents per mile for personal use of official vehicles.

In May 1998, we reviewed Parsons' procedures for controlling the use of 34 USAID-funded project vehicles titled with the U.S. Government. Parsons published procedures covering project vehicles in October 1996 and, again, in January 1997. In part, personnel were required to: (1) complete vehicle trip logs; (2) pay the cost of fuel plus a "wear and tear" cost of DM 0.10 per kilometer (about 11 cents per mile) for personal use of the vehicles; and (3) complete a travel authorization form for all trips outside Sarajevo, indicating whether travel was for business, rest and recuperation, home leave, or personal reasons.

During our review, we found that:

- Vehicle use logs were not being maintained. Parsons personnel could only find logs for 14 of the 34 vehicles. Of these, the last entries for 11 vehicles were in 1996; for 3 vehicles, in 1997.
- Travel authorizations were being completed for travel outside of Sarajevo, but there was no evidence that personnel paid for personal use of the vehicles. At the time of our visit, records showed that 41 of the 551 travel authorizations were for personal travel.
- Personnel were required to buy fuel for personal use of vehicles, but there were no procedures in place to ensure that personal-use fuel costs were not later reimbursed as official travel.

In summary, USAID is at risk because there is no guarantee that U. S. Government property is being used only for authorized purposes. Furthermore, U. S. Government funds were being used to pay for personal travel of contractor's employees.

In responding to the draft audit recommendations, the Mission consulted with the Regional Contracting Office in Budapest concerning its acceptance of Parsons' vehicle use procedures. In turn, the cognizant contracting officer raised several issues that must be resolved. First, and foremost, is the issue that the contracting officer has not authorized the private use of government furnished property [the project vehicles], even if reimbursed.

Given this concern, we revised the audit recommendations included in our draft report, addressing one to USAID/Bosnia-Herzegovina and two to the Regional Contracting Officer/Budapest.

**Recommendation No. 1:** We recommend that USAID/Bosnia-Herzegovina take the necessary action to ensure that Parsons Delaware, Inc., enforces the requirement that vehicle utilization logs be maintained for each project vehicle.

**Recommendation No. 2:** We recommend that the Regional Contracting Officer/Budapest:

- 2.1 determine whether personal use of official government vehicles, on a reimbursable basis, by Parsons' employees and subcontractor employees is consistent with provisions of U. S. Government regulations and current Mission policy and practice; and
- 2.2 notify Parsons of the final determination on the personal use of U. S. Government vehicles.

**Recommendation No. 3:** We recommend that the Regional Contracting Officer/Budapest:

- 3.1 review and approve, as appropriate, Parsons' revised vehicle use procedures;
- 3.2 make a management decision on the amount which Parsons determines is owed the U.S. Government for employees' personal use of vehicles from project inception; and
- 3.3 recover the amount determined to be unallowable.

### **Management Comments and Our Evaluation**

**USAID/Bosnia-Herzegovina Comments** - USAID/Bosnia-Herzegovina officials agreed with the content of the report and their comments are included as Appendix II to this report. With respect to Recommendation No. 1, the Mission was advised that internal procedures were put into place by Parsons on May 11, 1998, to ensure the logging of all vehicle use on a daily basis. Vehicle logs are checked daily and copies are submitted monthly to the Mission's Executive Officer. Mission management reviewed corrective action taken by Parsons, including the September 1998 revision of its procedures.

**Regional Contracting Officer/Budapest Comments** - The cognizant contracting officer provided oral comments, as requested, which we incorporated into the revised audit

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recommendations. Also, the cognizant contracting officer suggested that specific reference to Federal Acquisition Regulation contract clause 52.245-5 should be the basis for the audit findings. This clause requires that, "...property shall be used only for performing this contract, unless otherwise provided in this contract or approved by the Contracting Officer." According to the cognizant contracting officer, the Parsons contract does not provide for, nor has the contracting officer approved, the personal use of U.S. Government vehicles.

**RIG/Budapest Evaluation**

After reviewing the supporting documentation provided by the Mission, we agree that final action has been taken and consider Recommendation No. 1 closed upon report issuance.

We have discussed Recommendation Nos. 2 and 3 with the cognizant contracting officer. Recommendation No. 2 will be considered to have a management decision when the determination on personal use of official vehicles is made. Recommendation No. 3 will be considered to have a management decision upon the Regional Contracting Officer's review of Parsons' vehicle use procedures and determination of the amount of recovery.

## Scope and Methodology

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### Scope

The Office of the Regional Inspector General/Budapest is conducting a concurrent audit of USAID's Municipal Infrastructure and Services (MIS) program activities in Bosnia-Herzegovina in accordance with generally accepted government auditing standards. The reporting period for this audit was October 1, 1997 through March 31, 1998. The audit was conducted from February 25 through March 1 and April 21 through May 21, 1998, at the USAID offices in Sarajevo and Banja Luka and the Parsons Delaware, Inc., office in Sarajevo.

We inspected Sarajevo-managed MIS projects and Banja Luka-managed Community Infrastructure Rehabilitation Projects (CIRPs) from the FY1996 and FY1997 programs. In addition to visiting CIRPs, we reviewed the results of the 1997 CIRP program evaluation. Lastly, we examined whether Parsons was implementing controls over project vehicles.

We did not audit the program's financial statements shown in Appendix V.

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### Methodology

Audit methodology included file reviews, interviews, field visits and data analysis. We reviewed amendments to the Grant Agreement between Bosnia-Herzegovina and the United States, program documents and contracts to keep abreast of program objectives and restrictions as determined in previous audits. We interviewed Mission and contractor officials to obtain their views on problems being experienced in the program and the adequacy of actions taken to address these problems.

We inspected 7 MIS projects and 14 CIRPs to verify the project existence, construction status, and whether the project was being used as intended. We performed end-use checks through observations and discussions with USAID engineers and the program coordinator. We judgmentally selected all projects, but sought to obtain a mix of projects in different stages of completion. Also, we focused our site visits in Central Bosnia (Sarajevo office) and in the western Republic of Srpska (Banja Luka office). About \$4.8 million was budgeted for the 21 projects visited.

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**Appendix II**

**Comments on the draft audit report provided by USAID/Bosnia-Herzegovina**



*United States Agency for International Development*  
Sarajevo, Bosnia-Herzegovina

MEMORANDUM

Date: September 24, 1998

To: James R. Bonnell, RIG/A/Budapest

From: Craig G. Buck, Director

Subject: Audit of USAID/Bosnia-Herzegovina's Municipal Infrastructure and Services Program for the Period October 1, 1997 through March 31, 1998

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We have reviewed the subject draft audit report and continue to be pleased that the on-going audit activities have not uncovered any unforeseen problems with implementation of the program. We are also pleased that implementation of the program continues to move forward as intended.

We have been in the process of responding to the two recommendations made in the draft report with the expectation to complete actions to reach management decisions and take final action with respect to both prior to the issuance of your final report. On September 2, 1998 Parsons Project Director issued a revised project procedure for "Personnel Travel" (ADM-002) and "Vehicle Use and Safety" (SEC-002) that defines personal vehicle use and sets a rate of .32 DEM per kilometer (equivalent to \$0.31 per mile) for personal use of project vehicles. Consultations with our Regional Contracting Office (RCO) in Budapest concerning our acceptance of these procedures raised several issues that need to be resolved by our RCO with the contractor. These concerns and discussions were also discussed with the auditor on your staff primarily responsible for the on-going audit of this program. We all agree that the recommendations made in this draft report should be revised and addressed to the Regional Contracting Officer, with the exception of Recommendation No. 1.2 (1) to which our Mission can respond. We request that such revisions be made by your office.

With respect to Recommendation No. 1.2 (1), internal procedures have been put in place to ensure the logging of all vehicle use, both official and personal, on a daily basis as of the issuance of the revised ADM-002 and SEC-002 on September 2, 1998. Vehicle logs are checked daily and copies of vehicle logs are submitted monthly to the USAID/BiH EXO. Assessment of personal vehicle use is calculated monthly and the total value in U.S. dollars included as a credit on Parson's monthly voucher. Bills of collection for personal vehicle use and receipts indicating payment are submitted monthly to USAID/BiH EXO, and have been submitted since July 1998. While our Mission cannot accept the revised procedures- Vehicle Use & Safety (SEC-002 Revision No. 2) and Personnel Travel (ADM-002 Revision 2) -given the RCO's concerns, we have reached a Management Decision with the auditor on your staff primarily responsible for the on-going audit of this program and have provided proof to your office that final action has been taken on the issue raised in Recommendation No. 1.2 (1). We request that this be noted in your final audit report.

We continue our appreciation of and satisfaction with the work of the RIG audit team and their responsiveness to look at areas of concern to us, which included the prime contractor's personal use of project vehicles, in addition to items included in their overall audit plan of this program. Their work and inputs into program implementation continue to add to the program's success to date.

**Audited Status of the  
Municipal Infrastructure and Services Program**  
*as of March 31, 1998*

On March 29, 1996, Congress appropriated funds for the economic revitalization of Bosnia-Herzegovina. In May 1996, the Assistant Administrator for the Bureau of Europe and the New Independent States authorized the 4½-year, \$182 million Municipal Infrastructure and Services (MIS) program to assist in Bosnia-Herzegovina's recovery. On January 21, 1998, ENI's Deputy Assistant Administrator approved amendment number one to the MIS program which increased the life-of-project funding to \$265 million. To implement the MIS program, USAID signed a contract with Parsons Delaware, Inc. (Parsons) on June 10, 1996.

As of March 31, 1998, USAID had obligated and disbursed about \$115.7 million to Bosnia-Herzegovina for infrastructure projects; about \$63.7 million for the FY1996 program and \$52 million for the FY1997 program. Also, the Mission had approved the transfer of about \$96.3 million of these funds to Parsons—\$59.6 million to implement the FY1996 program and \$36.7 million to implement the FY1997 program.

Table A shows the construction targets and estimated cost established for the 54-month MIS implementation period as well as the number of approved projects and the value of approved budgets for the FY1996 and FY1997 programs. As of March 31, 1998, the Mission had approved a total of 388 projects.

**TABLE A**  
**COMPARISON OF PLANNED MIS PROGRAM AND**  
**APPROVED PROGRAM FOR FYs 1996 AND 1997**  
**AS OF MARCH 31, 1998**

Type of Project	Number of Planned Projects	Number of Approved Projects	Total Estimated Cost	Value of Approved Budgets
Municipal Infrastructure	65	97	\$97,000,000	\$98,743,301
CIRPs	40	291	2,000,000	13,143,013
Shelter	32	0	45,000,000	0
Totals	137	388	\$144,000,000 <sup>3</sup>	\$111,886,314

<sup>3</sup> The January 1998 amendment increased the total for infrastructure projects to \$210 million. USAID is developing budget levels for reconstruction activities for the additional \$66 million.

Also, as shown in Table A, on the previous page, the total value of the approved budgets for the two fiscal years of the MIS program accounts for almost \$112 million (about 78 percent) of the original estimated program cost of \$144 million. Furthermore, 388 projects have been approved—considerably more than the 137 originally planned. The shelter rehabilitation projects have not started because of the Congressional ban on constructing new housing or repairing existing housing in Bosnia-Herzegovina. Table B below and Table C on page 4 of this appendix provide more detailed information on the actual progress of the two fiscal year programs, i.e., the amount and number of approved contracts.

**Fiscal Year 1996 Program**

As presented in Table B, USAID identified projects totaling \$63.7 million for the FY1996 program, including 48 major projects in five public sector areas and 165 small Community Infrastructure Rehabilitation Projects (CIRPs). As of the end of March 1998, Parsons had signed 413 subcontracts and purchase orders valued at about \$55 million.

**TABLE B**  
**FY 1996 MIS PROGRAM**  
**AS OF MARCH 31, 1998**

<b>Project Sector</b>	<b>Budget Identified</b>	<b>Projects Approved</b>	<b>Amount of Contracts</b>	<b>Contracts Approved</b>
Energy	\$39,249,948	22	\$33,450,002	202
Transportation	7,179,181	8	6,654,310	17
Water Resources	6,179,140	7	5,478,552	24
Education	2,512,474	8	2,079,890	8
Health	1,750,019	3	1,661,312	7
CIRPs	6,830,368	165	5,650,253	155
<b>Totals</b>	<b>\$63,701,130</b>	<b>213</b>	<b>\$54,974,319<sup>4</sup></b>	<b>413<sup>4</sup></b>

From the FY1996 program, 9 MIS and 37 CIRP projects were completed during this reporting period. In total, through March 31, 1998, 36 MIS projects and 152 CIRPs have been completed. Information<sup>5</sup> on the nine MIS projects completed this period follows:

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<sup>4</sup> This amount includes \$23,359,743 for 227 subcontracts and \$31,614,576 for 186 commodity purchase orders.

<sup>5</sup> All information as of March 31, 1998.

- Ilidza, 96-1-E. This energy project was budgeted for \$473,124 to repair a 110/10kv substation. Total payments by Parsons were \$472,719; including \$451,954 for purchase orders and \$20,765 for demining.
- Kakanj, 96-1-J. The budget for this energy project was slightly more than \$1.3 million to repair a large 35/10 kv substation. Total payments by Parsons were \$1,291,162; including \$145,574 for subcontracts, \$1,137,097 for purchase orders and \$8,491 for demining.
- EP Mostar Equipment, M6MOP25. The budget for this energy project was \$224,000 for purchasing necessary equipment to erect power transmission line poles. The construction equipment will be used on other USAID energy-restoration projects. Total payments by Parsons were \$203,660 for purchase orders.
- Vares/Sarajevo 400 KV System, M6SAP26. The budget for this energy project is \$590,000 to rehabilitate part of the transmission line. Total payments by Parsons were \$436,960; including \$349,303 for subcontracts, \$87,139 for purchase orders and \$518 for demining.
- Brcko Railway Bridge, 96-2-B. This transportation sector project was budgeted at \$2,249,128 to reconstruct the bridge that connects Bosnia-Herzegovina with Croatia. Total payments by Parsons were \$2,100,687; including \$1,996,124 for subcontracts and \$104,563 for demining.
- Banja Luka Bridge, M6RSyT060. This transportation project was budgeted at \$202,674 for extensive repairs to the existing three-span bridge across the Vrbas River in Banja Luka. Total payments by Parsons were \$202,674 for subcontracts.
- Gradacac Municipal Water System, 96-3-B. The water resources sector project was budgeted for \$1,406,176 to construct a supply pipeline from Lake Vidara to the water treatment plant, and a pressure pipeline from the pump station to the existing water reservoir. Total payments by Parsons were \$1,406,175; including \$1,357,641 for subcontracts and \$48,534 for demining.
- Zepce/Papratnica Water Supply, M6ZAFW170. This water sector project was budgeted at \$106,000 to replace about 4.5 kilometers of damaged pipeline. Total payments by Parsons were \$93,490; including \$90,114 for subcontracts and \$3,376 for demining.
- Olovo Hospital, 96-5-A. The health sector project to reconstruct a hospital was budgeted for \$849,194. Total payments by Parsons were \$836,149; including \$802,298 for subcontracts and \$33,851 for demining.

The value of the 37 CIRPs completed during this period is \$1,682,875, representing about 25 percent of the planned FY1996 small community projects.

**Fiscal Year 1997 Program**

As shown in Table C, USAID identified projects totaling approximately \$48.2 million for the FY1997 program, including 49 major projects in five public sector areas and 126 small CIRPs. As of March 31, 1998, Parsons had signed 291 subcontracts and purchase orders valued at about \$44 million.

**TABLE C  
FY 1997 MIS PROGRAM  
AS OF MARCH 31, 1998**

Project Sector	Budget Identified	Projects Approved	Amount of Contracts	Contracts Approved
Energy	\$21,357,815	22	\$23,837,403	112
Transportation	4,089,999	4	3,283,708	21
Water Resources	13,818,845	17	9,596,264	28
Education	538,333	3	656,981	10
Health	2,067,547	3	1,860,980	3
CIRPs	6,312,645	126	4,756,366	117
<b>Totals</b>	<b>\$48,185,184</b>	<b>175</b>	<b>\$43,991,702<sup>6</sup></b>	<b>291<sup>6</sup></b>

From the 1997 program, 11 MIS projects and 43 CIRPs were completed during this reporting period. In total, through March 31, 1998, 15 MIS projects and 59 CIRPs have been completed. Information<sup>7</sup> on the 11 MIS projects completed this period follows:

- Tesanj-Jelah Power, M7ZEP08b. This power sector project was budgeted at \$188,000. Total payments by Parsons were \$148,806; including \$52,924 for subcontracts, \$95,016 for purchase orders, and \$866 for demining.
- Kiseljak-Fojnica Overhead Line, M7CBP20c. This power sector project was budgeted

<sup>6</sup> This amount includes \$20,901,093 for 176 subcontracts and \$23,090,609 for 115 commodity purchase orders.

<sup>7</sup> All information as of March 31, 1998.

at \$40,000. Total payments by Parsons were \$41,685; including \$10,035 for purchase orders and \$31,650 for demining. We have requested that USAID provide a copy of the approved change order for the \$1,685 budget overrun.

- Tesanj-Tesanjka Road, M7ZEbT020. This transportation sector project was budgeted at \$1,196,475. Total payments by Parsons were \$1,196,475 for subcontracts.
- Tuzla-Brcko Railroad, M7TZgT030. This transportation sector project was budgeted at \$2 million. Total payments by Parsons were \$1,188,412; including \$715,926 for subcontracts, \$461,520 for purchase orders, and \$10,966 for demining.
- Sarajevo Cobanija Bridge, M7SAaT040. This transportation sector project was budgeted at \$238,822. Total payments by Parsons were \$238,822; including \$238,243 for subcontracts, \$235 for purchase orders, and \$344 for demining.
- Slavonija Rail Rehabilitation, M7CRaT050. This transportation sector project was budgeted at \$650,000. Total payments by Parsons were \$649,984; including \$400,000 for subcontracts and \$249,984 for purchase orders..
- Brcko Ravne Water Supply, M7TZmW020. This water resources sector project was budgeted at \$209,065. Total payments by Parsons were \$209,065; including \$206,452 for subcontracts and \$2,613 for demining.
- Odzak Wastewater Collection System, M7POaW090. This water resources sector project was budgeted at \$383,780. Total payments by Parsons were \$383,780; including \$382,170 for subcontracts and \$1,610 for demining.
- Zenica Water Supply, M7ZEeW140. This water resources project was budgeted at \$500,000. Total payments by Parsons were \$264,781; including \$183,848 for subcontracts, \$79,387 for purchase orders, and \$1,546 for demining.
- Novo Sarajevo Primary School, M7SAfE010. This education sector project was budgeted at \$309,024. Total payments by Parsons were \$309,024; including \$293,867 for subcontracts and \$15,157 for demining.
- Ilidza Health Center, M7SAcH010. This health sector project was budgeted at \$226,958. Total payments by Parsons were \$226,958 for subcontracts.

The value of the 43 CIRPs completed during this period is \$1,769,041, representing 28 percent of the planned FY1997 small community projects.

<p><b>Audit Test Results</b> for the reporting period October 1, 1997 through March 31, 1998</p>
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During this reporting period, we visited 7 Sarajevo-managed MIS projects and 14 Banja Luka-managed CIRPs. For the seven MIS projects, four are from FY1996 program funds; three from FY1997. For the 14 CIRPs, 4 are from FY1996 program funds; 10 from FY 1997. We visited the projects to verify the project existence, construction status, and monitoring by USAID and the contractor. For completed projects, we performed end-use checks.

No major problems were identified at the 21 projects visited. However, potential problems with project monitoring and incomplete scopes of work surfaced at three project sites. At one site of the Donji Vakuf Water Supply Project, no work was being done on the reservoir at the time of our visit. At two CIRPs, the subcontractors claimed that central heating and electrical works needed repairs, but that such work was not included in the scope of work. The construction status of all projects visited follows.

Project Name/No.	Project Purpose	Amount Budgeted	Construction Status
Municipality of Zenica [96-1-K]	To repair a substation and construct a 35 kV overhead line between Zenica and Zepce.	\$970,000	<u>Essentially complete.</u> Power will be restored to the various villages in the Zenica area. All civil works and line works are complete and, at the time of our visit, the subcontractor was installing specialized line separators. The week following our visit, all work had been completed.
Begov Han Bridge [96-2-F]	To construct a two-lane highway bridge (with sidewalks) over the Bosna River.	\$623,585	<u>Completed in September 1997.</u> The bridge connects the community of Begov Han with the main highway and replaces an older bridge that was in danger of collapse. During our visit, we were told that the municipality had decided to install lighting on the bridge because the road is dangerous at night.

Project Name/No.	Project Purpose	Amount Budgeted	Construction Status
Donji Vakuf Power [M6CBP31a]	To reconstruct six low voltage distribution systems and six medium voltage systems.	\$265,000	<u>Work in progress.</u> Parsons reported this project as 70 percent complete. We visited 3 of the 12 subproject sites with Elektroprivreda personnel. USAID's senior engineer noted that the project was progressing satisfactorily.
Busovaca Water & Sewer [M6CBkW180]	To support five civil works, including construction of a water intake structure and filtration station pipeline.	\$350,000	<u>Work in progress.</u> We visited each of the five subprojects; work was complete at three sites, in progress at one site, and not yet begun at one site. At the water intake structure site, we observed workers widening the access road, preparing the site for the sand catcher, and fabricating the pattern for the sand catcher.
Sarajevo Cobanija Bridge [M7SAaT040]	To rebuild a bridge which was damaged during the war.	\$238,822	<u>Completed in November 1997.</u> An estimated 10,000 vehicles pass over the bridge each day. The bridge deck was widened with pedestrian passages on either side; otherwise, the replacement bridge was a replica of the original which was designed by Eifel of Eifel Tower fame.
Donji Vakuf Water Supply [M7CBaW040]	To provide major rehabilitation of two existing water distribution systems in the villages of Oborci and Torlakovac.	\$506,000	<u>Work in progress.</u> We visited both sites. No workers were present at the Oborci reservoir site. The subcontractor said that the concrete had not been delivered so they could not work on the reservoir that day, a delivery was expected the following day (see page 6 of the audit report).  At the Torlakovac site, the reservoir was completed; all that remained was waterproofing, insulation, and backfill.
Vogosca Water Supply [M7SAiW150]	To relocate water treatment plant and construct pipeline distribution system and pump stations.	\$900,000	<u>Work in progress.</u> According to the USAID engineer, installation of wells and pumps was about 85 percent complete. Work had begun on Phase II, the utility connections.

Project Name/No.	Project Purpose	Amount Budgeted	Construction Status
Banja Luka [C7BLaT090] FY1996 Funds	To reconstruct a cable bridge over the Vrbas River.	\$24,628	<u>Completed during this reporting period.</u> This bridge connects two halves of the municipality. Project work included installation of a new oak floor and repair and painting of the metal bridge, cables and railing. We observed many people walking across the bridge.
Banja Luka [C7BLaW020] FY1996 Funds	To reconstruct water line and connect to existing secondary water line.	\$50,204	<u>Completed during this reporting period.</u> About 100 to 150 residents will have potable water. Work included constructing 444 meters of water line which was connected to the existing secondary water line. Also, connections were made to twelve homes.
Banja Luka [C7BLaH010] FY1996 Funds	To reconstruct health clinic.	\$55,264	<u>Completed during this reporting period.</u> The clinic provides health services to four villages with a large number of disabled war veterans. During our visit, the chief nurse said they treat 40 to 60 patients a day and that they had treated 62 patients the previous day.
Srbac [C7BLbH050] FY1996 Funds	To reconstruct health clinic.	\$49,560	<u>Essentially complete.</u> The clinic will provide health services to neighboring villages and about 3,000 people living in the area. The clinic is operational, but final inspection has not yet been completed. We arrived at this site after 3 p.m., neighbors told us that the clinic is open from 8 a.m. to 2 p.m.

Project Name/No.	Project Purpose	Amount Budgeted	Construction Status
Laktasi [C7BLnE180]	To reconstruct kindergarten.	\$52,576	<u>Work in progress.</u> The school accommodates 150 pupils; after reconstruction, there will be room for an additional 50-100 students. At the time of our visit, the entryway was being painted and workers were doing various tasks throughout the school. The roof repair was complete. The subcontractor raised concerns about the central heating and electrical systems (see page 6).
Knezevo [7BLcW080]	To construct two water intakes, reservoir and pump station.	\$68,309	<u>Work in progress.</u> The system will provide potable water to 90 homes (about 315 people). At the time of our visit, no workers were onsite, but we observed that the main trenches had been dug. Also, work had begun on the reservoir.
Celinac [C7BLdW210]	To reconstruct a waste water treatment plant.	\$118,335	<u>Work in progress.</u> We observed a lot of activity during our site visit. Work had begun on building a guard shack. Workers were cleaning the sludge tank, drying fields and pipes; others were repairing concrete works.
Celinac [C7BLdW220]	To extend the sewer system.	\$150,766	<u>Work in progress.</u> The earthworks had not yet begun although the route has been marked.
Celinac [C7BLdW240]	To reconstruct the old water supply system in the villages of Grabovac and Radujkovici.	\$57,770	<u>Work in progress.</u> We visited the Radujkovici site where the subcontractor showed us the minor repairs that had been made to the reservoir. We observed new concrete fence posts and were told that chain link fence would be installed. The subcontractor informed us that he and the site inspector were going to check the water pressure that day.

Project Name/No.	Project Purpose	Amount Budgeted	Construction Status
Mrkonjic Grad [C7BLkE140]	To reconstruct kindergarten.	\$65,148	<u>Work in progress.</u> About 150 pupils attend this school. We saw that a new roof and some guttering and downspouts had been replaced. The facade was being repaired and workers were replacing and painting damaged joineries. Renovations had begun on the restrooms. New floor covering had been installed in some areas.
Gradiska [C7BLiE190]	To reconstruct kindergarten.	\$47,321	<u>Work in progress.</u> About 100 children attend the school. One classroom was completed. Workers were installing the kitchen floor. Renovations had not yet begun on the restrooms. The subcontractor raised concerns about the central heating system (see page 6 of the audit report).
Gradiska [C7BLiE200]	To reconstruct roof of secondary school.	\$73,117	<u>Essentially completed.</u> Installation of the new roof and guttering was complete, but the engineers had not yet inspected the site.
Banja Luka [C7BLaM160]	To rehabilitate a previously forested area.	\$37,328	<u>Essentially complete.</u> We observed that many seedlings had been planted. The project also included production and installation of 78 anchored, wooden benches and a picnic area. There were still a few benches to be stained.
Srbac [C7BLbM170]	To reconstruct the right Vrbas river bank.	\$115,123	<u>Work in progress.</u> Work began at the end of April when stone was transported to the site. During our visit, we observed stone being loaded in a truck and transported to the slope where it was dumped and spread. The engineers were satisfied with the work in progress.

<b>Unaudited MIS</b> <b>Fund Accountability Statement</b> <i>as of March 31, 1998</i>
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The amount USAID has budgeted, obligated, and disbursed for the MIS program is shown below. The amount disbursed for projects represents transfers that were made by Bosnia-Herzegovina to the contractor. The disbursed implementation costs are amounts paid by USAID.

	<b>4½ Year Program Budget</b>	<b>Amount Obligated</b>	<b>Amount Disbursed</b>
Infrastructure Projects	\$210,000,000	\$115,650,000	\$96,272,339
Implementation Costs:			
Parsons Contract	36,000,000	20,592,457	18,095,481
Audit, Program, and Evaluation	4,000,000	0 <sup>8</sup>	0 <sup>8</sup>
TA/Training	4,000,000	0	0
USAID Program Management	5,000,000	2,716,207	1,186,674
Contingencies	<u>6,000,000</u>	<u>0</u>	<u>0</u>
Totals	<u>\$265,000,000</u>	<u>\$138,958,664</u>	<u>\$115,554,494</u>

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<sup>8</sup> In previous audit reports, the amounts shown as obligated and disbursed for this budget line were taken from the Mission's Audit, Evaluation and Program Support project. According to the Mission Controller, this project has taken on additional contents that are irrelevant to the MIS program. Therefore, as of this reporting period, obligated and disbursed amounts are from MIS program funds.