

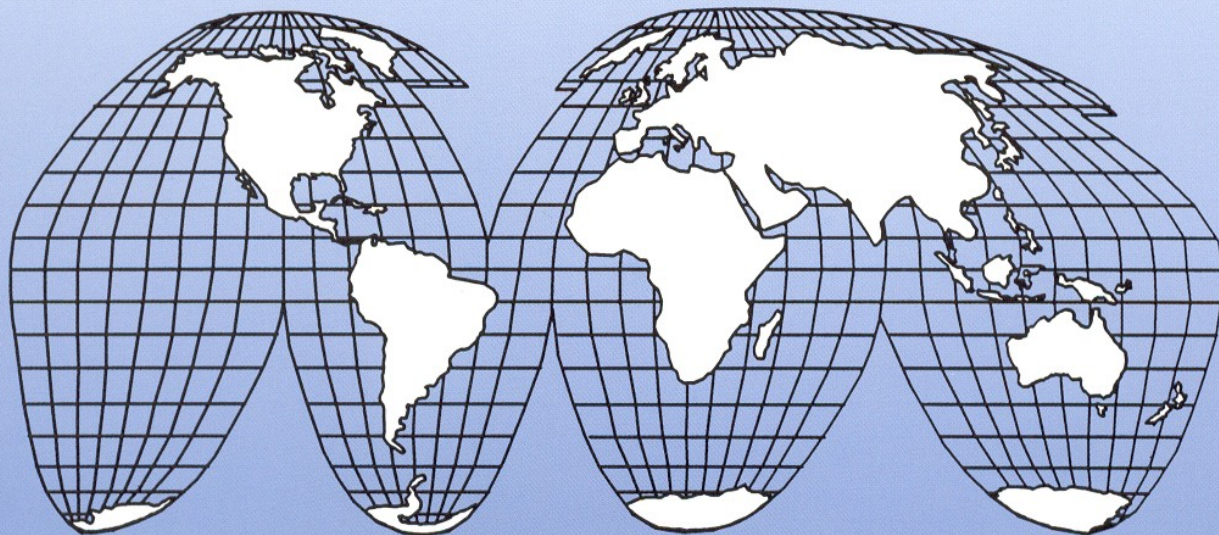
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program

Report No. E-266-04-002-P

June 3, 2004



Baghdad, Iraq



June 3, 2004

MEMORANDUM

FOR: Director, USAID/Iraq, James E. Stephenson

FROM: Acting Director, Audit Operations in Iraq, Catherine Trujillo /s/

SUBJECT: Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program (Report No. E-266-04-002-P)

This memorandum transmits our final audit report on the subject audit. In finalizing the report, we considered your comments on our draft report and have included them as Appendix II.

This report included four recommendations to strengthen USAID/Iraq's management controls related to the infrastructure reconstruction and rehabilitation activities. In your written comments, you concurred with these recommendations and identified actions taken to address each concern. We reviewed the supporting documentation provided and consider the four recommendations to have received a management decision and final action taken.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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Summary of Results

USAID awarded a contract to Bechtel National, Inc. (BNI) on April 17, 2003, in the amount of \$680 million to carry out USAID's reconstruction and rehabilitation of Iraq's infrastructure. The contract was subsequently increased to approximately \$1.03 billion. (See page 6.)

USAID/Iraq's infrastructure reconstruction and rehabilitation activities performed by BNI are on schedule to achieve the planned outputs except for 11 percent of the activities which were completed late or are behind schedule. USAID/Iraq has worked diligently to address performance challenges. Mission officials hold weekly meetings with BNI officials to discuss and resolve performance problems. In some instances, double shifts have been authorized to meet the scheduled completion dates in the power sector projects. Because of these aggressive actions to address scheduling issues, we are not making any recommendations. (See pages 7-8.)

The Mission's management controls related to the infrastructure reconstruction and rehabilitation projects are in need of improvement. Review of the projects identified that: 1) BNI did not perform adequate environmental reviews prior to the start of construction for 60 of the 72 projects, and 2) job order¹ specific plans (JOSPs) required within ten days after the issuance of a job order were not submitted as required. (See pages 9 – 11.) USAID/Iraq has not verified if proper credits were made to adjust for BNI excess on two invoices, and has not promptly closed out completed job orders as required. (See pages 12-13.)

We recommended that USAID/Iraq:

- Establish procedures ensuring that Bechtel National, Inc. submit an environmental review, and where applicable, an environmental assessment, with each request for the issuance of a job order, or that USAID/Iraq obtain a formal written determination exempting the program activities from USAID's environmental procedures; and obtain an acceptable environmental review for the existing job orders for which one is required. (See page 11.)
- Develop and document procedures to ensure that a job order specific plan is submitted and approved, for each job order requiring one, prior to the commencement of construction, and obtain an acceptable job order specific plan for the eight job orders for which a job order specific plan was not prepared. (See page 12.)

¹ USAID issued job orders for infrastructure repairs, rehabilitation, and/or upgrading activities, and any related procurement of equipment, supplies and materials. Job orders are required to be in writing, signed by the Contracting Officer or a duly warranted Administrative Contracting Officer with the technical concurrence of the Cognizant Technical Officer and authorize the Contractor to proceed with implementing the activity.

-
- Develop documented procedures which address the handling of charges in excess of the job order approved amount. (See page 13.)
 - Complete and implement job order closeout procedures to close out job orders in a timely manner. (See page 13.)

In responding to this report USAID/Iraq agreed with the recommendations and took corrective actions to address them. Appendix II contains USAID/Iraq's comments in their entirety. (See page 19.)

Background

On May 2, 2003, USAID began directing more than \$1.5 billion in assistance to Iraq. USAID reconstruction and humanitarian assistance is delivered through 45 grants and contracts to U.S. businesses and non-governmental organizations, supporting programs in power, water, sanitation, local governance, health, education and nutrition. USAID/Iraq coordinates all programs with the Coalition Provisional Authority. Total USAID assistance to Iraq in fiscal years 2003 and 2004 was \$3.2 billion as of March 17, 2004.

USAID awarded a \$680 million contract to Bechtel National, Inc. (BNI) on April 17, 2003, for the repair, rehabilitation or reconstruction of vital elements of Iraq's infrastructure. This included the assessment and repair of power plants, municipal water systems, sewage treatment plants, the Umm Qasr seaport, government and public facilities (schools, clinics, and fire stations), telecommunications facilities, and surface transportation components (bridges and rail). Appendix III contains a breakdown of infrastructure activities by sector and amount. USAID modified the contract on September 30, 2003, increasing the funding to \$1,029,833,259.²

BNI has faced a number of challenges working in Iraq, the foremost of which is the lack of a secure environment. BNI's performance has been hampered at a number of sites either by attacks on BNI personnel or by looting and acts of sabotage. Additionally, BNI has awarded a number of subcontracts to Iraqi companies, and this has resulted in some delays as many Iraqi contractors are not accustomed to operating at international standards.

² USAID awarded BNI a second contract on January 4, 2004, in the amount of \$1.8 billion to continue infrastructure projects. This second contract is not the subject of this audit.



Photograph of the construction of the platform for one of the electric generation plants. (Photograph was taken on March 9, 2004.)

Audit Objective

USAID Office of Inspector General has developed an audit strategy to address performance and financial issues being faced by USAID during its implementation of reconstruction efforts in Iraq. The OIG conducted this audit to answer the following audit objective:

Are USAID/Iraq's infrastructure reconstruction and rehabilitation activities performed by Bechtel National, Inc. on schedule to achieve the planned outputs?

Appendix I contains a complete discussion of the scope and methodology of the audit.

Audit Findings

Are USAID/Iraq's infrastructure reconstruction and rehabilitation activities performed by Bechtel National, Inc. on schedule to achieve the planned outputs?

USAID/Iraq's infrastructure reconstruction and rehabilitation activities performed by BNI are on schedule to achieve the planned outputs except for 11 percent of the activities which were completed late or are behind schedule.

Under the contract with BNI, USAID/Iraq issued job orders to specify the work to be performed. As of January 31, 2004, USAID/Iraq issued 72 job orders totaling \$686 million. USAID includes in each job order the approved rough order of magnitude amount³, a completion date, and the scope of work. USAID has changed the job order scope of work, completion dates, and rough order of magnitude estimates by issuing amendments to the job orders.

Of the 72 projects reviewed, BNI has completed or is scheduled to complete 64 projects by the scheduled due date. As of April 15, 2004, BNI did not or will not complete the remaining 8 projects by the scheduled completion date. These 8 projects, totaling \$91 million, represent 11 percent of the total number of projects.

Projects that were completed as of April 15, 2004, included a dredging project, a bridge bypass project, satellite and wireless telecommunications system projects, and a water pumping station project. Major projects that are on schedule to meet the established completion dates include a sewage treatment plant project, a project to restore water filtration plants, and projects for a generating plant and combustion turbines. (Appendix IV starting on page 23 contain a list of the 72 projects completed or underway.)

BNI was behind schedule on 8 projects for the following reasons:

- Three integrated projects,⁴ with other entities working on the projects have caused delays beyond BNI's control.
- One project experienced disagreements with the Iraqi ministry over the location of placement of a piece of equipment.
- Two projects experienced security problems.
- The scope had to be expanded on one project after work began, and the completion date had not been extended.
- One project had to re-bid the subcontract work which delayed the project.

USAID/Iraq has worked diligently to address performance challenges. Mission officials hold weekly meetings with BNI officials to discuss and resolve performance problems. In some instances, double shifts have been authorized to meet the scheduled completion dates in the power sector projects.

We are not making a recommendation because USAID/Iraq is actively monitoring the progress of the work, and it is addressing scheduling issues as they arise.

³ The approved amount is based on a detailed estimate that is referred to in the job orders as the rough order of magnitude. The total of the estimated costs is referred to as the ceiling price. Any change to the rough order of magnitude or ceiling price requires an amendment to the job order signed by the contracting officer, and it is analogous to a ceiling price in a contract.

⁴ Projects executed in conjunction with an Iraqi ministry or the Coalition Provisional Authority are referred to as integrated projects. The work is divided between BNI and the other entity.



Photograph of the cleaning of one of the water filtration treatment units. (Photograph was taken on February 23, 2004.)

During our review of the Mission's management controls related to the audit objective we identified the following areas for improvement in the Mission's controls related to the infrastructure reconstruction and rehabilitation activities.

Environmental Reviews Not Prepared

USAID's environmental procedures⁵ require that an environmental review be prepared for each activity before the activity begins, unless the activity is exempted. The Assistant Administrator responsible for the program, project or activity can issue a written determination authorizing an exemption for emergency circumstances and circumstances involving exceptional foreign policy sensitivities. The Bureau did not seek an exemption,⁶ and therefore the Mission was required to comply with the environmental procedures.

According to the Code of Federal Regulations, 22 CFR 216.3, the classes of actions determined generally to have a significant effect on the environment include, power plants, potable water and sewerage, penetration road building or road improvement projects, each of which were activities under USAID/Iraq's reconstruction program. Under these activities, an environmental assessment or environmental impact statement, as appropriate, is required.

⁵ USAID's environmental procedures are codified at Part 216 of Title 22 of the Code of Federal Regulations, 22 CFR 216.

⁶ Mission officials stated USAID considered issuing an exemption for the infrastructure reconstruction and rehabilitation activities, but it decided not to issue one because it wanted to incorporate environmental concerns into the projects.

The purpose of the environmental assessment is to provide agency and host country decision makers with a full discussion of significant environmental effects of a proposed action. It includes alternatives which would avoid or minimize adverse effects or enhance the quality of the environment so that the expected benefits of development objectives can be weighed against any adverse impacts upon the human environment or any irreversible or irretrievable commitment of resources.

USAID/Iraq issued job orders identifying the work BNI was to perform. Environmental reviews were required on 60 of the 72 job orders outstanding as of January 31, 2004. Mission officials stated, however, that it was not possible to approve environmental reviews for individual projects until after the approval of USAID/Iraq's Initial Environmental Examination (IEE). An IEE is the first review of the reasonably foreseeable effects of a proposed action on the environment. Its function is to provide a brief statement of the factual basis for an agency decision whether a proposed action is a major action that could significantly affect the environment. The decision will be the basis of whether an environmental assessment or an environmental impact statement would be required.

The IEE was not approved until February 4, 2004, and by then work had begun on most of the 72 projects with several projects substantially completed. USAID/Iraq and BNI did not agree upon an acceptable format and content for an environmental review checklist until late 2003.⁷ Mission officials stated that waiting until the adoption of an IEE and environmental review of the activities would have delayed humanitarian assistance and that there was a strong push for USAID to "have an impact" on Iraq's infrastructure.

By not performing an adequate environmental review prior to construction mitigating actions could not be incorporated into the project design where potential negative environmental impacts were identified.

For the Mission to comply with USAID environmental procedures we recommend the Mission take the following actions:

⁷ Subsequent to this agreement, BNI submitted 51 environmental review checklists from February 1 through March 13, 2004, and 47 had been accepted as adequate as of March 13, 2004.

Recommendation No. 1: We recommend that USAID/Iraq:

1.1 establish procedures ensuring that Bechtel National, Inc. submit an environmental review, and where applicable, an environmental assessment, with each request for the issuance of a job order, or that USAID/Iraq obtain a formal written determination exempting the program activities from USAID's environmental procedures, and

1.2 obtain an acceptable environmental review for the existing job orders for which one is required.

Job Order Specific Plans Not Prepared

The contract required BNI to submit a job order specific plan (JOSP) within ten days after the issuance of a job order. Out of the total 60 job orders requiring a JOSP, 52 were not submitted within the timeframes stipulated in the contract and 8 had not yet been submitted. The primary reason that JOSPs were not prepared as required is attributable to Mission priorities during the period when the job orders were started and lack of sufficient staffing available to prepare JOSPs as required. Failure to submit a JOSP creates the potential that a skipped step, such as a test not being conducted, will go unnoticed.

The JOSP is a mean to assist in the achievement of quality control for each job; in addition to identifying key personnel, it establishes procedures, controls, instructions, tests, records, and forms related to the project.

The primary reason why BNI did not submit JOSPs within ten days is because from May to October 2003 USAID/Iraq and BNI concentrated their efforts on having an immediate impact on the infrastructure of Iraq. Additionally, the U.S. Army Corps of Engineers (USACE)⁸ stated that it was not realistic to require a JOSP within ten days after issuance of a job order, especially on large, complex projects, because there would not have been a construction plan in place at that time. According to USACE representatives, a quality control plan cannot be prepared until there is a construction plan.

Even though JOSPs were not prepared as required, the USACE stated that it obtained copies of Attachment D to the subcontracts prior to the start of

⁸ Under a participating agency service agreement the USACE are technical advisors to the USAID/Iraq. USACE is responsible for monitoring reconstruction contractor performance and ensuring the latter's completion of projects according to the specifications in the individual Job Orders, and international standards. Additionally the USACE is responsible for monitoring the Quality Control, Quality Assurance, Schedule, Performance Monitoring, Safety, and Environmental Issues.

construction. Attachment D contains all the quality specifications for the work to be done by the subcontractor and is an attachment to the subcontracts. This Attachment D, however, does not specify the quality control steps that apply to BNI. A JOSP is needed to specify the quality control steps that apply to BNI. Failure to submit a JOSP as required by the contract creates the potential that a skipped step, such as a test not being conducted, will go unnoticed.

Beginning in late October 2003, the Mission pressed BNI for JOSPs for those projects that required one.⁹ Substantial progress has been made as evidenced by the 55 JOSPs submitted from November 12, 2003 through March 13, 2004, 48 of which had been accepted by the USACE as adequate as of March 13.¹⁰

To address the problem of JOSPs not being prepared as required, we are making the following recommendations:

Recommendation No. 2: We recommend that USAID/Iraq:

2.1 develop and document procedures to ensure that a job order specific plan is submitted and approved, for each job order requiring one, prior to the commencement of construction, and

2.2 obtain an acceptable job order specific plan for the eight job orders for which a job order specific plan was not prepared.

Charges in Excess of Job Order Approved Amounts

USAID has not properly accounted for overpayments it made on three job orders billed by BNI. The reason this occurred is because the Mission did not have procedures on how to process and verify adjustments for overpayments paid to BNI. The absence of detailed procedures regarding processing charges in excess of the approved amount compromises the Mission's financial controls and oversight of BNI's activities. This is especially true in the operating environment in Iraq where there are frequent changes of personnel.

The Mission's review of BNI invoices in 2004 identified charges on two invoices that exceeded the approved amounts of three job orders by a total of \$145,570. USAID paid the charges in excess of the approved amounts; however, at the time it approved the payment of these invoices, the Mission requested that BNI make

⁹ Some job orders are general procurement actions for technical assistance or miscellaneous parts and supplies and therefore do not require JOSPs.

¹⁰ Fifty JOSPs had been submitted previously, all but three in September and October; however, the USACE determined that they were not adequate.

adjustments and credit future invoices for the amount of the excess charges. BNI made the appropriate adjustments as of the end of March 2004.

To expand upon the Mission's existing invoice review procedures we are making the following recommendation:

Recommendation No. 3: We recommend that USAID/Iraq develop documented procedures which address the handling of charges in excess of the job order approved amount.

Completed Job Orders Not Closed

USAID's Cognizant Technical Officer Guide Book (November 1998) states that action to close out a contract should begin within 90 days following the completion of the work. USAID's Contract Information Bulletin 90-12 reiterates the necessity to close out acquisition instruments in a timely and comprehensive fashion. Because USAID/Iraq lacked procedures to address a close-out process, USAID/Iraq had not conducted timely close outs on 8 out of the 14 projects completed and accepted. As a result, the Mission did not complete its management and oversight responsibilities for the work performed under the job order.

The job orders issued to BNI are a type of acquisition instruments and have the attributes of, and are used in much the same way as contracts. For example, job orders contain the essential elements of a contract; they define the scope of work, the rough order of magnitude, and the completion date. Job orders are also signed by both BNI and USAID/Iraq. As in the case of contracts, action to close out a job order should begin within 90 days following completion.

As of March 18, 2004, the Mission had accepted 14 projects as being complete. Out of the total 14 projects, 8 of the projects had been completed for 90 days or longer, including two that had been completed in excess of 200 days; however the Mission had not yet closed out these 8 job orders.

The reason completed job orders were not closed out in a timely manner is because no procedures existed, and there was no target date for closing out job orders. As a result, the Mission did not complete its management and oversight responsibilities for the work performed under the job order.

To ensure that job orders are closed on a timely basis, we are making the following recommendation:

Recommendation No. 4: We recommend that USAID/Iraq complete and implement job order closeout procedures to close out job orders in a timely manner.

**Management
Comments and
Our Evaluation**

In its response to our draft report, USAID/Iraq concurred with our recommendations and described actions taken to address each. We believe the actions taken by the Mission should strengthen management controls related to the infrastructure reconstruction and rehabilitation activities.

To address Recommendation No. 1.1 the Mission stated in its comments that USAID and the U.S. Army Corps of Engineers (USACE) implemented procedures to notify the USACE environmental engineer when a draft job order was requested so that planning for an environmental review could begin before the official job order was approved. The Standard Operating Procedures titled Environmental Reviews and Assessments-Submission and Approval defines USACE responsibilities and the process for monitoring, tracking and reporting environmental review requirements.

To address Recommendation No. 1.2 the Mission provided an environmental checklist tracking sheet. The checklist is maintained by the USACE and reports for each job order the environmental checklist receipt and acceptance date. The report indicates that checklists have been accepted for all job orders.

USAID/Iraq has taken appropriate steps to develop procedures and provided adequate documentation to demonstrate that it received environment reviews for the job orders that were identified with not having one.

To address Recommendation No. 2.1 the Mission provided a description of procedures developed by USAID, USACE and in consultation with Bechtel, to ensure that job order specific plans (JOSPs) are submitted and approved. These procedures define the process and the responsibilities for submitting, distributing, modifying and approving a JOSP.

To address Recommendation No. 2.2 the Mission provided a JOSP tracking worksheet maintained by the USACE reporting the acceptance dates for all required JOSPs. The tracking worksheet now includes acceptance dates for the 8 JOSPs previously identified as having not been received.

USAID/Iraq has taken the appropriate steps to improve the management controls over the JOSP process.

To address Recommendation No. 3 the Mission provided a standard operating procedure developed by USAID in collaboration with the USACE. The procedure states that sector managers will perform an in-depth analysis after USAID submits payment to Bechtel. If USAID identifies cost discrepancies in excess of \$5,000 of the approved job order amount, it will be noted in the subsequent recommendation letter and BNI will be informed by USAID/Iraq and

USACE to make an adjustment to either increase the amount of the rough order of magnitude for the job order or credit future invoices for the amount of the excess cost. However if the cost discrepancy is less than \$5,000, it will be noted in the subsequent recommendation letter. No adjustments will be necessary until the job order is closed, when the rough order of magnitude will be increased in line with the actual cost.

This proposed procedure addresses the recommendation for handling charges in excess of the job order approved amounts. The dollar limitation of \$5,000 is considered within an acceptable amount to control the billings from exceeding the approved job order amounts.

To address Recommendation No. 4 the Mission provided a copy of Bechtel's March 12, 2004 Job Order Close-Out procedure. The procedure defines the process for USAID final inspection and acceptance of job order performance requirements. The procedure applies to job orders issued under USAID's contract for the Iraq Infrastructure Reconstruction Project.

USAID/Iraq has taken appropriate steps to improve the management controls over the job order close out process.

Based on the information provided we consider that USAID/Iraq has reached management decision and reached final action on Recommendation Nos. 1.1, 1.2, 2.1, 2.2, 3 and 4.

Management also suggested editorial changes to the draft which were incorporated into the final report. Management comments are included in their entirety in Appendix II. (See page 19.)

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**Scope and
Methodology****Scope**

The Inspector General Audit Operations Team in Iraq conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine if USAID/Iraq's infrastructure reconstruction and rehabilitation activities performed by Bechtel National, Inc. (BNI) are on schedule to achieve their planned outputs.

The audit covered the Mission's infrastructure activities for the period from April 16, 2003, to April 15, 2004, funded under USAID's contract number EEE-C-00-00018-00 with BNI. USAID had obligated approximately \$1.03 billion for infrastructure activities in Iraq. The audit was conducted at USAID/Iraq's office and at BNI's office in Baghdad from February 1 to April 15, 2004. We examined all 72 job orders that were in process at April 15, 2004 totaling \$686 million.

During our audit fieldwork, we obtained an understanding of and assessed the Mission's controls related to the management of infrastructure activities being implemented by BNI. We reviewed the Mission's self-assessment report prepared in compliance with the Federal Managers Financial Integrity Act (FMFIA) for the fiscal year 2003 for those management controls relative to the audit objective. Furthermore, we requested and received a management representation letter from USAID/Iraq.

This audit did not include any activities funded under the second BNI contract awarded on January 4, 2004, in the amount of \$1.8 billion.

Methodology

The contract with BNI does not include specific deliverables. The Mission issues job orders to identify the specific work to be performed and the product to be delivered. To answer the audit objective we performed the following procedures to review the open job orders as of April 15, 2004:

- Compared the scheduled completion date with the actual or anticipated completion date.
- Analyzed in greater detail the scheduled completion date for 25 projects, selected judgmentally, totaling approximately \$590 million. These 25 projects were examined for compliance with selected contract requirements; for example, a job order specific plan, environmental review, security plan, and site visits.
- Visited the site locations in the various cities in Iraq to visually inspect the work and verify the progress of the project being performed for 16 job

orders amounting to approximately \$395 million (58 percent of the amount of all job orders).

- Reviewed the contract, job orders, amendments to job orders, work plans, trip reports, monthly progress reports, financial reports and the U.S. Army Corps of Engineers database.
- Examined BNI invoices to obtain an understanding of the review and payment process.

Furthermore, we interviewed the USAID/Iraq cognizant technical officer, project officer, administrative contracting officer, and controller. We also interviewed representatives of BNI at their offices and construction sites in Iraq. And lastly, we interviewed members of the U.S. Army Corps of Engineers who, under an interagency agreement with USAID, are working in Iraq providing construction oversight over BNI's USAID-funded activities in Iraq. Part of this oversight includes the development and maintenance of a database of all job orders.

We answered the audit objective as unqualified, qualified or adverse using the following parameters:

- The opinion would be unqualified if 90 percent of the issued job orders were completed on schedule or are on schedule according to the construction timetable.
- The opinion would be qualified if less than 90 percent but not less than 70 percent of job orders were on schedule.
- The opinion would be adverse if less than 70 percent of job orders were on schedule.

An activity was considered to be on schedule if it was completed, or is on schedule to be completed, not more than 15 calendar days after the scheduled completion date.

We selected a sample of 25 projects totaling \$590 million, which represented 86 percent of the dollar value for the 72 projects to perform additional testing. We selected a judgmental sample because of the relatively small number of projects in the universe. We considered the following two criteria in selecting the sample projects: 1) high dollar value projects and 2) at least one project from each of the eight different infrastructure sectors.

Management Comments



U.S. Agency for International Development
Baghdad, Iraq

ACTION MEMORANDUM

May 24, 2004

To: Regional Inspector General/Iraq, Cathy Trujillo

From: USAID/Iraq Mission Director, James E. Stephenson

Subject: USAID/Iraq Written Comments on Draft Audit Report
No. E-266-04-00X-P (Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program)

USAID/Iraq has reviewed the subject report in detail, and we would like to thank you for the professional work by your office on the subject audit. We appreciate your efforts to review our Infrastructure Reconstruction and Rehabilitation Program and your recommendations to improve its implementation. In a very stressful and sometimes insecure environment, USAID has managed an infrastructure program that is working on projects worth \$1.993 billion in less than one year. Given these conditions, the Mission is quite pleased that 89% or \$595 million out of a total of \$686 million of the projects reviewed during this audit are on time.

We would just like to add that since a large majority of the job orders were for the rehabilitation of existing facilities with minimal new construction under IRRF I, Mission officials determined that no potential **significant adverse impacts** were likely. Consequently, the IEE and subsequent environmental reviews were deferred to ensure that progress for humanitarian assistance would not be impeded.

While responses to each individual recommendation are below, USAID/Iraq agrees with the required actions by making the appropriate management decisions and requests closure of all recommendations (numbers 1-4) upon issuance of the final audit report given the implementation of the final actions.

Recommendation No. 1: We recommend that USAID/Iraq:

1.1 establish procedures ensuring that Bechtel International, Inc. submit an environmental review, and where applicable, an environmental supplemental report or an environmental

assessment, with each request for the issuance of a job order, or that USAID/Iraq obtain a formal written determination exempting the program activities from USAID’s environmental procedures.

Action Taken: USAID and the U.S. Army Corps of Engineers (USACE) have implemented procedures (see attachments 1a and 1b) to notify the USACE environmental engineer when a draft job order is requested so that planning for an environmental review can begin before the official job order is approved. The USACE is also responsible for ensuring that Bechtel International, Inc. submit an environmental review, and where applicable, an environmental supplemental report or an environmental assessment, with each request for the issuance of a job order. These procedures also outline appropriate actions for exceptions to ensure that the environmental supplemental report or assessment is completed prior to full implementation of the job order.

1.2 obtain an acceptable environmental review for the existing job orders for which one is required

Action Taken: All remaining required environmental reviews were completed (see attachment 2a and 2b for the Mission’s IEE, and list of all job orders and date environmental review completed.)

Recommendation No. 2: We recommend that USAID/Iraq:

2.1 develop and document procedures to ensure that a job order specific plan is submitted and approved, for each job order requiring one, prior to the commencement of construction, and

Action Taken: USAID and the U.S. Army Corps of Engineers, in consultation with Bechtel National, Inc., have put procedures (see attachment 3a) in place to ensure that job order specific plans are submitted and approved.

2.2 obtain an acceptable job order specific plan for the eight job orders for which a job order specific plan was not prepared.

Action Taken: All remaining job order specific plans for the eight job orders were completed (see attachment 3b, JOSP Tracking Worksheet for status.)

Recommendation No. 3: We recommend that USAID/Iraq develop documented procedures which address the handling of charges in excess of the job order approved amount.

Action Taken: USAID, in collaboration with the U.S. Army Corps of Engineers, has developed documented procedures (see attachment 4) to address these charges.

Recommendation No. 4: We recommend that USAID/Iraq complete and implement job order closeout procedures to close out job orders in a timely manner.

Action Taken: USAID/Iraq and the U.S. Army Corps of Engineers have developed documented procedures (see attachment 5), and all eligible job orders have been closed (see attachment 6 for list of all eligible job orders and date closeout completed).

Clearance: DD:CMilligan _____

Table of Infrastructure Activities
Amounts and Percentages Committed and Expended
(As of March 31, 2004, \$ in thousands, unaudited)

Activity	Amount Budgeted & Committed ¹¹	Percent of Total Amount Committed	Amount Expended ¹²	Expenditures as Percent of Commitments
Power	\$ 396,842	38.5	\$ 166,864	42.0
Water	159,825	15.6	24,403	15.3
Seaport	34,496	3.4	31,468	91.2
Buildings and Facilities	51,475	5.0	50,215	97.6
Surface Transportation	21,279	2.1	6,565	21.3
Airports	19,364	1.8	8,900	45.9
Telecommunications	38,811	3.8	30,473	78.5
Procurement	77,039	7.4	34,121	44.3
Overhead ¹³	122,402	11.8	69,530	56.8
Fee	74,739	7.3	29,074	38.9
Unallocated	33,561	3.3	0	0
Total	\$1,029,833	100%	\$ 451,613	43.9%

¹¹ Per information, dated March 31, 2004, supplied by Bechtel National, Inc. The total agreed to USAID/Iraq accounting records.

¹² The amount expended is a total of disbursements and accruals per information supplied by Bechtel National, Inc.

¹³ Overhead expenses include salaries, fringe benefits, travel, insurance, mobilization costs, security, expenses related to camp expenses of employees in Iraq (meals, lodging, transportation, etc.).

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**Status of Infrastructure Activities
as of April 15, 2004**

Project	Project Description	Amount	Scheduled Completion Date
1.	Dredging Project	\$ 15,939,001	September 2003
2.	Boiler Water Chemical Project	261,075	March 2004
3.	Generator Project	6,743,153	March 2004
4.	Grain Facility Project	1,891,845	April 2004
5.	Bucket Emergency Action Work Authorizations	2,000,000	July 2004
6.	Transmission Line Repair Parts & Elec Test Equipment	400,000	June 2004
7.	Emergency Bridge Bypass Project	300,000	June 2003
8.	BIAP 5MVA Electric Generation	11,592,279	May 2004
9.	Umm Qasr Port Security Infrastructure	1,383,963	October 2003
10.	Umm Qasr Port - Removal of Sunken Wrecks	9,500,076	August 2003
11.	Power Station Water Treatment	10,523,075	November 2004
12.	Hardware Telecom Systems	1,416,340	February 2004
13.	Satellite and Wireless Telecom Systems	1,450,984	July 2003
14.	Schools, Clinics, Selected Government Buildings	51,475,750	April 2004
15.	Water Pumping Station	316,507	January 2004
16.	BIAP Parking & Checkpoint Facility	703,555	July 2003
17.	VSAT & VHF System for ATM**	2,773,560	March 2004
18.	Bridge Demo	366,864	August 2003
19.	BIAP On Call Repair Terminal C**	1,000,000	December 2003
20.	BIAP Preparation for Commercial Operations	973,315	July 2003
21.	Telecoms Subscriber Service - 12 locations	32,089,000	April 2004
22.	Telecom Terrestrial Network	6,722,000	April 2004
23.	Sewage Treatment Plant Project	4,447,000	August 2004
24.	Water Filtration Plant Project	10,588,000	July 2004
25.	Water Supply Maintenance Project	5,134,000	July 2004
26.	Sewage Treatment Plant Restoration	4,879,000	August 2004
27.	Water Treatment Plant	5,493,000	August 2004
28.	Sewage Treatment Plant Restoration	8,074,000	November 2004
29.	Highway Bridge	1,347,000	March 2004
30.	Bridge Demo & Reconstruct Project	1,647,000	March 2004
31.	Iraqi Republican Railway Project **	11,783,000	September 2004
32.	Canal Cleanup Project	10,987,000	July 2004
33.	Sewage Treatment Plant Project	4,768,000	July 2004
34.	Potable Water Pump Station Restoration Project	12,406,400	July 2004
35.	Power Plant Rehab Projects**	55,540,929	November 2004
36.	Bridge Demolition and Reconstruction Project	4,025,000	May 2004
37.	Umm Qasr New Port Administration Building	550,837	February 2004
38.	BSR Preparation for Commercial Operations	838,500	August 2003
39.	Evaluation and Reinstatement of Existing Port Owned Dredges	1,137,609	June 2004

Project	Project Description	Amount	Scheduled Completion Date
40.	Sewage Treatment Plant Project	9,189,000	March 2004
41.	Firewater System Repair Project	437,000	June 2004
42.	Water Treatment Plant Project**	15,174,000	July 2004
43.	Repair Umm Qasr substations	724,525	May 2004
44.	A/C for Power Generating	2,202,850	July 2004
45.	Baghdad Area Emergency Parts & Material for Power Gen Plants	1,405,000	July 2004
46.	Umm Qasr Port Repair Toilet Blocks	204,320	May 2004
47.	Perimeter Fencing Project	820,000	March 2004
48.	Brackish Water System Project	139,256	December 2003
49.	Power Plant Project	21,942,500	August 2004
50.	Heat Exchange Project for Generator Station	2,025,000	November 2004
51.	Sewage Treatment Plant Restoration Project	7,487,000	December 2004
52.	Sub-station Restoration Project**	513,540	July 2004
53.	Crude Oil Treatment Systems Project	1,257,000	March 2004
54.	Air Traffic Control Center**	564,600	July 2004
55.	BSR Land Based Radio System	723,878	May 2004
56.	Substation Combustion Turbines	148,408,000	August 2004
57.	UNDP Program for Electrical Power System	1,261,500	February 2004
58.	Generation Support Program	9,593,000	July 2004
59.	Outage Support Program	4,560,300	July 2004
60.	BIA Restoration of East Fire Station	164,208	February 2004
61.	Umm Qasr Custom House and Passenger Terminal Refurbishment	656,500	March 2004
62.	BSR Generators for HVAC	978,000	August 2004
63.	Water and Sewer Remedial Works Project**	4,000,000	November 2004
64.	Technical Services to Support New Railroad Track Construction	1,811,622	July 2004
65.	Restoration of BSR Sewage Treatment Plant	985,000	April 2004
66.	PM Oversight for CPA Funded Baghdad Waste Water Program	5,979,600	December 2004
67.	Water Treatment Plant	1,337,000	March 2004
68.	400 KV transmission line	12,126,000	June 2004
69.	South Baghdad generating plant	107,000,000	October 2004
70.	Waste Water Treatment Plant	11,814,000	September 2004
71.	Standby Generator Project	1,932,000	April 2004
72.	Unified Water Treatment Plant Project	5,000,000	November 2004
	Total	\$685,884,816	

** Projects completed behind schedule