

PM-ABK-568
9-11-95

**Regional Inspector General for Audit
Singapore**

**AUDIT OF
HUSNAIN CONSTRUCTION COMPANY (PRIVATE) LIMITED'S
TERMINATION SETTLEMENT PROPOSAL UNDER CONTRACT
NO. 391-0510-C-00-3542-00 WITH USAID/PAKISTAN
PAKISTAN**

**Audit Report No. 5-391-95-008-N
February 28, 1995**



**FINANCIAL INFORMATION IN THIS REPORT MAY
BE PRIVILEGED. THE RESTRICTIONS OF 18 USC
1905 SHOULD BE CONSIDERED BEFORE ANY
INFORMATION IS RELEASED TO THE PUBLIC.**



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 28, 1995

TO: John Blackton, Mission Director, USAID/Pakistan

FROM: Richard C. Thabet, RIG/A/Singapore 

SUBJECT: Audit of Husnain Construction Company (Private) Limited's
Termination Settlement Proposal under
Contract No. 391-0510-C-00-3542-00 with USAID/Pakistan
Report No. 5-391-95-008-N

Enclosed are five copies of the subject audit report (prepared by the accounting firm, Ford, Rhodes, Robson, Morrow) for your action. The audit covered the period after the termination date i.e., from July 1, 1994 through September 20, 1994. For expenses incurred during this period, Husnain Construction Company (Private) Limited (Husnain) submitted a Termination Settlement Proposal claiming \$1,476,703 (Rs. 45,299,870). Background information on this contract and claim is presented on page 1 of the report.

The audit objective was to determine whether the costs claimed under the Termination Settlement Proposal were in accordance with the terms of the contracts and the demobilization plan.

In their report, the auditors concluded that Husnain's Termination Settlement Proposal does not present fairly the, in all material respects, the costs claimed under the terms of the contract and the demobilization plan.

This audit report contains eight findings and recommendations which identifies \$1,338,883 in questioned costs. Because of time constraints due to the expected closure of USAID/Pakistan, Husnain's management comments were not obtained. As an alternative, a copy of the minutes of the exit conference held on January 26, 1995 (which Husnain's representatives were present) have been enclosed as Appendix 3 to this report.

The following recommendation will be included in the Inspector General's recommendation follow-up system:

Recommendation No. 1: We recommend that USAID/Pakistan resolve \$1,338,883 in questioned costs with Husnain Construction Company (Private) Limited and withhold any amounts determined to be unallowable.

We appreciate the courtesies and cooperation USAID/Pakistan and Woodward extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.

Attachment: a/s



**AUDIT OF
TERMINATION SETTLEMENT PROPOSAL**

**SUBMITTED BY HUSNAIN CONSTRUCTION
COMPANY (PVT.) LIMITED TO USAID/PAKISTAN
391 - 0510 - C - 00 - 3542 - 00**

PERFORMED & PREPARED BY

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**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION CO. (PVT.) LIMITED
391 - 0510 - C - 00 - 3542 - 00**

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FORD, RHODES, ROBSON, MORROW

CHARTERED ACCOUNTANTS

NTN 06-04-1437506

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LHR/739/1995 February 13, 1995

Mr. Richard C. Thabet,
Regional Inspector General for Audit,
United States Agency for International
Development,
302-Orchard Road,
03-01 Tong Building,
Singapore-0923.

Dear Sir,

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY M/S. HUSNAIN CONSTRUCTION CO.
(PRIVATE) LIMITED WITH THE USAID/PAKISTAN
UNDER BALUCHISTAN ROAD PROJECT
(CONTRACT NO. 391-0510-C-00-3542-00)**

Our report present the results of our financial audit of Termination Settlement Proposal submitted by Husnain Construction Company (Private) Limited ("Contractor") under United States Agency for International Development ("USAID") Pakistan contract number:

391 - 0510 - C - 00-3542-00

1. Back ground

a) Baluchistan Road Project

According to the original Baluchistan Road Project (BRP), the project was designed to construct a 376 KM road from Bela to Turbat via Awaran in Baluchistan Province, Pakistan. Construction work was implemented on the 101-KM. Bela - Awaran Road BAR and work actually took place over a 56 KM. portion of this section. This construction work was not finalized, leaving partially completed earthworks, bridge and drainage works, and pavement works. USAID/Pakistan decided to complete these works.

b) Husnain Construction Company (Pvt.) Limited was granted the contract to provide construction services and materials for the Bela - Jhal Thao Bridges and other drainage structures, all to be constructed concurrently.

The notice to proceed was provided to Contractor on June 28, 1993 and the expected completion of the work was set for October 28, 1994.

c) USAID/Pakistan on May 19, 1994 terminated the contract with effect from June 30, 1994 for the convenience of the US Government. The contractor subsequently submitted a Termination Settlement Proposal, on September 20, 1994 requesting Rs. 52,016,034 (US \$ 1,695,640). The contractor subsequently revised the claim to Rs.45,299,870 (US \$ 1,476,703). This amount was used as a bench mark for our audit and is in addition to the amount already paid to the Contractor based on certified work done throughout the contract (Rs. 67,856,214).

Mr. Richard C. Thabet,
Regional Inspector General for Audit,
United States Agency for International
Development,
302-Orchard Road,
03 - 01 Tong Building,
Singapore-0923.

2. Audit Objective and Scope of Work

a) Audit Objectives

The overall objectives of the audit of the Termination Settlement Proposal were to determine whether:

- * Costs claimed under the Termination Settlement Proposal are in accordance with the terms of the contract, the approved demobilization plan and are properly supported; and
- * The Contractor complied with contract terms and conditions and applicable laws and regulations.

b) Our audit was conducted in accordance with the generally accepted US Government Auditing Standard and accordingly included such tests as we considered appropriate to determine whether amounts included in the Termination Settlement Proposal were in accordance with the terms of contracts and were properly supported.

c) Our audit covered the period during which the amounts reported in the Termination Settlement Proposal were incurred. The period covered by the audit was from July 01, 1994 to October 28, 1994.

d) Scope of Work

The scope of work primarily included the following general procedures:

- * holding an entrance conference meeting with the representatives of USAID Regional Inspector General for Audit Singapore ("RIG/A/S"), USAID/Pakistan and the Husnain Construction Company (Pvt.) Limited ("Contractor").
- * Reviewing the following documents:
 - i) AID Handbook 14, Procurement Regulation.
 - ii) Contract, amendments / modifications and related documentation.
 - iii) Latest available Internal and External audit reports of Husnain Construction Company (Pvt.) Ltd.
 - iv) Financial analysis or reviews performed by USAID/Pakistan.
 - v) Previous audit reports issued.
 - vi) Termination claim by HCCL dated September 1994 and the rectified claim dated December 10, 1994.
 - vii) Contract No. 391-0510-C-00-3542 between USAID and HCCL.
 - viii) Construction Progress Report on the Baluchistan Road Project dated June 30, 1994 by Wilbur Smith Associates, Inc. in association with Republic Engineering Corporation Pvt. Ltd.
 - ix) Schedule of payments made by USAID/ Pakistan to HCCL.

Mr. Richard C. Thabet,
Regional Inspector General for Audit,
United States Agency for International
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- x) Federal Acquisition Regulation (FAR) 31.205-42, 52.249 and Termination of Contracts AID Handbook 14.749.
- xi) Review of correspondence between HCCL and USAID / Pakistan.
- * Consulting with Republic Engineering Corporation (Pvt.) Limited on the technical issues of the Termination Settlement Proposal.
- * Obtaining an understanding of the accounting and related records maintained by Husnain Construction Company (Pvt.) Limited for the purpose of our audit.
- * Devising and performing appropriate tests on the transactions for the amounts included in the Termination Settlement Proposal.
- * Designing appropriate audit steps and procedures to provide reasonable assurances of detecting errors irregularities and illegal acts that could have a direct and material effect on the results of our audit.

3. Audit Results

a) Opinion on the Termination Settlement Proposal.

In our opinion, because of the effects of the significant amount of questioned costs discussed in the Summary of Questioned Costs in pages 7 to 19, the Termination Settlement Proposal referred to above does not present fairly, in all material respects, the costs claimed under the terms of the contract and the approved demobilization plan.

b) System of Internal Controls and Compliance with Agreement Terms, applicable laws and regulations

In accordance with the instructions from office of RIG/A/Singapore, we have not expressed our opinion on the system of internal controls of Husnain Construction Company (Pvt.) Limited and the Compliance with Agreement Terms, applicable laws and regulations.

4. Contractor's Comments

An exit conference was held which was attended by the representatives from USAID/Pakistan, USAID Regional Inspector General for Audit Singapore, Husnain Construction Company (Pvt.) Limited and ourselves. The copy of the minutes of the meeting is included as **Appendix-3**.

HCCL's comments, have been appropriately considered while preparing this report.

Acknowledgements

We would like to take this opportunity to express our gratitude for the assistance provided to us by the USAID RIG/A/S, USAID/Pakistan and Husnain Construction Company (Pvt.) Limited during the course of our audit.

Yours faithfully,



AUDIT OF

HUSNAIN CONSTRUCTION COMPANY (PVT.) LTD.

REPORT ON

THE TERMINATION SETTLEMENT PROPOSAL

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542 - 00**

**INDEPENDENT AUDITORS' REPORT ON THE
TERMINATION SETTLEMENT PROPOSAL**

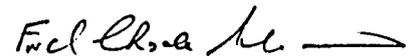
1. We have audited the Termination Settlement Proposal dated September 20, 1994 submitted by Husnain Construction Company (Pvt.) Limited ("Contractor") under USAID/Pakistan Contract No. 391 - 0510 - C - 00 - 3542 - 00 dated June 1993
2. The Termination Settlement Proposal together with the notes thereon, as set out on pages 42 to 63 is the responsibility of the Contractor. Our responsibility is to express an opinion on the Termination Settlement Proposal based on our audit.
3. We conducted our audit of the Termination Settlement Proposal in accordance with generally accepted auditing standards and U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Termination Settlement Proposal is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Termination Settlement Proposal. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Termination Settlement Proposal. We believe that our audit provides a reasonable basis for our opinion.
4. In accordance with the contract the Termination Settlement Proposal has been prepared by the Contractor to claim outstanding amounts due to him by USAID/Pakistan pursuant to the termination of the contract and is not intended to present the amounts claimed during the entire duration of the contract. Accordingly, the Termination Settlement Proposal was to be prepared in accordance with the contract termination settlement terms, which is a comprehensive basis of accounting other than generally accepted accounting principles.
5. The results of our tests disclosed the following material questioned costs as detailed in pages 7 to 19 of Summary of Questioned Costs:
 - a) Rupees 33,707,826 (US \$ 1,098,821) in costs that are explicitly ineligible because they are not reasonable, allocable or allowable; and
 - b) Rupees 7,364,211 (US \$ 240,062) in costs that are not supported with adequate documentation.

AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
331 - 0510 - C - 00 - 3542 - 00

INDEPENDENT AUDITORS' REPORT ON THE
TERMINATION SETTLEMENT PROPOSAL

6. In our opinion, because of the effects of the significant amount of questioned costs discussed in the paragraph 5, the Termination Settlement Proposal referred to above does not present fairly, in all material respects, the costs claimed under the terms of the contract and the approved demobilization plan, in accordance with the basis of accounting described in paragraph 4.

7. This report is intended solely for the information of USAID, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the USAID RIG/A/S is a matter of public record.



Chartered Accountants

February 13 , 1995

AUDIT OF

HUSNAIN CONSTRUCTION COMPANY (PVT.) LTD.

SUMMARY OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION CO.
(PVT.) LIMITED TO USAID/PAKISTAN

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SUMMARY OF REVISED IICCL CLAIM

Claim No.	Description	P o s i t i o n		Comments
		Previous	Revised	
1.	Pay & allowances of staff	4,797,392	4,797,392	No Change
2.	Payment made to specialised persons/establishment			
a.	Establishment/Overheads @ 30%	26,096,324	25,106,845	Reduced
b.	Amount paid to Legal Counsel	200,000	200,000	No Change
c.	Amount paid to special consultant	100,000	200,000	Enhanced
	Sub Total (a to c)	26,396,324	25,506,845	
3.	Demobilization Plan	2,600,000	2,600,000	No Change
4.	Material at Site	1,308,800	1,308,800	No Change
5.	Establishing/Removal of various structures	220,000	0	Withdrawn
6.	Specialized shuttering			
a.	Cost of wood	2,390,000	1,295,610	Reduced
b.	50% of scaffolding/joints	850,000	484,500	Reduced
c.	50% of steel plates	1,150,000	602,205	Reduced
d.	Iron mongry	275,000	0	Withdrawn
	Sub Total (a to d)	4,665,000	2,382,315	Reduced
7.	Preparatory works	318,000	120,000	Partly withdrawn
8.	Depreciation of equipment	* 8,710,518	8,584,518	Arithmetic error
	Grand Total	** <u>49,016,034</u>	<u>45,299,870</u>	Net reduction

* There was an arithmetic totaling error in the total depreciation charged for equipment in the previously submitted claim. This error has been corrected in the revised claim.

** This total figure in our previous claim was Rs. 52,016,034 which did not reflect the correct arithmetic total of the claims shown in the Summary Sheet.

AUDIT OF

HUSNAIN CONSTRUCTION COMPANY (PVT.) LTD.

SUMMARY OF QUESTIONED COSTS

6/11

SUMMARY OF QUESTIONED COSTS

CLAIM NO.	DESCRIPTION	H.C.C.L. CLAIM			AUDITORS				
		ORIGINAL	REVISED	REVISED	QUESTIONED COSTS				
		RUPEES	RUPEES	US \$	INELIGIBLE	UNSUPPORTED	TOTAL		
		RUPEES	RUPEES	US \$	RUPEES	RUPEES	RUPEES	US \$	
1.	Pay & allowance of staff	4,797,392	4,797,392	156,387		4,225,448		4,225,448	137,743
2.	Payment made to specialised persons/establishment.								
	a. Establishment/Overheads @ 30%	24,096,324	25,106,845	818,443	21,913,143	2,543,763		24,456,906	797,256
	b. Amount paid to Legal counsel	200,000	200,000	6,520				-	-
	c. Amount paid to Special consultant	100,000	200,000	6,520				-	-
3.	Demobilization Plan	2,600,000	2,600,000	84,756	696,100	475,000		1,171,100	38,176
4.	Material at site	1,308,800	1,308,800	42,664	131,750			131,750	4,295
5.	Establishment / Removal of various structures	220,000							
6.	Specialized shuttering								
	a. Cost of wood	2,390,000	1,295,610	42,235	1,295,610	-		1,295,610	42,235
	b. 50 % of scaffolding/joints	850,000	484,500	15,794	484,500	-		484,500	15,794
	c. 50 % of steel plates	1,150,000	602,205	19,631	602,205	-		602,205	19,631
	d. Iron mongry	275,000							
7.	Preparatory work	318,000	120,000	3,912		120,000		120,000	3,912
8.	Depreciation of equipment	8,710,518	8,584,518	279,841	8,584,518	-		8,584,518	279,841
	Total	** 49,016,034	45,299,870	1,476,703	33,707,826	7,364,211		41,072,037	1,338,883

* Exchange rate used is that of the date on which HCCL submitted their claim to USAID / Pakistan i.e. September 20, 1994 (1 US \$ = Pak. Rs. 30.67635 - Mid rate)

** This total figure in original HCCL claim was Rs. 52,016,034 which did not reflect the correct arithmetic total of claim.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL,
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

1. Pay and Allowances of Staff

Brief Description of Claim

HCCL claims that they entered into an agreement with six sub-contractors for the supply of labour for Baluchistan Road Project upto the completion period i.e. October 28, 1994 and under the clause of agreement, HCCL has to pay the claim amount to sub-contractors.

Condition

- a) The clauses of the agreements were not adhered to by HCCL and the muster rolls of HCCL evidence that the agreements were set aside when payments were made for the work actually done by the sub-contractors' labour during the periods upto June 30, 1994. Furthermore, the muster rolls also evidence that the sub-contractors were working as employees of the company and the expected relationships between contractor and sub-contractors were not reflected in HCCL's accounting records.
- b) The muster rolls of HCCL for July 1994 to October 1994, also indicate that the amount due to the employees including those listed in the claim were paid for the demobilization work (**Appendix "1"**).
- c) We consider that the amount of Rs. 4,225,448 (US \$ 137,743) out of total claim are questionable as unsupported.

Criteria

Federal Acquisition Regulation 49-109-7 "Settlement by determination" places the onus of proof of amount claimed on the contractor. The contractor is required to submit vouchers, verified transcripts of books of account, affidavits, audit report, and other document, as desired by the contracting officer.

It is the responsibility of HCCL to prove that there were an effective relationships between HCCL and sub-contractors. Further HCCL's accounting records should reflect the true liabilities for the pay and allowances for the terminated period.

Cause

A mere production of the agreements with sub-contractors was considered adequate for the claim by HCCL whereas the muster rolls and accounting records indicate the adverse situation.

Effect

As a consequence of the condition noted above, this claimed amount is a questioned cost as unsupported except the amount actually paid to the employees between July 1, 1994 to October 1994, as given in *Appendix "1"* to this report.

Recommendation

USAID/Pakistan should review the questioned cost for Pay and Allowances for staff and determine their acceptability through consideration of conditions and criteria stated above.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

2. Payment made to specialized person/establishment

a) Establishment Overhead

HCCL claims that approximately 30% of the total cost is required to cater for various overhead charges. The calculation / distribution of 30% is included in (Appendix "2-1").

Condition

We have found that costs of Rs. 24,447,906 (US \$ 796,963) out of the total fixed overhead claim are questionable on the following grounds:

		<u>Questioned Costs</u>	
		Ineligible	Unsupported
a)	Calculation error identified and agreed by HCCL	6,198,240	
b)	Other cost		
i)	Site Establishment (Pay and Allowances) Our examination of claim I for pay and allowances confirm that these are already included under that head.	3,017,054	
ii)	Construction of Contractor Base Camp (An accurate schedule having the complete detail of construction cost for contractors base camp was not provided. We sought professional opinion from Republic Engineering Corporation (Pvt.) Limited. In accordance with the opinion (Appendix "2-2") the allowable cost is Rs.336,000. Hence the questioned cost is Rs.518,657 (Rs. 854,657-336,000).		518,657
iii)	Medical Aid HCCL agreed that this cost was not incurred in the post termination period.	151,939	
iv)	Watch and Ward Unsupported and the nature of the item suggests that it would have been incurred if the contract had not been terminated. In the exit meeting HCCL claimed that levy was paid to the government of Baluchistan and the supports are to be provided to us but not received so far.		455,817

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

v)	Camping Equipment Non-consumable and re-usable items. All camping equipments were transported to other site.	142,443	
vi)	Food for Staff and Labour HCCL agreed that this cost was not incurred in the post termination period.	151,939	
vii)	Travel and Transportation HCCL agreed that this cost was not incurred in the post termination period.	94,962	
viii)	Phones and Faxes HCCL agreed that this cost was not incurred in the post termination period.	227,909	
c)	Establishment Unsupported but information as per note-13 (Administration and General expenses) of HCCL's audited accounts for two years ended June 30, 1992 are to be used. Adjustments are made for those items which are already included HCCL termination claim items (<i>Appendix "2-3"</i>). In the exit conference, the information as to the break down of the staff salaries and benefits were to be provided by the Accountant/ Auditor of HCCL so adjustment for HCCL's Head Office salaries and benefits are to be made. No information has been received so far. Establishment cost calculated on the above stated basis is Rs.313,836. Hence the questioned cost is Rs.1,569,289 (1,883,125 -31,836).	1,569,289	
d)	Profit HCCL claims the profit for the terminated period. In accordance with Federal Acquisition Regulations, future profit on the terminated portion of the contract is not allowable.	9,698,095	

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

The profit and loss account provided for the project for the period up June 30, 1994 is subject to the adjustments for depreciation, shuttering consumed, establishment overhead and foreign currency gain. After these adjustment the profit stated in the account is converted into losses (Appendix "2-4").

e)	Income Tax The income tax is a disallowable item.	2,230,562	
		<u>21,913,143</u>	<u>2,543,763</u>
	Total	<u>24,456,906</u>	

Criteria

i) Federal Acquisition Regulations for construction and Architect Engineer (Termination of contracts) Section 49-107-7 "Settlement by determination" places the onus of proof of expenditure on the contractor. This may be demonstrated by submitting vouchers, verified transcripts of books of account, affidavits, audit reports or other documents.

ii) Profit

Clause 52-249-2 Section 1 "contract clause".

Under Section (e) of the above clause, in case of partial or full termination the settlement may include a reasonable allowance of profit on work done i.e. anticipatory profits are not allowable. In this case, HCCL is claiming a profit on work it is not required to perform as a result of partial termination. In addition, FAR 49-202. "Statement on profit" expressly forbids the allowance of anticipatory profits and consequential damages.

Cause

The claim for overheads, based on the rate computed from cost summary multiplied with terminated part of the contract price, was considered to be allowable and reasonable by HCCL rather than understanding the rules of Federal Acquisition Regulation and accounting for the actual expenditures incurred by the company in the terminated period despite the termination of the contract.

Effect

Without adequate evidence that costs are supported, allowable, reasonable or allocable, there is a potential overstatement of Rs. 24,447,906 (US \$ 796,963) of the amount claimed.

Recommendation

USAID/Pakistan should carefully consider the conditions stated above when determining the questioned costs if they are allowable, reasonable or allocable. Furthermore, when considering profit element, the cited Federal Acquisition Regulations should be considered.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

3) Demobilization

Brief description of claim

This claim represents the cost incurred on the demobilization.

Condition

We found that the costs of Rs. 1,171,100 (US \$ 38,176) out of the total demobilization claim are questionable on the following grounds:

		<u>Questioned Costs</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
i)	Payment made to trucks		70,000
a)	Hire charges for 7 trucks (Unsupported and the ledger sheets of HCCL do not reflect any invoice/entry for this expenditure).		
b)	Hire charges for collection of material from various construction site (as above "a").		385,000
c)	Hire charges for transportation from Ara to Bela.	416,100	
	Supports provided indicate that the cost per trip paid Rs. 3,000 for a total of 59 trips. HCCL claimed 119 trips @ Rs. 5,000 per trip.		
ii)	Payment made for improvement of track	280,000	20,000
	Supports provided indicate that Dozer was used 22.73 hours a day for 11 days. During our meeting on January 21, 1994, we were informed that the working hours in a day were between 8 to 12 hours. Based on the information provided the eligible cost is Rs.220,000 out of Rs.500,000. Carriage cost of Rs.20,000 is unsupported.		
		<u>696,100</u>	<u>475,000</u>
	Total	<u>1,171,100</u>	

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

Criteria

Federal Acquisition Regulation 49-109-7 "Settlement by determination places the onus of proof of amounts claimed on the contractor. The contractor is required to submit vouchers, verified transcripts of books of accounts, affidavits, audit reports and other documentation as desired by the contracting officer.

Cause

HCCL attempted to claim the excessive amount by creating invoices internally and considered these to be allowable rather than accounting for the actual invoices which correspond with their demobilization plan.

Effect

Without adequate and valid supporting documentation or evidence that the costs are allowable, reasonable or allocable, there is a potential overstatement of Rs. 1,171,100 (US \$ 38,176) of the amount claimed.

Recommendation

USAID/Pakistan should carefully consider the questioned costs to determine if they are allowable, reasonable or allocable.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

4) Material at Site

Brief Description of Claim

This claim represents the costs of material which was handed over to Government of Baluchistan on the instruction of USAID/Pakistan.

Condition

We have found that costs of Rs. 131,750 (US \$ 4,295) out of the total material cost as ineligible on the following grounds:

	<u>Questioned cost</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
Mild Steel Bar 1/4 Dia (Approximation / estimate rates was used rather than the actual rate resulting the questioned cost).	131,750	-

Criteria

Federal Acquisition Regulation 49-109-7 "Settlement by determination places the onus of proof of amounts claimed on the contractor. The contractor is required to submit vouchers, verified transcripts of books of accounts, affidavits, audit reports and other documentation as desired by the contracting officer.

Cause

HCCL used an approximate rate for the cost of material and considered this to be allowable rather than the actual ones'.

Effect

Evidence indicates that there is a potential overstatement of Rs. 131,750 (US \$ 4,295) of the amount claimed.

Recommendation

USAID/Pakistan should consider the questioned costs to determine if they are allowable, reasonable or allocable.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

5. Establishment / Removal of various structures

Totally withdrawn in revised claim by HCCL.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

6) Specialized Shuttering

Brief Description of Claim

This claim represents the portion of the cost incurred on the specialized shutterings which has not been absorbed due to the termination of the contract.

Condition

Expert opinion was sought from Republic Engineering Corporation (Pvt.) Limited regarding the technical aspects of claim No. 6. REC investigated the technical basis of the claim and made recommendation. REC's report has been made available to USAID/Pakistan which will make the final decision in the matter, pending which the entire cost is questioned.

		<u>Questioned cost</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
		Rs.	Rs.
i)	Cost of wood	1,295,610	
ii)	Cost of Scaffolding/Joints	484,500	
iii)	Cost of steel plates	602,205	
	Total	<u>2,382,315</u>	<u>-</u>

Criteria

Federal Acquisition Regulation for construction and Architect Engineer (Termination of Contracts) section 49-107-7 " Statement by Determination" places the onus of proof of expenditure on the Contractor. This may be demonstrated by submitting vouchers, verified transcripts of books of record, affidavit, audit reports or other documents.

Cause

Wood

HCCL claimed 100% cost of wood adjusted for the paid work and considered this to be allowable.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

Scaffolding joints / Steel plates

HCCL attempted to claim the excessive rate of wear and tear of scaffolding joints and steel plates and considered these to be allowable and reasonable rather than accounting for normal wear and tear, which is generally accepted in the construction industry.

Effect

The questioned cost is Rs. 2,382,315 (US \$ 77,660) out of the total claim on the ground of what is reasonable allowable or allocable.

Recommendation

USAID/Pakistan should carefully consider the conditions stated above.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

7) Preparatory Work

Brief description of Claim

This claim represents the cost of plants and labour used for layered preparation / compaction of river bed for making platform for bridge shuttering.

Condition

We question the total claim of Rs. 120,000 because of the following reasons:

No support was provided to verify HCCL claim except an analysis sheet which contains the details of equipment hours used.

Furthermore this work was included neither in USAID/Pakistan letter dated May 19, 1994 nor in Wilbur Smith report dated June 30, 1994. Also, there was no notification to USAID by HCCL for this work except that it is included in the claim.

Criteria

Federal Acquisitions for Construction and Architect-Engineer/Termination of Contracts) section 49-107-7 "Settlement by determination" places the onus of proof of expenditure on the contractor. This may be demonstrated by submitting vouchers, verified transcripts of books of account, affidavits, audit reports or other documents.

Cause

A mere production of the analysis sheet which contains the details of the labour and equipments hour are considered to be allowable by HCCL.

Effect

The claim amount is questioned on the grounds of non-availability of adequate supporting documentation or evidence that costs are allowable, reasonable or allocable.

Recommendation

USAID/Pakistan should carefully consider the questioned costs to determine if they are allowable, reasonable or allocable.

**AUDIT OF THE TERMINATION SETTLEMENT PROPOSAL
SUBMITTED BY HUSNAIN CONSTRUCTION COMPANY (PVT.) LIMITED
391 - 0510 - C - 00 - 3542-00**

**SUMMARY OF QUESTIONED COSTS ON THE
TERMINATION SETTLEMENT PROPOSAL**

8) Depreciation

Brief Description of Claim

This claim represent four months depreciation of equipment for idle time due to the termination of contract by USAID/Pakistan.

Condition

The method used to calculate the depreciation does not represent generally accepted accounting methods but is based on an engineering calculation. Under the circumstance, professional opinion was sought from Republic Engineering Corporation (Pvt.) Limited to establish the validity of the method.

Republic Engineering Corporation (Pvt.) Limited investigated the technical basis of the claim and made recommendation. REC's report has been made available to USAID/Pakistan which will make the final decision in the matter pending which the entire cost of Rs.8,584,518 (US \$ 279,841) is questioned.

Criteria

Federal Acquisition Regulation for construction and Architect Engineer (Termination of Contracts) section 49-107-7 " Statement by Determination" places the onus of proof of expenditure on the Contractor. This may be demonstrated by submitting vouchers, verified transcripts of books of record, affidavit, audit reports or other documents.

Cause

HCCL states that the claim for four months depreciation of equipment represent a charge for idle time which was forced on HCCL due to the termination of the contract by USAID.

Effect

The questioned cost is Rs.8,584,518 (US \$ 279,842) on the ground of what is reasonable, allowable or allocable.

Recommendation

USAID/Pakistan should carefully consider the conditions stated above when determining whether they are allowable, reasonable or allocable.

APPENDIX - 1

USAID - HCCL
PAY AND ALLOWANCES

SR.#	Name of Employee	Designation	W A G E S P A I D				Total	* Sub Contract
			July	August	September	October		
1	Muhammad s/o Umar	Gunman	240	-	-	-	240	M.A.
2	Fayaz Ahmad s/o Muntaz Khan	Supervisor	639	-	-	-	639	M.A.
3	M. Sharif s/o Pehlwan	Supervisor	600	-	-	-	600	M.A.
4	M. Ramzan s/o Khadim Hussain	Supervisor	1,666	-	-	-	1,666	M.A.
5	M. Asghar s/o Mehr Hoot Khan	Site Incharge	13,000	-	-	-	13,000	M.A.
6	Ghulam Mustafa s/o Haji Nawaz	Welder	1,500	-	-	-	1,500	M.A.
7	M. Saleem s/o M. Nawaz	Roller Operator	1,333	-	-	-	1,333	M.A.
8	M. Sabir s/o Shah Muhammad	Buldozer Operator	1,166	-	-	-	1,166	M.A.
9	M. Shafique s/o M. Rafique	Mechanic	1,500	-	-	-	1,500	M.A.
10	M. Shafi s/o M. Hussain	Mechanic	1,333	-	-	-	1,333	
11	Zahoor Ahmad	Grader Operator	1,333	-	-	-	1,333	M.A.
12	Riasat s/o Mirza	Cook	733	-	-	-	733	M.A.
13	Ashiq s/o Mirza	Cook	666	-	-	-	666	M.A.
14	Muhammad s/o Usman	Gunman	600	-	-	-	600	M.A.
15	Mushtaq Ahmad s/o Haji Mahmood Khan	Asstt. Project Manager	16,000	-	-	-	16,000	MS.A.
16	Sana ullah s/o M. Ali	Bridge Foreman	15,000	15,096	-	-	30,096	MS.A.
17	M. Rafi s/o M. Ali	Pipe Factory Incharge	9,000	16,451	-	-	25,451	MS.A.
18	Muntaz Khan s/o Ghulam Rasool	Supervisor	8,000	-	-	-	8,000	M.R.

19	Ghulam Shabbir s/o Malik Mohd.	Accountant	7,000	7,000	7,000	-	21,000	MS.A.
20	Faiz Mohammad s/o Mohd. Baksh	Supervisor	4,000	-	-	-	4,000	M.R.
21	Abdul Razzak s/o Abdul Jabbar	Sotre Keeper	4,500	4,500	-	-	9,000	MS.A.
22	Abdul Jabbar s/o Abdul Ghani	Doctor	3,500	-	-	-	3,500	MS.A.
23	Syed Riaz uddin	Material Engr.	18,000	7,200	-	-	25,200	M.K.
24	K.R. Naeem	Surveyor Q.A.	15,000	-	-	-	15,000	MS.A.
25	M. Afzal s/o Aslam Nasir	Lab. Tech.	5,000	-	-	-	5,000	M.K.
26	M. Amin s/o M. Ali	Driver	4,000	-	-	-	4,000	M.K.
27	Riaz Hussain s/o Karim Buksh	Surveyor	13,000	-	-	-	13,000	MS.A.
28	Manzoor Ahmad s/o M. Yousaf	Surveyor	9,000	-	-	-	9,000	MS.A.
29	Sadaqat Hussain s/o M. Baksh	Surveyor	8,000	-	-	-	8,000	MS.A.
30	Iftikhar Hussain s/o Lal Hussain	Draftsman	8,000	-	-	-	8,000	MS.A.
31	Mushtaq Ahmad s/o Abdur Rehman	Foreman	15,000	15,000	15,000	-	45,000	MS.A.
32	Nasir Ahmad s/o Noor Mohd.	Mechanic	7,000	7,000	5,600	-	19,600	MS.A.
33	Ghulam Yasin s/o Karim Baksh	Mechanic	7,000	7,000	7,000	-	21,000	MS.A.
34	Tahir Mahmood s/o Faqir Mohd.	Mechanic	7,000	7,000	-	-	14,000	MS.A.
35	Amir Yaqoob s/o Mohd. Yaqoob	Mechanic	5,000	5,000	-	-	10,000	MS.A.
36	Abdur Rehman s/o Mohd. Umar	Tyreman	3,500	3,500	3,500	-	10,500	MS.A.
37	Ghulam Rasool s/o Allah Baksh	Helper	2,000	2,000	2,000	-	6,000	
38	M. Shafique s/o Sher Mohammad	Electrician	3,500	3,500	-	-	7,000	
39	M. Manzoor s/o Allah Baksh	Crane Operator	6,000	6,000	6,000	-	18,000	MS.A.
40	M. Ashfaq s/o Rab Nawaz	Crane Operator	6,000	6,000	-	-	12,000	MS.A.
41	Bashir Ahmad s/o Mohd. Baksh	Loader Operator	6,500	6,500	-	-	13,000	MS.A.
42	Mushtaq Ahmad Khan s/o Sardar Khan	Driver	4,000	4,000	-	-	8,000	MS.A.
43	Ghulam Hassan s/o Wali Mohd.	Driver	4,000	4,000	-	-	8,000	MS.A.
44	M. Fayaz s/o Abdul Ghafoor	Driver	4,000	4,000	-	-	8,000	MS.A.

45	Qadar Baksh s/o Ahmad Baksh	Driver	3,500	3,500	-	-	7,000	MS.A.
46	M. Afzal s/o Haji Mahmood Khan	Driver	4,000	4,000	-	-	8,000	MS.A.
47	Jumma Khan s/o Painda Khan	Driver	1,548	-	-	-	1,548	
48	Ghulam Haider s/o Mohd. Hayat	Driver	4,000	-	4,000	-	8,000	MS.A.
49	Abdul Qayoom s/o Abdur Rehman	Mechanic	5,000	5,000	-	-	10,000	MS.A.
50	M. Jamal s/o Abdul Razaq	Mech. Helper	3,000	-	-	-	3,000	MS.A.
51	Abdul Aziz s/o Allah Baksh	Generator Operator	3,000	3,000	3,000	-	9,000	MS.A.
52	M. Madni s/o Qazi Sultan	Driver Helper	2,000	2,000	-	-	4,000	MS.A.
53	Sabir Hussain s/o Ghulam Hassan	Driver Helper	2,500	2,500	2,500	-	7,500	MS.A.
54	Sajjad Hussain s/o Mohd. Aslam	Driver	4,000	-	-	-	4,000	MS.A.
55	M. Akram s/o Ghulam Hassan	Driver	4,500	4,500	-	-	9,000	MS.A.
56	Abdul Hameed s/o Imam Din	Helper	2,000	2,000	2,500	-	6,500	S.U.
57	Jumma Khan s/o Mian	Mess	2,200	-	-	-	2,200	S.U.
58	Raza s/o Rozi	Mess	774	-	-	-	774	S.U.
59	Akbar s/o Koroo	Mess	2,000	-	-	-	2,000	S.U.
60	Kaloo Khan s/o M. Baksh	Mess	3,000	967	-	-	3,967	F.M.
61	Ramzan s/o Mangal	Mess	464	-	-	-	464	S.U.
62	Faqeer Hussain s/o Noor Mohammad	Bela camp	2,500	-	-	-	2,500	S.U.
63	Manzoor Hussain s/o Allah Baksh	Mech. Staff	1,032	-	-	-	1,032	MS.A.
64	Riaz Hussain s/o Haji Baksh	Driver	-	1,467	-	-	1,467	M.K.
65	Taj Mohammad s/o M. Ismail	Mess	-	2,000	2,000	-	4,000	F.M.
66	Barsat s/o Jumma	Watchman	-	2,000	-	-	2,000	M.A.
67	Sher s/o Murid Hussain	Watchman	-	2,000	-	-	2,000	M.A.
68	M. Ishaq s/o Allah Baksh	Labour	-	1,875	-	-	1,875	
69	Umar s/o Hassan	Labour	-	1,950	2,000	-	3,950	F.M.
70	M. Hayat s/o Ghulam Siddique	Cook	-	1,612	1,250	-	2,862	

71	M. Ishaq s/o Karim Baksh	Cook	.	.	.	600	600	
72	Ghulam Yasir s/o Ghulam Ali	Mech. Helper	.	.	583	.	583	
73	M. Afzal s/o Ahmad Baksh	Mech. Helper	.	.	466	.	466	MS.A.
74	Mohd. Ishaq s/o Allah Wasaya	Watchman	.	.	2,000	.	2,000	
75	Bashir Ali	Crane Operator	.	8,000	.	.	8,000	
76	Saeed Iqbal	.	.	1,000	.	.	1,000	

KARACHI OFFICE

1	Saeed Iqbal	10,000	.	.	.	10,000	KHI.
2	Riaz	10,000	.	.	.	10,000	KHI.
		<u>324,827</u>	<u>180,118</u>	<u>66,399</u>	<u>600</u>	<u>571,944</u>	

KEY:

- MS.A. MUSHTAQ AHMED KHAN
- S.U. SANAULLAH
- F.M. FAIZ MOHAMMAD
- M.A. MOHAMMAD ASGHAR
- M.R. MOHAMMAD RAFI
- M.K. MUMTAZ KHAN
- KHI. KARACHI

* Employees name is included in subcontractor's list in the Claim I of HCCL.

APPENDIX 2-1

ESTABLISHMENT OVERHEADS

The basis of the establishment / overheads was provided which is:

$$= \frac{\text{Other cost + Establishment + Profit + Income Tax}}{\text{Direct cost and T \& P}} \times 100$$

$$= \frac{10,085,658. + 3,726,427. + 19,191,098 + 4,413,952 *}{144,128,565 **} \times 100$$

$$= \frac{37,417,135}{114,128,565} \times 100$$

$$= 32.78\%$$

$$32.78\% \text{)(} 30\%$$

* These figures have been taken from summary cost provided to us by HCCL, multiplied by the correction factor.

** 151,545,700 - 37,417,135 = 114,128,565

Distribution of 32.78 % and 30 %

		32.78 %	30 %
Other cost	10 %	10,085,658	9,229,189
Establishment	3 %	3,726,427	3,409,981
Profit	14 %	19,191,098	17,561,400
Income Tax	3 %	4,413,952	4,039,122
Total	30 %	37,417,135	34,239,692
Terminated	55.22 %	20,663,211	18,908,502

There is a calculation error which has been identified and agreed by HCCL. The amount of error is :

$$25,106,845 - 18,908,605 = 6,198,240$$

APPENDIX 2-1 (Contd.)

OVERHEADS 30%

	A	B A x 939578	C B x 55.22%	D C x 30/32.78
Other Cost				
Site Establishment (Pay & Allowances)	6,354,240	5,970,306	3,297,037	3,017,054
Construction Of Contractors Base Camp At Site	1,800,000	1,691,241	933,970	854,657
Medical Aid	320,000	300,665	166,039	151,939
Watch And Ward	960,000	901,995	498,117	455,817
Camping Equipment	300,000	281,873	155,662	142,443
Food For Staff And Labour	320,000	300,665	166,039	151,939
Travel And Transportation	200,000	187,916	103,774	94,962
Phones And Faxes	480,000	450,998	249,059	227,909
Sub Total	10,734,240	10,085,658	5,569,696	5,096,720
Head Office Overheads				
Establishment	3,966,063	3,726,427	2,057,879	1,883,125
Profit	20,425,226	19,191,098	10,598,078	9,698,095
Income Tax	4,697,802	4,413,952	2,437,558	2,230,562
Grand Total	39,823,331	37,417,135	20,663,211	18,908,502

- A. The figures have been taken from summary cost provided by HCCL.
 B. Represents amount after correction factor as per summary cost.
 C. 55.22% terminated portion of contract as per REC's construction progress report.
 D. As per HCCL they are claiming 30% instead of 32.78%

APPENDIX 2-2

REPUBLIC ENGINEERING CORPORATION REPORT ON
HCCL's CONSTRUCTION CAMP AT ARA BRIDGE

Areas (Estimated)

Pipe casting yard	30' x 50'	1500 sq. ft.
Fabrication shop	20' x 30'	600 sq. ft.
Labour Accom./Workshop	15' x 60'	900 sq. ft.
Labour Accom./Cement store	15' x 60'	900 sq. ft.
Residential Block/Offices	15' x 85'	1275 sq. ft.
Lavatory Block	10' x 20'	200 sq. ft.
	Total	<u>5375 sq. ft.</u>

Type of Construction

Walls	:	C.C. Block Masonry
Roof	:	Asbestos Cement Sheets supported by angle irons.
Flooring	:	Cement concrete; poor quality.
Plastering	:	Nil
Pipe Casting yard	:	50% area covered. Steel section columns.
Doors & Windows	:	Poor quality steel and timber.

A termination of the contract, Husnain Construction did not carry out any joint measurement. This estimate is based on the records maintained by Mr. Sheikh Abdul Rafay, ARE on the project.

Allowing Rs. 200/- per sq. ft. as construction cost.

Total construction cost = Rs. 200 x 5375 = Rs. 1,075,000

While construction of the contractor's camp is part of his overheads, under normal conditions, this cost would be distributed over the full contract period (16 months) and the monthly cost to the contractor would be Rs. 1,075,000/16.

As the time of termination of the contract there were still 5 months of the contract completion period left. The contractor therefore would be eligible to receive payment equivalent to 5 months of the cost of construction of camp.

	=	$\frac{\text{Rs. } 1,075,000}{16} \times 5$
	=	Rs. 335,938
Say	=	<u>Rs. 336,000</u>

APPENDIX 2-3

HEAD OFFICE ESTABLISHMENT COSTS

	As Per Note		Establishment		Remarks
	1992	1991	1992	1991	
Staff salaries and benefits	14,622,272	11,210,180	-	-	It appears from the amount of this expenditure that it includes the salaries and other benefits, of the site staff. We have not been provided a detailed analysis part of this is already claimed in claim 1.
Rent rate and taxes	4,555	492,000	4,555	492,000	
Vehicle running	240,557	234,402	240,557	234,402	
Electricity, gas and water	145,124	56,569	145,124	56,569	
Legal and professional	96,000	60,000	-	-	Already claimed in Claim 2
Travelling and conveyance	392,604	293,441	-	-	Already claimed in Claim 2
Printing and stationery	298,949	288,120	-	-	Already claimed in Claim 2
Telephone, postage and Telegram Claim 2	321,442	41,335	-	-	Already claimed in
Registration, Renewal and tender fee	235,176	255,535	-	-	Not Applicable
Mess expenses Claim 2	296,964	161,575	-	-	Already claimed in
Miscellaneous	321,834	221,549	321,834	221,549	
	<u>16,975,477</u>	<u>13,314,706</u>	<u>712,070</u>	<u>1,004,520</u>	

APPENDIX 2-3 (Contd.)

	1992	1991
	Rs.	Rs.
Receipts (As per accounts)	305,292,252	193,427,250
Establishment as above	712,070	1,004,520
Percentage	0.23 %	0.52 %

The average of both above percentages is used to calculate the establishment overheads of HCCL.

Average	0.375 %
Balance work terminated	83,689,486
Establishment 0.375 %	313,836
Questioned cost :	
Amount claimed	1,883,125
Amount as above	313,836
Questioned cost	1,569,289

APPENDIX 2-4

PROFIT

A Profit and Loss account provided for the project upto June 30, 1994 is as follows:

**HUSNAIN CONSTRUCTION CO. (PVT.) LTD.
BELA AWARAN BALUCHISTAN ROAD PROJECT
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD JULY 20, 1993 TO JUNE 30, 1994.**

	Rupees	Rupees
Contract Receipts:		
Upto June 30, 1994	35,828,224	
After June 30, 1994	<u>30,392,526</u>	66,220,751
 Direct Cost:		
Material	9,659,391	
Less: Stock Handed Over	(1,308,800)	
Add : Labour and All Other Site Expenses	<u>38,958,500</u>	47,309,091
 Add : Gain on Foreign Currency		<u>18,911,660</u> 333,965
Net Profit		<u><u>19,245,625</u></u>

These accounts are subject to following adjustments:

- i) Depreciation
- ii) Shuttering consumed
- iii) Establishment overhead
- iv) Adjustment for foreign currency gain
(Arises on the conversion of the receipt of US Dollars from USAID).

i) Depreciation

We have not been provided a fixed asset register and the details of cost of plant and machinery provided are not complete. The depreciation charges shown in the summary cost provided by HCCL is Rs. 22,040,100. Using this basis the depreciation for 12 months is Rs. 16,530,075.

APPENDIX 2-4 (Contd.)

ii) Shuttering Consumed

The shuttering consumed as stated in the claim 6 is as follows:

	Rs.
Cost of wood	977,390
Cost of Scaffolding/Joints	365,500
Cost of Steel Plates	454,295
	<u>1,797,185</u>

iii) Establishment Overheads

We were not provided with the actual expenditure of HCCL's establishment overheads which relate to this contract however we have the summary cost provided by HCCL which shows Rs. 3,726,427 (After multiplying with correction factor).

The calculation for this is as follows:

$$3,726,427 @ 45 \% = 1,676,892$$

	Rupees
Profit as per accounts	19,245,625
Adjustment for:	
- Depreciation	16,530,075
- Shuttering consumed	1,797,185
- Establishment overheads	1,676,892
- Exchange gain	333,965
	<u>20,338,117</u>
Net Loss	<u>1,092,492</u>

Based on synopsis given on page 18 of Wilbur Smith report dated June 30, 1994, the HCCL was 40% behind the submitted schedule work of contract. According to this the penalty charged to the HCCL i.e. deductible from the final claim amount is given below:

100 %	488 days
40 %	195 days

$$195 \text{ days @ Rs. } 65,000 = \text{Rs. } 12,675,000$$

This amount of the potential liquidated damages have not been included in the calculation above.

Hence the profit is questioned cost.

APPENDIX - 3

**MINUTES OF THE EXIT CONFERENCE
HELD ON JANUARY 26, 1995 AT THE OFFICE OF
HUSNAIN CONSTRUCTION COMPANY (PVT.) LTD. AT 1550 HOURS**

The exit conference was held on Thursday, January 26, 1995 at 3.30 p.m. in the office of Husnain Construction (Pvt.) Ltd. Mr. Vijay Sambnani representative of the Regional Inspector General of Audits Singapore was in the chair. The following persons attended the meeting:

USAID - Singapore

1. Mr. Vijay Sambnani

USAID - Pakistan

1. Mr. Shahid Pervez
2. Mr. Zahid Noor

FORD, RHODES, ROBSON, MORROW

1. Mr. Ijaz Ahmed
2. Mr. M. Junaid
3. Mr. Azfar M. Khan

H.C.C.L.

1. Mr. Sheikh M. Yousaf
2. Mr. Naveed Sheikh
3. Mr. Vakil Malik
4. Col. (Retd.) Azam Bhatti
5. Mr. Mahmood Qureshi
6. Mr. Ahmer Bilal Soofi

Minutes of the meeting are given below:

Vijay opened the meeting by introducing the USAID team to both the parties. He thanked Mr. Zahid Noor and Mr. Shahid Pervez for attending the exit conference and Ford, Rhodes for preparing the Audit Summary in short time. He explained that the Audit Summary was a preliminary document which was subject to clarifications, modifications and errors and was solely for the purpose of discussion which was about to begin.

Vijay detailed the following time schedule for completion of the audit:

Draft report to reach Singapore

02.02.1995

Final report having USAID - Singapore's comments accounted for

Mid. February

Mr. Vijay then brought-up the following matters, which he had been asked to mention on the instructions of the Contracting Officer, Mr. Carlton M. Bennett.

- i) Timely response by IICCL will be appreciated.
- ii) Claim to be supported by adequate documentation.

- iii) Costs questioned by the auditors would not necessarily be the costs disallowed.
- iv) If no settlement is achieved until winding-up of USAID office in Islamabad, HCCL would have to deal with USAID Headquarters in Washington, which may present logistical problems for HCCL.

Vijay afterwards explained the questioned cost on the inquiry of Mr. Vakil Malik of HCCL. Questioned cost is either Ineligible or Unsupported.

- "Ineligible costs" are those explicitly ineligible because they are unreasonable, unallowable under contract terms.
- "Unsupported costs" are those not supported with adequate documentation.

Mr. Vijay then asked Mr. Ijaz Ahmed of FRRM to start.

CLAIM NO. 1 - PAY & ALLOWANCES OF STAFF

FRRM Observation

Our verification of the employees record prior to termination revealed that the employees were paid only for the days of work done and they were not paid for the unworked days. This leads to question whether HCCL was going to pay the employees for the terminated period. Mr. Ijaz said that if a definite liability is established USAID may accept the claim but we were unable to establish a definite liability.

HCCL Response

1. HCCL explained that the project was in the remotest area of Baluchistan; where there had to be certain agreements with labour contractors to accomplish the tasks which they had contracted with USAID.
2. Agreements were written on stamp papers of Government of Pakistan.
3. Confirmatory letters sent to subcontractors on the request of auditors, have been received by them with positive replies.
4. Hire and fire was a normal process but number of workers remained almost the same, throughout the contract period.
5. HCCL would carry out a review and established the final liability to subcontractors.

USAID Response

1. It is not clear from the list of daily wagers totalling Rs.4,797,92 is not clear whether all are employed by the subcontractors or some of the workers are employed by HCCL.
2. HCCL to provide FRRM workings, revealing the amount of actual liability.
3. HCCL response must reach the auditors by February 02, 1995.

CLAIM NO. 2

Payment made to specialised persons / establishments

FRRM Observation

Claim comprises of three parts viz:

	<u>Rupees</u>
a) Establishment overhead	25,106,845
b) Legal counsel	200,000
c) Special consultant	<u>200,000</u>
	<u>25,506,845</u>

1. **Establishment overheads**

There is a calculation error which has been identified and agreed by HCCL. The amount of error is:
Rs. 25,106,845 - 18,908,605 = 6,198,240

HCCL Response

Agreed.

2. **Site establishment**

The claim is Rs. 3,017,054.

FRRM Observation

We have not been provided the supports for this. During our verification of the claim 1 for Pay & Allowances, we noted that the staff salaries for the site establishment were already included under that head. It appears to be duplication of questioned cost.

HCCL Response

No comments.

3. **Construction of Contractor's Base Camp**

The claim amount is Rs. 854,657.

FRRM Observation

We were not provided an appropriate schedule detailing the cost of construction of contractor base camp. But copies of ledger account were handed over. The total cost as per ledger sheets is Rs. 1,220,992.

	<u>Rupees</u>
Cost of contractor's base camp	1,220,992
Less: Absorbed (44.78 % of 1,220,992)	546,760

Unabsorbed cost	674,232

Questioned cost is:	
Claim amount	854,657
Less: Unabsorbed cost	674,232

Questioned Cost	<u>180,425</u>

USAID Response

Certain items included in the ledger folio, do not form part of the base camp.

HCCL Response

Deduct those items from the claim and adjust it accordingly.

4. Medical Aid

FRRM Observation

This cost was not incurred in the post termination period. Therefore this is a questioned cost.

HCCL Response

Agreed.

5. Watch and Ward

The claim is Rs. 455,817.

FRRM Observation

No support was provided. Therefore this is a questioned cost.

HCCL Response

Expense was incurred for the engagement of levies for the protection of USAID and REC / Wilbur Smith personnel who visited the site. Write-up on this will be provided to auditors.

USAID Response

Levies were engaged.

6. Camping Equipment

FRRM Observation

The claim amount is Rs. 142,443.

A proper schedule for this expenditure was not provided but the copies of ledger were provided. The camping equipments are non-consumable items and are re-usable. HCCL did not leave the camping equipments at the site when they left as per demobilization plan submitted to USAID. Hence this is a questioned cost.

USAID Response

Certain items included in the list do not form part of camping equipment.

HCCL Response

Adjust accordingly.

7. Food for Staff

The claim amount is Rs. 151,939.

FRRM Observation

No support was provided but HCCL agreed that this cost was not incurred in the post-termination period. Therefore this is questioned cost.

HCCL Response

Agreed.

8. Travel and Transportation

The claim amount is Rs. 94,962.

FRRM Observation

No support was provided but HCCL agreed that this cost was not incurred in the post-termination period. Therefore this is questioned cost.

HCCL Response

Agreed.

9. Phone and Faxes

The claim amount is Rs. 227,909.

FRRM Observation

No support was provided but HCCL agreed that this cost was not incurred in the post-termination period. Therefore this is questioned cost.

HCCL Response

Agreed.

10. Establishment

The claim amount is Rs. 1,883,125.

FRRM Observation

- i) No support for this has been provided by HCCL but HCCL has provided us the audited accounts for three years ended June 30, 1992. The information stated in the accounts for the year ended June 30, 1990 are not compatible with the accounts for 1991 and 1992.

The information contain in note-13 of the accounts for 1991 and 1992 relate to the administration and general expenses. Some items of these appear already included in HCCL termination claim items. Therefore the adjustment for these are made with explanation to arrive at the establishment cost of HCCL.

	As Per Note		Establishment		Remarks
	1992	1991	1992	1991	
Staff salaries and benefits	14,622,272	11,210,180			It appears from the amount of this expenditure that it includes the salaries and other benefits, of the site staff. We have not been provided a detailed analysis part of this is already claimed in claim 1.

	1992	1991
	Rs.	Rs.
Receipts (As per accounts)	305,292,252	193,427,250
Establishment as above	712,070	1,004,520
Percentage	0.23 %	0.52 %

The average of both above percentages is used to calculate the establishment overheads of HCCL.

Average	0.375 %
Balance work terminated	83,689,486
Establishment 0.375 %	313,836

Questioned cost :

Amount claimed	1,883,125
Amount as above	313,836
Questioned cost	1,569,289

- ii) We are not in a position to recast 1990 accounts - since not being comparable, have not been included in the Audit Summary.
- iii) Letter to auditors of HCCL, requesting confirmation that the establishment expenses appearing in Note-13 of 1992 accounts comprise only of head office costs, would be presented to HCCL for authorization.

HCCL Response

- i) Accounts of 1990 are audited and were accepted by the Income Tax department, should be considered.
- ii) For confirmation and information, auditors are authorised to take information from our auditors.

USAID Response

- i) Asked HCCL to provide readjusted 1990 accounts to FRRM to be accounted for in the draft report.
- ii) Asked FRRM to get confirmation from HCCL auditors that Rs. 14,622,272 of staff salaries and benefits appearing in Note-13 of 1992 accounts, comprise of head office costs only and the site establishment costs are not included in that figure.

11. **Profit**

FRRM Observation

The claim amount is Rs. 9,698,095 as given in the Profit and Loss account of the project provided to us, does not recognize the charge for depreciation, shuttering consumed and establishment cost.

Hence FRRM has come to a conclusion that after accounting for these items, HCCL would be sustaining a loss of Rs. 1,092,492.

HCCL Response

- i) Projections have been mentioned in our claim. We had completed tough jobs first and what work was left comprised of easier jobs.
- ii) Had the contract not been terminated, we would definitely have completed the project on a profitable basis.

USAID Response

- i) We have two scenarios on profit:
 - a) one reflected by Wilbur Smith Report according to which HCCL was 40% lagging behind schedule. Based on this way, HCCL would most likely have been levied penalties by US Government.
 - b) Projections given in the claim by HCCL.
- ii) Philosophically past is certain, future is uncertain. Logical path is the judgement should be based on what HCCL had done in the preterminated period.

Finally decided that HCCL will respond to this issue later on.

12. **Income Tax**

FRRM Observation

The claim amount is Rs. 2,230,562.

FRRM asked USAID to explain the situation.

USAID Observation

- i) USAID does not allow this line as a separate item. Hence disallowed.
- ii) HCCL should have claimed this item under profit/overheads.

HCCL Response

- i) The item was included in the contract bid as part of our profit margin.
- ii) Whether a project goes into profit or loss, income tax @ 3% on contract receipts would have to be deposited into the government treasury.
- iii) If profit under overheads is allowed by USAID, we can include this in overheads.
- iv) Federal Acquisition Regulations do not stress on such an investigative approach.

CLAIM NO. 3 DEMOBILIZATION

A) Payments made to trucks

FRRM Observation

FRRM provided a written response to HCCL fax relating to one of observations mentioned in Audit Summary received by them a day earlier.

HCCL Response

- i) Auditors should first read the demobilization plan and see whether jobs are correlated or not.
- ii) HCCL would provide additional evidence.

B) Improvement of Track

FRRM Observation

The amount claimed by HCCL is Rs. 520,000.

HCCL is claiming for the hire charges of 250 hours @ Rs. 2,000 per hour. The invoice provided to us, confirms the amount claimed by HCCL but the details stated in the invoice are questionable.

It is stated in the invoice that the Dozer worked 250 hours from July 11 to July 22, 1994. The total comes to 11 days which means that dozer was used 22.73 hours a day. On our queries, we were earlier informed that the working hours in a day were between 8 to 12 hours. The average of this is 10 hours.

Using the average 10 hours per day, the calculation comes to:

10 Hours x 11 days x Rs. 2,000 per hour = Rs. 220,000

The questioned cost is:

	Rs.	Rs.
Amount as per claim		520,000
Amount as calculated	220,000	
Carriage cost as claimed (No support for this is provided)	<u> -</u>	220,000
Questioned cost		<u><u> 300,000</u></u>

HCCL Response

Demobilization had been started from the first day of submission of the Demobilization Plan and not at the signing of the contract with dozer owner.

USAID Response

USAID narrated paragraph 3 of Demobilization Plan which read as:

"The reconnaissance of the tracks has revealed that there are five places where load of vehicles find difficult to climb and require help of recovery vehicle. In addition the present state of track is such that some effort will have to put in to make the track fit for movement of our vehicles. The five areas have been identified to the Project Manager for taking necessary action, i.e. placing of a recovery vehicle at these spots and carry out repair/improvement".

And confirmed that HCCL response to this is true. However auditors' questioning of the cost is in accordance with the audit guidelines under which they work.

C) Payment of hiring of land for temporary camp at Bela.

Amount claimed Rs. 30,000

FRRM Observation

No support is provided and the total amount is that for a questioned cost.

HCCL Response

USAID is aware of this.

USAID Response

Claim is genuine.

CLAIM NO. 4 - MATERIAL

FRRM Observation

Mild Steel Bars 17 Dia

Amount claimed 45 tons @ Rs. 18,000 = Rs. 810,000

The rate used in calculation of claim amount is different from the invoice rate. On the invoice the rate is Rs. 14,450 per ton. On our query, we were explained by HCCL that the carriage amount is included in the rate claimed. The carriage support for the delivery of Mild Steel Bar were not provided but an estimation for the number trucks and per truck hire charges of Rs 7,000 were given. Our calculation based on these information is as follows:

	Rs.
45 Tons @ 14450	650,250
Carriage charges 7,000 x 4	28,000

	<u>678,250</u>

Questioned cost is Rs. 810,000 - Rs. 678,250 = Rs. 131,750

HCCL Response

Since quoted rate in BOQ is Rs. 18,000, that had been claimed instead of claiming the actuals.

FRRM further comments

It is USAID to decide whether to go by BOQ or actuals.

USAID Response

Actuals.

CLAIM NO. 6 - SPECIALIZED SHUTTERINGS

FRRM Observation

Since entire claim in this head is complicated, we sought a professional opinion from Republic Engineering Corporation (Pvt.) Limited and have based our observations on the REC's findings.

HCCL Response

- i) Wood sheets when nailed with steel plates go waste and can not be reused.
- ii) REC report should be provided to them.
- iii) REC is a prestigious consultancy firm, but is not a construction firm.

USAID Response

Opinion of REC on these items especially MS steel plates would be again discussed with them as we have our reservations.

CLAIM NO. 7 - PREPARATORY WORKS

FRRM Observation

<u>C l a i m e d</u>		<u>Questioned cost</u>	
<u>Rs.</u>	<u>US \$</u>	<u>Rs.</u>	<u>US \$</u>
120,000	3,912	120,000	3,912

No support is provided but an analysis sheet was provided to us which contain the cost of plants and labour used for layered preparation/compaction of river bed for making platform for bridge shuttering.

No record was provided to us to verify this cost. Hence we questioned this cost.

HCCL Response

- i) This was cost of work done before expansion joint while erecting the shuttering on the Chagi river. One dozer, grader and mixture had also been used for this work.
- ii) Fact can be confirmed from the final bill, that this amount had not been claimed from USAID previously.
- iii) This amount has to be absorbed in the concrete work.

USAID Response

HCCL should include a write-up in their formal written response.

CLAIM NO. 8 - DEPRECIATION

FRRM Observation

Depreciation being a technical subject particularly in the case of construction, the issue had been referred for professional opinion to Republic Engineering Corporation (Pvt.) Limited. Current status regarding this would be explained by USAID.

USAID Response

Formulae used for the calculation of depreciation both by the HCCL and REC is not found in any text book. Clarification from consultants (REC) would be taken and decision will be made thereafter.

WINDING-UP

USAID Comments

Mr. Vijay Sambnani representative of Regional Inspector General of USAID - Singapore concluded the meeting by saying:

- i) Onus of providing information is on HCCL.
- ii) It would be better for HCCL to resolve the matter early, as the Contracting Officer is taking it very seriously.
- iii) Mr. Zahid Noor of USAID to give opinion on certain technical issues, in consultation with REC, Mr. Bennett and Mr. Shahid Pervez.
- iv) HCCL to provide additional documentation to FRRM in two to three days. If it is not possible in that time, HCCL should keep collecting information and include it in their written response to USAID.
- v) Thanked all the persons present and concluded the meeting.

SUMMARY OF REVISED HCCL CLAIM

Claim No.	Description	P o s i t i o n		Comments
		Previous	Revised	
1.	Pay & allowances of staff	4,797,392	4,797,392	No Change
2.	Payment made to specialised persons/establishment			
	a. Establishment/Overheads @ 30%	26,096,324	25,106,845	Reduced
	b. Amount paid to Legal Counsel	200,000	200,000	No Change
	c. Amount paid to special consultant	100,000	200,000	Enhanced
	Sub Total (a to c)	26,396,324	25,506,845	
3.	Demobilization Plan	2,600,000	2,600,000	No Change
4.	Material at Site	1,308,800	1,308,800	No Change
5.	Establishing/Removal of various structures	220,000	0	Withdrawn
6.	Specialized shuttering			
	a. Cost of wood	2,390,000	1,295,610	Reduced
	b. 50% of scaffolding/joints	850,000	484,500	Reduced
	c. 50% of steel plates	1,150,000	602,205	Reduced
	d. Iron mongry	275,000	0	Withdrawn
	Sub Total (a to d)	4,665,000	2,382,315	Reduced
7.	Preparatory works	318,000	120,000	Partly withdrawn
8.	Depreciation of equipment *	8,710,518	8,584,518	Arithmetic error
	Grand Total **	49,016,034	45,299,870	Net reduction

* There was an arithmetic totaling error in the total depreciation charged for equipment in the previously submitted claim. This error has been corrected in the revised claim.

** This total figure in our previous claim was Rs. 52,016,034 which did not reflect the correct arithmetic total of the claims shown in the Summary Sheet.

CLAIM NO. 1

PAY & ALLOWANCES OF STAFF

BELA - AWARAN ROAD PROJECT

General: Due to peculiar condition of the project the staff employed for execution was brought on contract. It was agreed with the labour force that the company will keep them employed till completion of project. In addition free food and medical would be provided to them. Labour from Punjab side was paid the fare charges whenever they went on leave. As per contract condition no labour could be discharged before the actual completion of project. In case any one had to be discharged his salary for the remaining period was paid to him. In our case the termination notice has forced us to pay the labour from 1st July till 28th October, 94 i.e. pay for 4 months.

Pay bill of the same is attached for reference, verification and payment please. Summary of the pay bill is as under please:

a.	Pay bill main camp ARA	= 4 x 376631	= 1,506,524
b.	Pay bill additional Camp at 50 + 300 to 55 + 100	= 4 x 93400	= 373,600
c.	Pay bill JHAO + Laboratory	= 4 x 88300	= 353,200
d.	Pay bill for Shuttering, Labour	= 4 x 334279	= 1,337,116
e.	Pay bill for Head Wall, Shuttering Labour	= 4 x 59609	= 238,436
f.	Pay bill for Head Wall, concrete labour	= 4 x 54200	= 216,800
g.	Pay bill for concrete, unskilled labour	= 4 x 21422	= 85,688
h.	Pay bill for pipe laying and back filling	= 4 x 38353	= 153,412
i.	Pay bill for cooks and Chowkidar	= 4 x 35120	= 140,480
j.	Pay bill for earthwork, (50+300 to 55+100) labour	= 4 x 20937	= 83,748
k.	Baluch labour	= 4 x 20900	= 83,600
l.	Labour for Crusher	= 4 x 11390	= 45,560
m.	Labour employed for maintenance	= 4 x 16900	= 67,600
n.	Labour for Rip Rap and Gabions	= 4 x 27907	= 111,628
	Total Cost		= <u>4,797,392</u> éééééééééé

CLAIM NO. 2

PAYMENTS MADE TO SPECIALIZED PERSONS/ESTABLISHMENT

ESTABLISHMENT CHARGES:

This firm is maintaining a large establishment to manage/deal with various projects. It have been established that approximate 30% of total cost of project is required to cater for various overhead charges. Since the establishment could not be reduced on receipt of Termination Notice, therefore, it is requested that 30% of balance work be paid to us. The amount payable to us is:

a.	Cost of project	=	151,545,700
b.	Work done	=	64,557,952
c.	Balance amount or work not done	=	86,987,748
d.	30% of balance amount	=	26,096,324
	Amount paid to Legal Counsel	=	200,000
	Amount paid to Special Consultant	=	100,000
	Total amount of Bill No. 2	=	26,396,324

Distribution of 30%

a.	Site expenses of staff salary & others	=	6%
b.	Site office contingencies, food & vehicles	=	2%
c.	Head Office salary & others	=	3%
d.	Travelling charges	=	1%
e.	Income Tax & other taxes	=	3%
f.	Profit	=	15%

			30%
			èèèèèèèèèèèè

CLAIM NO. 3
DEMOBILIZATION PLAN

General: On receipt of Termination Notice mental appreciation for closing of project in an orderly manner was carried out. It was decided to hire seven trucks (two flat body and five full trucks). Survey of the market was carried out and a contract was concluded with M/s Ibrahim and Brothers for the provision of the required number of trucks. These trucks left Karachi on 29th June, 1994 and reported arrival on 30th June, 1994 at ARA. These trucks were hired on daily basis at Rs. 5,000/- per day with a condition that they would only ply within project area.

PAYMENT MADE TO TRUCKS:

a)	Hire charge for 7 trucks from Karachi to ARA for two days @ Rs.5,000/- per day.	=	2 x 5000 x 7 =	70,000
b)	Hire charges for collection of material from various construction sites to concentration camp in 11 days.	=	11 x 5000 x 7 =	385,000
c)	Hire charges for transpor- tation of moveable, immoveable machinery and stores to tempo- rary camp at Bela in 17 days.	=	17 x 5000 x 7 =	595,000

PAYMENT MADE FOR IMPROVEMENT OF TRACK:

A size I dozer was hired from the market @ Rs. 2000/- per hour. Transportation to site and back was the responsibility of the Employer. For this, a transport @ Rs. 10,000/- one-way was hired. the Dozer took 250 hours for improvement of the track. Thus the payment made was:

$$(2000 \times 250) + 20,000 = 520,000$$

PAYMENT FOR HIRING OF LAND FOR TEMPORARY CAMP AT BELA:

An area of approximately 5 acres has been hired for dumping/storage of material and equipment. The land per force has been hired for three months @ Rs. 7,500/- per month. Electricity charges for the duration would be approximately Rs. 2,500/- per month. Thus an average of Rs. 10,000/- is being paid to the owner. Total amount thus paid to the owner is:

$$(7500 + 2500) \times 3 = 30,000$$

**TRANSPORTATION OF EQUIPMENT/MACHINERY
FROM BELA TO LAHORE.**

Since the entire equipment and machinery have been brought to the road head at Bela, therefore, bigger/longer trailers are being utilized for the purpose of economy in transportation. Each trailer would charge Rs. 25,000/-. A total of 40 trailers would be utilized for transportation of all type of stores.

Cost of transportation =	25,000 x 40	=	1,000,000/-
Total cost of demobilization:		=	2,600,000/-

CLAIM NO. 4

MATERIAL AT SITE

Mild steel bars 1/4" Dia to 1+1/4 Dia, Grade 60	= 45 Tons @ Rs. 18,000 =	810,000
Crushed stone aggregate	= 500 CM @ Rs. 300 =	150,000
G.I Wire	= 7.46 Tons @ Rs. 30,000 =	223,800
Balance quantity lying at Metropolitan Steel Corporation, Karachi for which advance payment has been made. Settlement is yet to be arrived.	=	125,000
Total:	=	----- 1,308,800 -----

CLAIM NO. 5

ESTABLISHING / REMOVAL OF VARIOUS STRUCTURES

PIPE FACTORY:

Lump sum cost for removal. = Rs. 100,000

STONE CRUSHER:

Lump sum cost of removal. = Rs. 50,000

REMOVAL OF GENERATORS:

a)	Large generator at ARA	= 3 Nos.	
b)	Small generator at ARA	= 2 Nos.	
c)	Large generator at JHAO	= 2 Nos.	
d)	Lump sum cost for each generator	= Rs. 10,000	
e)	Total cost for removal of a + b + c (7 x 10,000)		= Rs. 70,000
	Total	= Rs.	<u>220,000</u>

CLAIM NO. 6

SPECIALISED SHUTTERING

General:

In the present days, in Pakistan, the bridges are being constructed as prestressed precast beams. This technology has saved besides other the expenditure on form work. The type of construction followed on Bela Awaran Road was continuous beams with diaphragm. This departure from normal practice had forced us to manufacture special type of shuttering for construction of bridges. Thus involving huge expenditure. The expenditure could have been partially covered if construction of all the bridges and culverts would have been allowed. It was estimated that;

- a. Entire cost of wood to be charged.
- b. 50% cost of scaffolding pipe & joints to be charged.
- c. 50% cost of steel plates to be charged off.
- d. Iron mongry and tools 100% to be charged off.

Keeping in view all above the cost to be recovered comes to as under:-

	Rs.
a. Cost of wood	2,390,000
b. 50% of scaffolding/joints	850,000
c. 50% of steel plates	1,150,000
d. Iron mongry	275,000

Total:	4,665,000

CLAIM NO. 7

PREPARATORY WORKSFIXING OF FORM WORK FOR
DECK SLABS AT CHAGI RIVER

The form work for concreting for deck slab for the three spans was fixed before the receipt of the Termination Order. The form work measured approximately 10,000 Sft. Due to excessive height (More than 10 meters) tubular scaffolding was fixed in stages and overlaps. Horizontal and vertical stability was provided with additional cross members. The bed of the river was levelled and compacted to avoid any sinking. This entire effort has gone waste due to Termination Notice. The expenditure incurred on fixing of form work and preparation of bed is;

a) <u>Preparation of bed</u>		
i)	Preparation of bed	= Rs. 100/Sq.M
ii)	Area prepared for compaction	= 60 x 20 = 1200 Sq. M
iii)	Cost of preparation 1200 x 100	= Rs. 120,000
b) <u>Erection of form work</u>		
i)	Fixing of form work with acute degree of difficulty	= Rs. 150/Sq.M
ii)	Area of form work	= 1200 Sq.M
iii)	Cost of fixing of form work 1200 x 150	= Rs. 180,000
c) <u>Cutting and placing of rebar</u>		
i)	Weight of rebar at Chagi	= 10 Tons
ii)	Rate of cutting and placing rebars	= Rs. 1800/Ton
iii)	Cost of cutting/placing/lowering 1800 x 10	= Rs. 18,000
Total :		= Rs. 318,000

**CLARIFICATION / ADDITIONAL INFORMATION ON HCCL
FINAL SETTLEMENT PROPOSAL SUBMITTED TO USAID
VIDE LETTER NO. HO/USAID/DEPT/001/359 DATED 19-09-1994**

(CONTRACT NO. 391-0510-C-00-3542-00)

USAID FAX QUERY/OBSERVATION, PARA 1 : GENERAL

HCCL RESPONSE

HCCL does not agree with the contents of this para wherein it is stated that per the correspondence between Roger Sheridan, Chief Resident Engineer (CRE), HCCL & USAID, the progress of work at site was slow and as such HCCL was not likely to complete the contracted work in the balance time left. This observation is against the recorded progress data for the project. In fact, the alleged slow progress of work at site in the initial period was part of HCCL plan of work. HCCL had chosen to complete the difficult tasks first. Since these tasks were also low-value items, the value-based progress achieved appeared to be low. This situation was however reversed once HCCL, as part of its plan, started work on the high-value items. There was a quantum jump in the progress achieved by 30 June 1994. HCCL was all set to complete the work in the balance time left in the contract. In no case was HCCL likely to default. In support of the above statement, HCCL has prepared progress charts for the actual work completed, taking into consideration different scenarios. These graphic presentations are shown in Annexure 1 to this submittal. Detailed comments on these HCCL progress charts are presented below.

a) **HCCL PROGRESS OF WORK AS REFLECTED FROM BRP PROGRESS PAYMENTS - SHEET 3, ANNEXURE 1.**

This sheet presents two scenarios, 1 & 2. As is obvious from the tabulated figures given under scenario 1, HCCL had achieved a cumulative progress figure of 42.6 on 30 June 1994. The per month figure achieved for June was 11.35%, the highest so far. This, however, does not project the complete picture of the progress HCCL was all set to achieve by 30 June 1994, had termination not been enforced.

The correct picture is presented under scenario 2. USAID in its termination Notice of May 19, 1994 instructed HCCL to stop work on some items which were already in hand and which were planned to be completed by 30 June 1994. These items included the bridges. Despite HCCL requests and proposals on being allowed to complete the almost half done bridges, USAID expressed its inability to do so. Per force, HCCL had to abandon work on the bridges. If the progress of these works in hand by HCCL (on May 19, 1994) is taken into consideration, HCCL cumulative progress of work by June 30, 1994 would have been 49.42%. This would have translated into a per month progress figure of 15.42% for June. These two scenarios have been shown graphically on sheet 3, Annexure 1. As can be seen from the graph, with each month, HCCL progress was ascending upwards.

As already stated above, HCCL had planned to take up the easier (low-effort) but high-value items after 30 June 1994. HCCL progress would have been commensurate with the required pace to achieve completion in contract time i.e. by October 28, 1994. In support, HCCL has also prepared a resource loaded Balance of Work Schedule for the post June 30, 1994 (Sheet 1, Annexure 1). As can be seen from this schedule, HCCL was all set to complete the work by the contract completion date.

The scenario 3 (Sheet 4, Annexure 1) shows the HCCL Balance of Work Planned Schedule as on 19-05-94. As can be seen from the tabulated data and the graphic presentation, the required per month progress figures were very much within HCCL reach. The highest planned would have been 16.71% in July, versus 15.42%, HCCL could have achieved by June 30, 1994 had termination not been effected. The balance per month targets were easily achievable by HCCL.

Under scenario 4 (Sheet 5, Annexure I) a consolidated progress data has been tabulated and shown graphically assuming that termination had not taken place. As can be seen from this graphic data, the per month progress figure achievable by 30 June, 1994 & the required rate post June 30, 1994 have a smooth transition.

The above analysis of the actually achieved/achievable & the planned progress figures support HCCL contention that in no case was it likely to default. To the contrary, HCCL was all set to achieve 100% completion of work in the stipulated time. HCCL had the resources in men, material and equipment to undertake and complete the BRP work in the contract time allowed.

USAID FAX QUERY NO. 2 ON HCCL CLAIM NO. 1 : PAY AND ALLOWANCES

HCCL RESPONSE

HCCL had entered into agreements, with labour contractors to supply HCCL with skilled & unskilled workers for the entire duration of the contract. This arrangement had to be adopted per force, due to the remoteness of the project area. Special incentives had to be offered to these labour contractors to bind them to their commitment of uninterrupted supply of the required type & level of work force for the entire duration of the contract. This approach was adopted in the best interest of the project. It reflected HCCL's commitment towards fulfilling its contractual responsibility towards USAID of completing the BRP contract in the stipulated time. Copies of these labour agreements are included in Annexure II to this submittal.

USAID FAX QUERY NO. 3, ON HCCL CLAIM NO. 2 : ESTABLISHMENT CHARGES (ALSO USAID OBSERVATION IN PARA 3 OF ITS LETTER OF OCTOBER 18, 1994 REF D)

HCCL RESPONSE

a) OVERHEAD CHARGES

There appears to be a mis-comprehension about HCCL position on this issue. Details below is HCCL response on this issue:

- i) HCCL had fully mobilized for the BRP Contract with the intention & resolve to complete it to the entire satisfaction of USAID. Our field offices were fully equipped to undertake execution of the work, as were all support offices including the home office & the field office at Karachi. All this was part of HCCL preparation to undertake the contracted scope of work, including the terminated portion of the work.
- ii) As stated above HCCL had undertaken the BRP contract in all earnest and had mobilized all its resources to complete the work to USAID satisfaction. It is HCCL's determined policy to undertake work for profit. We had therefore included a reasonable sum in our proposal/bid price to be earned as profit for this contract.

- iii) HCCL, is the largest highway contracting company in the country and it maintains a large setup in Pakistan with branch offices in many cities. It is the company policy to normally charge each project that HCCL undertakes @ 30% of its cost as the company establishment/overhead expense.

At the time of preparing & submitting its proposal for the BRP contract, HCCL had worked out its item costs/rates based on a fully executed scope of work as provided in the USAID Proposal Documents. Our rates included an allowance, for our establishment charge/overhead & profit @ 36.7% of the BRP cost. This increase of Establishment/Overhead rate from 30% to 36.7% was necessitated in view of the remoteness of the BRP site.

- iv) The workability of HCCL unit rates for the pay items in the BRP contract were based on a fully absorbed overhead rate of 36.7% on the entire scope of work. A termination of the BRP contract at approximately 43% completion adversely affected our cost for the project. The overhead charge which was to be realized on 100% completion of work, now had to be applied on the completed work only. This would necessitate an upward revision of BRP contract unit rates for pay items for which work was in hand/completed/billed USAID.
- v) It was in the project interest that HCCL undertook the difficult tasks (bridges, culverts, etc.) first. This was to facilitate an easy transition to completion of the incomplete works left by the previous construction contractor. These tasks represented low-value items of the BRP contract. HCCL was set to undertake the easier task (Rip Rap, Approach Roads, Embankments, laying RCC pipes, etc.) which also represented the high-value items of the BRP contract when termination was effected. It was HCCL intention to complete the entire scope of work regardless of the value of the work items it chose to undertake first. A denial of this overhead/establishment charge, as claimed, is likely to affect our budgeted profitability for this contract besides putting undue financial burden on the company for the reasons enumerated.
- vi) As in the case with the labour contractors, all our resources for the BRP, including the supervisory staff, support staff, etc. were totally committed to the contract, for its entire duration. This was necessitated due to the tough site conditions of the BRP. An earlier-than-planned termination already had its adverse impact on HCCL. Besides employee morale problem, HCCL had to absorb the earlier-than-planned re-assignment costs for all its resources including project staff, equipment, etc.
- vii) The BRP termination also adversely affected HCCL financially as it upset the company cash flow projections. This was caused due to an earlier-than-planned full recovery of the mobilization advance from its last bill. HCCL had to make alternate arrangements, at heavy financial charges to offset this negative impact to its planned operations.

- viii) In our Settlement Claim we have charged a lower Establishment/Overhead rate of 30% of the BRP cost. Further, the composition of this lower HCCL Establishment/Overhead rate of 30% was already submitted to USAID. HCCL has been allowed this rate on all its contracts funded by other development agencies like the World Bank, the Asian Development Bank & Government of Pakistan departments like the National Highway Authority (NHA) & NESPAK.
- ix) HCCL being a Private Limited firm maintains audited financial accounts. We have audited accounts upto the year 1992. The figures for 1993 are under preparation. We shall be glad to share this information with USAID, should it so desire.

In view of the above stated points we believe that HCCL claim for 30% establishment charge/overheads on the terminated portion of the BRP Contract is fully justified. It presents the preparations made by HCCL to execute the full scope of work including the terminated portion of the work. Further, as stated above, the validity of our contract rates was for a fully executed scope of work. In case USAID still considers HCCL claim as an "Opportunity Cost", we would request an upward revision of our unit rates for work already completed & billed USAID.

We would also like to point out to an omission in the figure for "Work Done" in our Claim No. 2. The figure of Rs. 64,557,952 does not include the payment received against the manufactured-at-site R.C.C. pipes handed over to USAID/GOB. This payment amounted to Rs. 3,298,262. The total payment thus received by HCCL is Rs. 67,856,214. Consequently, our claim against this item is revised as follows:

	Rs.
a) Cost of Project	151,545,700
b) Work Done	67,856,214
c) Balance Amount for Work not Done	83,689,486
 d) 30% of Balance Amount	 25,106,845

b) PAYMENT TO LEGAL COUNSEL AND SPECIAL CONSULTANTS

Copies of Service Agreements and payments made to the Legal Counsel and the Special Consultant are included in **Annexure III**.

The nature of the services provided by the Special Consultant is outlined in the Service Agreement (Annexure III). Based on the discussion with USAID officials in the meeting held in our office at Lahore on October 13, 1994 and the likely time-frame within which our claim may be finally settled and to address USAID queries and attend meetings etc. we foresee additional support of the Special Consultant. Consequently we are revising our claim on this preparatory expense as follows:

	RS.
Original Claim:	100,000
Revised Claim:	200,000

APPENDIXES

4. USAID FAX QUERY NO. 4 ON HCCL, CLAIM NO. 3: DEMOBILIZATION COSTS:

HCCL RESPONSE

- a) Copies of Hiring Agreements and receipts for trucks hired for demobilization are included in Annexure IV.
- b) The improvement of the track was necessary at the time of demobilization for the following reasons:
 - i) The peculiar soil condition of the track which was pulverized into fine dust on movement of normal vehicular traffic plying on the track. This resulted in the top 30 cm layer of soil being unusable by heavy traffic.
 - ii) As outlined in our claim, the demobilization of HCCL plant and equipment was carried out by heavy trucks which were mostly loaded to full capacity. The improvement of track was necessary to ensure that the demobilization proceeded smoothly and without any mishap. This fact was also reflected in our demobilization plan already submitted to USAID.

5. USAID FAX QUERY NO. 5 ON HCCL, CLAIM NO. 4 : MATERIAL AT SITE

HCCL RESPONSE:

- a) The inventory of material received duly signed and acknowledged by the Government of Baluchistan officials is included in Annexure V.
- b) Copy of the advance payment made to the Metropolitan Steel Corporation, Karachi is also included in Annexure V.

6. USAID FAX QUERY NO. 6 ON HCCL, CLAIM NO. 5 : REMOVAL OF VARIOUS STRUCTURES

HCCL RESPONSE:

On a review of this claim, HCCL has decided to withdraw it, as costs associated with this work is included in Claim No. 1.

7. USAID FAX QUERY NO. 7 ON HCCL, CLAIM NO. 6 : SPECIALIZED SHUTTERING

HCCL RESPONSE:

We recognize that the BRP was a unit rate contract. There appears to be a miscomprehension about HCCL position on this claim, which is explained below:

- i) HCCL had purchased material (wood, steel plates, scaffolding pipes and joints, etc.) for undertaking the full scope of work for the BRP. In keeping with the construction industry standard practice, HCCL had allowed for amortization of these costs, fully in the case of wood and partially in the case of steel plates and scaffolding pipes and joints etc., over the full scope of work. An earlier-than-planned termination adversely affected the recovery of these costs. HCCL is therefore only claiming the recovery of its costs budgeted against different pay items where these shuttering material and scaffolding pipes, etc. were to be used.

- ii) An earlier-than-planned termination rendered our contract item unit rates as unworkable and invalid, as the costs which were applied to be recovered on the full scope had now to be applied on a reduced scope of work. Under such circumstances, HCCL would request an upward revision in the affected pay item unit rates for work already completed and billed USAID.
- iii) As stated above, the HCCL claim consists of four sub-parts viz; wood, scaffolding/joints, steel plates and iron mongry. Each of these sub-parts is dealt with in further detail below:

a) COST OF WOOD

In view of the nature of the use that wood is put to, especially for shuttering work, it is the industry practice to fully charge the cost of wood to the project or the pertinent pay items in the project. Wood was used on the BRP contract for shuttering work for the bridges, culverts, abutments, etc. For each application of shuttering work, the wood was cut to suit the job requirements. Initially, Partial wooden sleepers were cut into 3" x 4" battens of varying lengths. The removal of formwork is normally accompanied by breakage and losses to the wooden part of the formwork. It is re-used by appropriate modifications, normally cut, re-cut to suit differing job requirements. This renders wood as scrap at the end of a project. The cost of wood is therefore fully charged to the project. In the case of BRP, a full recovery of this cost was not possible because of the termination. HCCL is therefore claiming compensation for this balance charge from USAID. In the original claim a partial recovery of this charge is not reflected. On a review of our working, a revised claim against this item has been worked out below:

100% of wood shuttering charged	Rs. 2,273,000 - (A)
Less charge already recovered in billed work @ 43% of (A)	<u>Rs. 977,390</u>
Net revised claim to be charged	Rs. 1,295,610

b) 50% OF SCAFFOLDING / JOINTS

After assessing the BRP contract needs, HCCL had purchased 120,000 running feet (RFT) of steel scaffolding pipes and 15,000 supporting joints. However, because of the peculiar site conditions including harsh weather, sandy/dusty area, there was more than the normal wear and tear of our scaffolding pipes. In addition, there was excessive loss due to damages incurred as a result of removal of shuttering plates. Further because of the remoteness of the area and the uncertain socio-political/law and order conditions, there was continuous pilferage of our material. On top of all this, the area also experienced the worst flood which rendered our scaffolding pipes and joints useless. Some loss of joints was also reported on account of burial under sand dunes during times of sand storms. The joints were the most affected by all these harsh weather conditions. Normally joints are fully charged to a project. HCCL had planned to charge 50% of the capital cost of these scaffolding pipes/joints to the entire scope of work.

Further, HCCL had to complete six (6) bridges with a total of 30 spans of 12.5 m length each; 5 box culverts double span; abutments; etc for a total of 170,000 sft shuttering area. At the time of termination, HCCL had completed only 14 (47% of the bridges work), 95% of culvert work and 15% of abutments. These aggregated into a total completion of 43% achieved by June 30, 1994. Thus instead of recovering our budgeted cost over the entire scope where these pipes/joints were used we were only able to recover 43% of our charge.

In the original claim, submitted by HCCL, a partial recovery of the above budgeted charge against scaffolding/joints is not reflected. On a review of our working, a revised claim against this item has been worked out as blow:

50% of scaffolding/joints charge budgeted	Rs. 850,000 - (A)
Less charge already recovered in billed work of 43% of (A)	Rs. 365,500

Net revised claim to be charged	Rs. 484,500
	@@@@@@@@@@@@

c) 50% COST OF STEEL PLATES

It is an industry standard practice to allow for a depreciation charge for the mild steel (MS) shuttering plates used for forming concrete work. It is also standard practice to utilize a contractor's existing steel shuttering plates, normally standardized, of regular sizes (e.g. 2' x 3', 2' x 4', etc.) properly stiffened with angle iron frames to provide the MS sheets the desired strength to withstand normal pressure of reinforced concrete and the concreting workers gangs. The sizes of these plates are normally determined on the basis of the ease with which a worker can carry and lift these plates into position etc. A normal depreciation charge for such type of MS shuttering plates (depending on the number of usages on a project) ranges from 20% upwards of the project cost. This charge is supposed to cover maintenance costs during the project and afterwards. These regular sized plates are used in conjunction with wooden shuttering to fill in irregular spaces. It is this mix of MS plates with wooden plates (odd sizes) which forms the normal formwork for a typical project including bridges, etc.

In the case of BRP, because of the time constraints, HCCL decided to use MS sheet plates cut to size (2m x 1m, 2m x 1/2m, 1m x 1/2m) to provide formwork to RCC beams sides and bottoms. Similarly for the RCC slab, MS sheets were used to fill in odd spaces. These plates were not stiffened with MS angle iron frames to control their weight and to enable easy handling by the workers. This was done in the interest of the project. On completion of the BRP, HCCL had planned to convert these odd-sized MS plates into regular plates. This entailed further wastage. It was with this usage that HCCL had applied a depreciation charge @ 50% to the BRP. HCCL had planned to charge this cost to the full scope of work on the bridges, box culverts, abutments, etc. However, HCCL had only completed 43% of the total shuttering work by June 30, 1994 when it had to stop work because of termination.

In the claim already submitted, HCCL had charged the full 50% of cost to be recovered. However, on a review, HCCL is reducing this claim as detailed below:

	Rs.
50% of cost of MS steel plates, etc.	1,056,500
Less cost recovered on paid work (43%)	454,295

Net claim payable	602,205 ëëëëëëëëëë

d) IRON MONGRY

On a review of this claim, HCCL has decided to withdraw it.

In view of the above review, HCCL revised claim under this item is as follows:

i) Cost of wood charged @ 57%	1,295,610
ii) Cost of scaffolding/joints charged @ 57% of original	484,500
iii) Cost of MS steel plates charged @ 57% of original	602,205

	2,382,315 ëëëëëëëëëë

8. USAID FAX QUERY NO. 8 ON HCCL, CLAIM NO. 7 : PREPARATORY WORK

HCCL RESPONSE

On a review, HCCL has decided to withdraw sub-parts (b) and (c) under this claim, as the costs associated with it is already covered under Claim No. 1. However, for sub-part (a), HCCL maintains its original position that this cost was not covered under any item already paid/billed. As such, HCCL is entitled to a recovery of this cost. Our revised claim under this item is as follows:

	Rs.
a) Preparation of bed	120,000
b) Withdrawn	Nil
c) Withdrawn	Nil
Net revised claim	120,000

9. USAID FAX QUERY NO. 9 : DEPRECIATION OF EQUIPMENT
(USAID LETTER DATED OCTOBER 18, 1994, PARA 5)

HCCL RESPONSE:

Purchase documents including receipts, etc. are available in our office and can be checked by USAID.

HCCL had mobilized all the equipment listed in its claim to achieve completion of the BRP within the contract time. HCCL had planned to recover a depreciation charge for this equipment over the BRP contract life. The approach of purchasing reconditioned/used equipment for use at the BRP was to lower our bid price. As opposed to this, had HCCL utilized brand new equipment the depreciation it would have charged the BRP and hence to USAID would have been much higher. HCCL could have used rented equipment for the BRP but even in that case the cost to be charged would have been higher than what HCCL actually charged. As such, the cost advantage HCCL managed to obtain using reconditioned equipment on the BRP was passed on to USAID.

A comparison of the three approaches described above is carried out below:

APPROACH A. USE OF BRAND NEW EQUIPMENT

Initial cost of machine (Say)	= Rs.	100,000
Maintenance cost of machine @ 5%	= Rs.	50,000
Total life of machine	= Hrs.	10,000

Rate of depreciation/Hour

$$= \frac{\text{Initial Cost} + \text{Maintenance Cost}}{10,000}$$

$$= \frac{150,000}{10,000}$$

$$= 15 \text{ ----- (A)}$$

APPROACH B. USE OF RECONDITIONED / USED EQUIPMENT

Initial cost of machine @ 25% of new	= Rs. 25,000 - (1)
Overhauling of machine @ 50% of (1)	= Rs. 12,500 - (2)
Maintenance of machine @ 50% of (1)	= Rs. 12,500 - (3)
Life of machine without overhaul	= 5000 Hours - (1A)
After overhaul	= 3000 Hours - (2A)
After maintenance	= 8000 Hours - (3A)

Rate of depreciation/Hour

$$= (1)/3A + (2)/2A + (3)/3A$$

$$= 25000/8000 + 12500/3000 + 12500/8000$$

$$= 3.125 + 4.166 + 1.562$$

$$= 8.853 \text{ ----- (B)}$$

APPROACH C. USE OF RENTED EQUIPMENT

Add 25% profit to the initial cost + maintenance cost of machine as worked out in approaches A & B above. In either case, the rate/hour will be 25% higher to cater for the element of profit which is charged by the leasing parties in this business.

As explained above, HCCL had adopted the most economical approach in developing a depreciation charge for all the equipment mobilized and used at site for the BRP. The formula used by HCCL in its claim for depreciation charge for reconditioned/used equipment is also found in practical handbooks.

In view of the above analysis, HCCL maintains its original position that it is justified in claiming a depreciation charge for all its equipment mobilized for the BRP for the balance amount of time of 4 months after 30 June, 1994.

10. **USAID LETTER OF OCTOBER 18, 1994 QUERY, PARA 1, PAGE 2- 4 MONTHS OVERHEAD CHARGE JUSTIFICATION**

HCCL RESPONSE

This issue has already been addressed above in HCCL response to USAID fax query No. 3.

**SUMMARY OF EQUIPMENT DEPRECIATION
CHARGED TO BRP CONTRACT**

Sr. No.	Type of Equipment	Qty.	Period Months	Depreciation (Rate/Month)	Amount
1.	Motor Grader - CAT 12-F	1	4	71,400.00	285,600.00
2.	Bull Dozer - CAT D6C	1	4	65,450.00	261,800.00
3.	Bull Dozer - CAT D5B	1	4	59,500.00	238,000.00
4.	F.E. Loader - CAT 930	1	4	79,333.33	317,333.32
5.	F.E Loader - MF on Track	2	4	44,625.00	357,000.00
6.	Vibratory Roller - CC-II	2	4	25,200.00	201,600.00
7.	Vibratory Roller - Towed Type	1	4	26,031.25	104,125.00
8.	Vibratory Roller - Dynapac CA-15	1	4	75,600.00	302,400.00
9.	Hydraulic Cranes	2	4	151,200.00	1,209,600.00
10.	Hydraulic Crane - 7 Ton	1	4	31,500.00	126,000.00
11.	Tractor Fiat	1	4	17,100.25	68,425.00
12.	Tractor Bylarus	3	4	17,100.25	205,275.00
13.	Dump Truck - HINO	4	4	30,450.00	487,200.00
14.	Dump Truck - 10 Wheeler, Leyland	3	4	33,600.00	403,200.00
15.	Water Tanker - Towd type	2	4	2,520.00	20,160.00
16.	Electric Generators - 155-250 KVA	4	4	56,100.00	897,600.00
17.	Electric Generators - 31 KVA	2	4	25,500.00	204,000.00
18.	Tipping Trollies	4	4	4,331.25	69,300.00
19.	Flat Body Truck	1	4	50,400.00	201,600.00
20.	Mixer Machine 4 Bags	1	4	14,875.00	59,500.00
21.	Mixer Machine 2 Bags	3	4	7,875.00	94,500.00
22.	Mixer Machine 1 Bag	3	4	5,250.00	63,000.00
23.	Crusher Hammer Type	2	4	15,750.00	126,000.00
24.	Water Tanker	1	4	30,150.00	121,800.00
25.	Toyota Pick-up Double Cabin	1	4	74,375.00	297,500.00
26.	Toyota Vehicles (Various Models)	7	4	63,000.00	1,764,000.00
27.	Miscellaneous Generators				98,000.00

					8,584,518.32

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**USAID MISSION FOR PAKISTAN & AFGHANISTAN
FACSIMILE TRANSCEIVER COMMUNICATIONS SYSTEMS
FAX DOCUMENT TRANSMISSION REQUEST FORM**

The following are our preliminary comments on your referenced proposal:

1. **General**

As is evident from the correspondence made to you by USAID and our Resident Engineer, Mr. Roger Sheridan, the progress of your work at site was not satisfactory, therefore, you could not have completed the project within the scheduled performance period, i.e., by October 28, 1994. In view of the above, your proposal appears to be unrealistically high. To enable us to review your claim in detail we need answers/comments on the following questions/points.

2. **Claim No. 1 - Pay and Allowances**

In your proposal you have stated that in accordance with the employment agreement, you had to pay four months salary to your employees who were discharged from service due to termination of the subject contract. Please provide copies of such agreements with your employees.

3. **Claim No. 2 - Establishment Charges**

a) **Overhead Charges**

The overhead expenses which could not be controlled by the contractor after the termination of the contract are not USAID's responsibility. A justification of your claim is warranted.

b) **Payments to Legal Counsel and Special Consultant**

Please provide copies of service agreements and payment receipts for the legal counsel and the special consultant. What was the nature of services provided by the special consultant?

4. **Claim No. 3 - Demobilization Costs**

a) Please provide copies of hiring agreements and receipts for the trucks hired for the purpose.

b) Please explain why the improvement of the track was necessary at the time of demobilization? Why were the tracks used for initial mobilization of equipment and material not re-used?

5. **Claim No. 4 - Material at Site**

a) Please clarify if the material has been handed over to the Government of Balochistan (GOB) or it is still lying at site. We need a copy of the inventory signed by the GOB for this material verifying its quantity.

b) Please provide copy of the receipt for advance payment made to the Metropolitan Steel Corporation, Karachi.

6. **Claim No. 5 - Removal of Various Structures**

Removal of structures had to be done even after completion of the contract. Please provide additional explanation/ justification for charging this cost to USAID?

8. Claim No. 7 - Preparatory Works

USAID needs additional explanation for his cost.

9. Depreciation of Equipment

Please provide purchase documents including receipts and manuals indicating year of manufacture and model numbers, for the equipments listed in your termination proposal. Also, explain how did you develop the formula for calculation of depreciation costs.

Messrs Shahid Pervaiz and Zahid Noor of USAID shall be visiting your office shortly to discuss the above points. I am also planning to accompany them.