



May 2015

# AFGHANISTAN

Embassy  
Construction Cost and  
Schedule Have  
Increased, and  
Further Facilities  
Planning Is Needed

# GAO Highlights

Highlights of [GAO-15-410](#), a report to congressional addressees

## Why GAO Did This Study

Since re-opening in 2002, the U.S. embassy in Kabul, Afghanistan, has experienced a dramatic increase in staffing, followed by a gradual drawdown. State has invested or plans to invest a total of \$2.17 billion in U.S. facilities to address current and projected space needs. State awarded two contracts in 2009 and 2010 to construct additional on-compound housing and office facilities. State partially terminated one contract for the convenience of the U.S. government, and expanded the construction requirements of the second, affecting cost and schedule. State's Bureau of Overseas Building Operations is responsible for the planning, design, and construction of U.S. embassies. This report updates and expands upon GAO's previous work.

This report examines (1) the extent to which construction cost and schedule have changed and why, (2) State's use of temporary facilities on-compound, and (3) State's planning for projected embassy facility needs. GAO evaluated construction planning and contract documents and interviewed State and contractor officials in Washington, D.C., and Kabul.

## What GAO Recommends

GAO recommends that State (1) adhere to its cost containment and risk assessment policies, (2) consider establishing security standards or guidance for temporary buildings in conflict zones, (3) develop a strategic facilities plan for Kabul, and (4) clarify its strategic facilities and master planning policy. State concurred with the first, third, and fourth recommendations and partially concurred with the second.

View [GAO-15-410](#). For more information, contact Michael J. Courts at (202) 512-8980 or [courtsm@gao.gov](mailto:courtsm@gao.gov) or David J. Wise at (202) 512-5731 or [wised@gao.gov](mailto:wised@gao.gov).

May 2015

## AFGHANISTAN

### Embassy Construction Cost and Schedule Have Increased, and Further Facilities Planning Is Needed

## What GAO Found

Cost and schedule have increased for the Kabul embassy construction project, in part due to incomplete cost and risk assessment. Cost for the 2009 and 2010 contracts has increased by about 27 percent, from \$625.4 million to \$792.9 million, and is likely to increase further. Projected completion has been delayed over 3 years to fall 2017. The Department of State (State) did not follow its cost containment and risk assessment policies, resulting in lost opportunities to mitigate risks. These risks, such as delays in the sequencing of the two contracts, eventually materialized, increasing cost and extending schedule. Unless State follows its policy, it may be unable to avoid or mitigate risks to cost and schedule on future projects.

## Architect's Rendering of Embassy Compound upon Project Completion



Source: State. | GAO-15-410

Since 2002, State has built over \$100 million in temporary buildings (intended for no more than 5 years' use) to meet space needs on-compound but has no security standards tailored to those facilities. On completing the project in 2017, all temporary facilities will be 5 to 10 years old, and their continued use is likely. Without security standards or other guidance to guide temporary facility construction in conflict environments, State inconsistently applied alternative security measures that resulted in insufficient and different levels of security for temporary offices and housing, as well as increased cost and extended schedules. Without temporary facility security standards or guidance, future construction in conflict environments could encounter similar problems.

State's lack of a strategic facilities plan and policies governing such planning has led to coordination challenges in addressing the embassy's future facility needs. Industry standards cite the value of plans that comprehensively assess existing facilities, identify needs, and document decisions on meeting those needs. In Kabul, however, State constructed a guard facility without proper design review or applying for a building permit, leading to fire safety deficiencies that State corrected at extra cost. Finally, State formally assigns responsibility for strategic facilities planning but lacks policy that governs implementation of such planning. State intends to make additional facility investments to address future facility needs. Without a strategic facilities plan and policy to guide its development, coordination to address these needs will continue to be difficult.

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**Abbreviations**

ALiSS	Afghanistan Life Support Services
CII	Construction Industry Institute
DLA	Defense Logistics Agency
DOD	Department of Defense
DS	Bureau of Diplomatic Security
IFMA	International Facility Management Association
IPRA	International Project Risk Assessment
LOGCAP	Logistics Civil Augmentation Program
MPE	Office of Master Planning and Evaluations
OBO	Bureau of Overseas Building Operations
OMB	U.S. Office of Management and Budget
PDC	Office of Project Development and Coordination
SCA	Bureau of South and Central Asian Affairs
SRAP	Office of the Special Representative for Afghanistan and Pakistan
State	Department of State
UFC	Uniform Facilities Criteria
USAID	U.S. Agency for International Development

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May 19, 2015

Congressional Addressees:

Since re-opening in 2002, the U.S. embassy in Kabul, Afghanistan, has experienced a dramatic increase in staffing, followed by a gradual drawdown. During that time, the Department of State (State) has invested or plans to invest a total of \$2.17 billion in its facilities in Kabul to address current and projected space needs in a difficult environment that has experienced constantly evolving security threats. As part of this effort, State awarded two contracts in 2009 and 2010, totaling \$625.4 million, to construct additional housing and office facilities on the embassy compound. Subsequently, State partially terminated one contract for the convenience of the U.S. government, and expanded the construction requirements of the second contract, which increased cost and extended schedule.<sup>1</sup> This report updates and expands on our previous work.<sup>2</sup>

We performed our work under the authority of the Comptroller General to conduct evaluations on GAO's initiative because of broad congressional interest in the oversight and accountability of U.S. funds used in Afghanistan. We reviewed (1) the extent to which construction cost and schedule have changed and why, (2) State's use of temporary facilities on-compound, and (3) State's planning for projected embassy facility needs.

To conduct this review, we obtained information from agency planning, funding, and reporting documents and interviewed officials from State's Bureau of Overseas Building Operations (OBO); Bureau of Diplomatic Security (DS); Office of Acquisitions Management; Bureau of South and Central Asian Affairs (SCA); Office of the Special Representative for Afghanistan and Pakistan (SRAP); and Office of Management Policy, Rightsizing, and Innovation. Within OBO, we met with officials from Construction Management, Design and Engineering, Master Planning and

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<sup>1</sup>The government may terminate performance of a contract if termination is in the government's interest.

<sup>2</sup>GAO, *Afghanistan: Kabul Embassy Construction Costs Have Increased and Schedules Have Been Extended*, [GAO-14-661R](#) (Washington, D.C.: July 8, 2014).

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Evaluations, Project Development and Coordination, Real Property Leasing, Security Management, Strategic Planning, and Financial Management. Within DS, we met with officials from High Threat Programs, Overseas Protective Operations, and Physical Security Programs.

In February 2014, we traveled to Kabul, Afghanistan, to observe construction progress and meet with U.S. embassy officials responsible for construction, facilities management, post management, and security. We also met with contractor officials in Kabul and in the United States. In addition, our Kabul Field Office conducted follow-up meetings with officials in Kabul and their successors through December 2014. We incorporated audit work from our February trip and relevant material gathered for our July 2014 report into this audit. In addition, we obtained State funding information on all such projects over \$1 million in Kabul. We determined that these funding data were sufficiently reliable for the purposes of this report. For more details on our scope and methodology, see appendix I.

We conducted this performance audit from July 2014 to May 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### State Bureaus Involved in Embassy Construction

OBO is responsible for the acquisition, design, construction, maintenance, utilization, and sale of U.S. government diplomatic property abroad. Through its Capital Security Construction Program, administered by OBO, State replaces and constructs diplomatic facilities to provide U.S. embassies and consulates with safe, secure, functional, and modern buildings. According to State, from fiscal years 2009 through 2014, State awarded contracts and completed construction of nine new embassy or new consulate compounds world-wide. In addition, during this period State completed 26 other embassy or new consulate compounds and

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also awarded contracts for 25 new embassy or new consulate compounds that are in design or construction.<sup>3</sup> OBO is responsible for ensuring that such diplomatic compound construction meets specific building codes and standards.<sup>4</sup> In cases where overseas posts, other State bureaus, or U.S. agencies undertake diplomatic construction abroad, OBO provides direction and guidance to include reviewing designs, issuing building permits, and conducting inspections to ensure its standards are met.

DS is responsible for, among other things, establishing and operating security and protective procedures at posts, developing and implementing posts' physical security programs, and chairing the interagency process that sets security standards. Accordingly, DS is responsible for ensuring that new embassy construction meets security standards. In addition, at posts, DS regional security officers are responsible for protecting personnel and property, documenting threats and facility vulnerabilities, and identifying ways to mitigate those vulnerabilities. DS can also use its Worldwide Protective Services contract to address such vulnerabilities by establishing contractor-provided personal protection, guard, and support services at posts. In the case of Afghanistan, DS has used this contract to undertake some security-related construction, such as constructing physical security walls and guard housing. However, such construction is contingent upon relevant OBO design reviews and permitting to ensure that building codes are met.

SCA is responsible for coordinating foreign policy related to countries in the region, including Afghanistan.<sup>5</sup> In that capacity, SCA guides the operation of U.S. diplomatic missions—embassies and consulates, including Kabul—within those countries. SCA also serves as the headquarters liaison, on behalf of its assigned posts, with other State bureaus, such as OBO and DS.

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<sup>3</sup>OBO completed two additional compounds in October 2014, Rabat and Vientiane, but these were not completed in fiscal year 2014.

<sup>4</sup>The design and construction of the Kabul embassy expansion was governed by the *Building Code of the Overseas Buildings Operations*, which is based on *International Building Code*, as amended by *OBO's International Codes Supplement*.

<sup>5</sup>SCA is also responsible for Bangladesh, Bhutan, India, Kazakstan, Kyrgyzstan, Maldives, Nepal, Pakistan, Sri Lanka, Tajikistan, Turkmenistan, and Uzbekistan.

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## On-Compound Construction

From 2002 through 2009, State took several actions to expand the U.S. embassy compound in Kabul. Initially, OBO refurbished an existing office building, built in the 1960s.<sup>6</sup> OBO also constructed a new chancery office building, staff apartments, and support facilities. Additionally, OBO constructed temporary offices and housing for the U.S. Agency for International Development (USAID).<sup>7</sup> As staffing increases outpaced available space, the embassy acquired hundreds of modified shipping containers for temporary housing and also compressed office space by adding more desks in the new chancery and the existing office building.

In fiscal years 2009 and 2010, State awarded two contracts originally worth \$625.4 million in total to meet growing facility requirements at the U.S. embassy in Kabul.<sup>8</sup> The first contract, awarded to Contractor 1 in September 2009 for \$209.4 million, was for the design and construction of temporary and permanent structures to include

- temporary offices and housing,
- office annex A,
- apartment building 1,
- cafeteria and recreation center,
- perimeter security and compound access facilities,
- warehouse addition, and
- utility building.

The second contract, awarded to Contractor 2 in September 2010 for \$416 million, was for the design and construction of:

- office annex B,
- apartment buildings 2 and 3,

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<sup>6</sup>The U.S. government vacated the existing office building in 1989, reoccupying it in 2002.

<sup>7</sup>For the purposes of this report, we use the term “temporary” to describe construction intended to be used for no more than 5 years and that may be disassembled or relocated. This is consistent with State’s use of the term “temporary” when funding construction of such facilities. Prior to fiscal year 2015, State funded temporary facilities out of appropriations—such as Diplomatic and Consular Programs appropriations—rather than the Embassy Security, Construction, and Maintenance appropriations, which funded the construction, alteration, or acquisition of permanent buildings. Starting in fiscal year 2015, State will also use funding from this account for temporary facilities.

<sup>8</sup>For the purposes of this report, we generally refer to these two contracts as either the first contract or the 2009 contract, and the second contract or the 2010 contract. We refer to work conducted under these contracts as one embassy construction project.



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- expansion of existing apartment building 4,
  - compound access and perimeter security facilities, and
  - parking facilities—to include a vehicle maintenance facility.

State's plans called for sequencing construction under the two contracts and demolishing older temporary facilities to make space available for new facilities. State's plans also entailed acquiring the Afghan Ministry of Public Health site adjacent to the compound to build parking facilities for approximately 400 embassy vehicles. In September 2011, after the U.S. and Afghan governments did not reach agreement to transfer that site, State had to remove the parking and vehicle maintenance facilities from the project.<sup>9</sup>

In September 2011, State partially terminated elements of the first contract—specifically the permanent facilities, including office annex A and apartment building 1—for the convenience of the U.S. government, in part, due to concerns about contractor performance and schedule delays. Contractor 1 completed the temporary offices and housing units, but in September 2011, State transferred contract requirements for the permanent facilities not begun by Contractor 1 to Contractor 2's contract.

The U.S. embassy compound in Kabul comprises the east and west compounds separated by Great Massoud Road, as well as a 6.17-acre site (or "6.17 site") connected to the east compound. Our July 2014 report provides further information on the construction phasing of the current project.<sup>10</sup>

Once the current construction is completed, the Kabul embassy's permanent facilities—both older and newly constructed office and apartment buildings—will contain 1,487 desks and 819 beds. Those totals do not include the desks or beds in temporary offices and housing facilities, which we discuss later in the report. Figure 1 depicts the planned configuration of the compound upon completion of current construction.

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<sup>9</sup>The transfer agreement was signed by USAID in late 2009. It was rescinded when USAID and the Afghan Ministry of Public Health could not come to agreement on the construction of a new ministry building.

<sup>10</sup>[GAO-14-661R](#).

**Figure 1: U.S. Embassy Kabul, Compound upon Construction Completion**



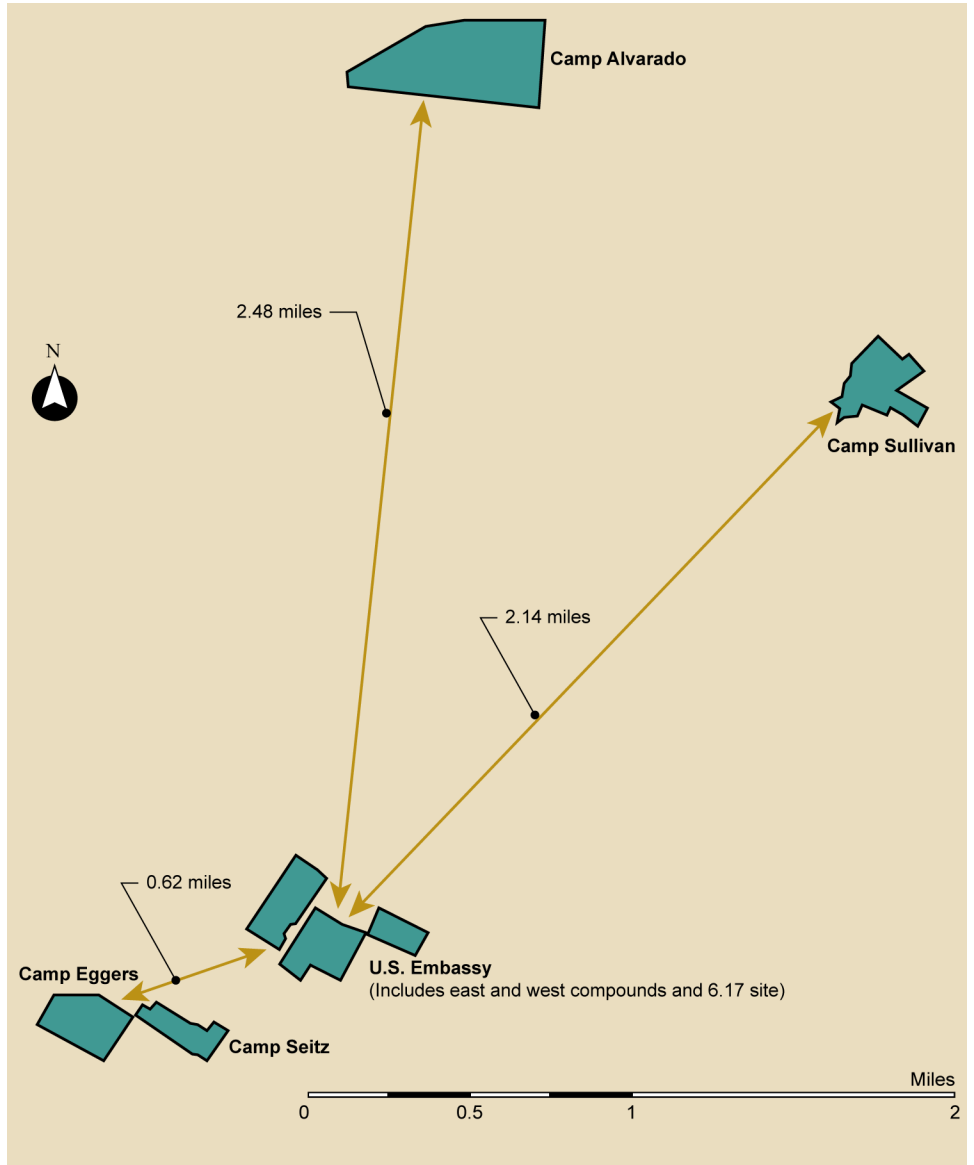
Source: State. | GAO-15-410

## Off-Compound Construction

State has also acquired other real property off-compound.<sup>11</sup> Major off-compound properties include Camp Sullivan, a 20.9-acre property located near Kabul International Airport; Camp Seitz, a 7-acre facility southwest of the embassy that serves as housing and office space for security contractors; and Camp Eggers, a 16.8-acre former Department of Defense (DOD) facility southwest of the embassy planned to serve as a contractor camp. The relative locations of some of these properties are shown in figure 2. In addition, State is upgrading Camp Alvarado, a property located near the airport that serves as the main aviation hub for the embassy's air transport and counternarcotics operations.

<sup>11</sup>These and other smaller off-compound properties leased or owned by the embassy support a range of embassy operations. The embassy's annual lease costs for all real property in Kabul as of August 2014 were approximately \$16.4 million.

**Figure 2: U.S. Embassy Kabul and Key Off-Compound Facilities**



Source: State. | GAO-15-410

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## Total Kabul Infrastructure Investments

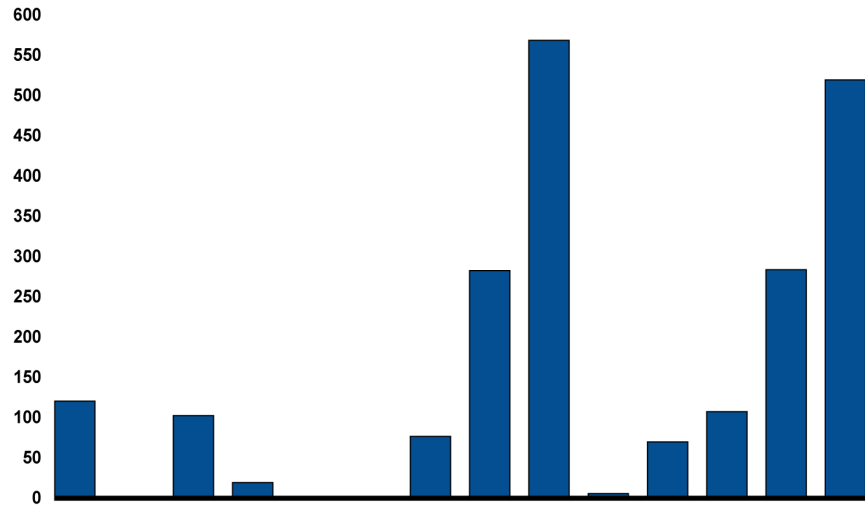
State's past and planned capital construction investments in Kabul from 2002 through March 2015 total \$2.17 billion in project funding, which includes awarded construction contracts and other costs State incurs that are not part of those contracts. Examples of other State project costs include federal project supervision, construction security, security equipment, and project contingencies.<sup>12</sup> Figure 3 shows these investments.

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<sup>12</sup>A project contingency reserve represents funds held by the government for unexpected events that are outside a contractor's control. In this context, contingency funding is added to an estimate to allow for items, conditions, or events for which the state, occurrence, or effect is uncertain and experience shows are likely to result in additional costs.

**Figure 3: State Capital Construction Investments in Kabul from Fiscal Year 2002 through March 2015**

Dollars (in millions)



Project name	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 <sup>a</sup>	Total <sup>b</sup>
2002 - 2006 office and apartment buildings (C) (P)	120.5	0.8	64	0.8	0.5	0.2				-3.4					\$183.40
Office annexes and apartment buildings (C) (P) ♦							76.7	242.6	532.3	-8.7		60	40	25	967.90
Compound physical security upgrades (C) ♦									1.7		14.9			57	73.60
Existing office building renovations (C) (P) ♦										17.5		-1.6			15.90
Compound security operations center (C) (P) ♦											7.01				7.01
6.17 site perimeter upgrade (C) ♦											6.7				6.70
Temporary office and housing (C) (T) ♦								40	1.6	0.3					41.90
Afghan Reconstruction Group housing (C) (T)			25	3.7											28.70
U.S. Agency for International Development offices (C) (T)			13.6												13.60
Temporary facilities on the 6.17 site (C) (T)												16.7			16.70
Protected facilities for contractors (C) (T)														10	10.00
Subdivide apartments in apartment building 1 (C)														17	17.00
U.S. Department of Defense transition (C)														50	50.00
Camp Sullivan (O)				14.8					33		28.6	18.87			95.27
Camp Seitz (O)												19.64	44.79	33.6	98.03
Camp Alvarado (O)											12.7	10.5	11	282	316.20
Camp Eggers (O)													187.89	34	221.89
Project development														10.9	10.90
	120.5	0.8	102.6	19.3	0.5	0.2	76.7	282.6	568.6	5.7	69.97	124.11	283.68	519.5	\$2,174.69

(C) On-compound construction (O) Off-compound construction (T) Temporary facility (P) Permanent facility  
 ♦ Projects under 2009 and 2010 contracts

Source: GAO analysis of State funding data. | GAO-15-410

<sup>a</sup>Fiscal year 2015 funding subject to completion of State's congressional notification procedures.

<sup>b</sup>Totals may not add because of rounding.

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In the case of the current Kabul embassy expansion, as of March 2015, State has allocated \$1.11 billion to cover the 2009 and 2010 contract costs as well as State's project costs outside the two contracts. The original cost of the 2009 and 2010 construction contracts was \$625.4 million. When we discuss increased costs in this report, we are referring to those costs agreed to between State and its construction contractors for the 2009 and 2010 contracts.

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## Contract Costs Have Risen and Schedule Has Been Extended Following State's Incomplete Risk Assessment; Further Cost Increases Are Likely

The costs for the 2009 and 2010 contracts are now almost 27 percent higher than the original contract costs. The completed project will be delivered just over 3 years later than originally planned. State did not follow its cost containment and risk mitigation procedures, a fact that likely contributed, in part, to increased cost and extended schedules.

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## Contract Costs Have Increased by \$167.5 Million or about 27 Percent

As of March 2015, the 2009 and 2010 contracts have a combined total cost of \$792.9 million, which represents an increase of \$167.5 million, or almost 27 percent, since contract award. At award, the 2009 and 2010 contracts were worth \$209.4 million and \$416 million, respectively, for a total of \$625.4 million. In September 2011, State partially terminated the 2009 contract for the convenience of the government due to concerns, in part, about performance and schedule delays and reduced the contract value by \$121.4 million.<sup>13</sup> Two weeks later, State issued the first modification of the 2010 contract, shifting the permanent facilities from the 2009 contract and modifying some of the planned work, adding \$222.5 million to that contract. Subsequent contract modifications added almost \$66.5 million to the total contract value, bringing the total value of the 2010 contract to \$705.5 million. The additional work included

- reconfiguring the existing office building's second floor,

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<sup>13</sup>The partial termination removed the permanent facilities from the 2009 contract. Contractor 1 completed the temporary offices and housing facilities that were built on the east compound.

- upgrading the security measures on temporary housing,
- upgrading embassy perimeter walls,
- improving life safety measures on apartments 2 and 3, and
- shipping some building materials by air to avoid problematic ground shipments through Pakistan.

See table 1 for a summary of cost increases and decreases for the two contracts.

**Table 1: 2009 and 2010 Kabul Construction Contract Costs**  
(Dollars in millions)<sup>a</sup>

	2009 contract	2010 contract	Total
Contract award	\$209.4	\$416.0	<b>\$625.4</b>
Contract modifications	(\$121.4) <sup>b</sup>	\$288.90	<b>\$167.5</b>
<b>Total contract costs, as of March 2015</b>	<b>\$87.9</b>	<b>\$705.0</b>	<b>\$792.90</b>

Source: GAO analysis of State data | GAO-15-410

<sup>a</sup>Totals may not add because of rounding.

<sup>b</sup>Decrease in contract costs is due to the partial termination of this contract—removing the permanent facilities—for the convenience of the U.S. government.

## Cost to Complete Contract Likely to Increase

As of March 2015, OBO and Contractor 2 were still negotiating the value of several contract changes that will likely result in increased costs. The changes being discussed include but are not limited to the following matters:

- the contractor’s assertion that site areas were not available to start construction as planned,
- upgrades to the compound’s electrical distribution systems,
- costs to address design issues related to 2009 permanent facilities,
- changes to enhance some physical security measures,
- modifications to alter the height of apartments 2 and 3, and
- the addition of new work inside the 2006 chancery.

As of March 2015, State has allocated \$1.11 billion to the project to cover the 2009 and 2010 contract costs as well as State’s project costs outside the two contracts. This figure represents originally allocated funding plus subsequent transfers from other State accounts. For example, in September 2014, State transferred, with congressional support, \$40 million in funding to cover costs due to shipping disruptions and

anticipated construction contingency shortfalls.<sup>14</sup> Additionally, State has notified Congress of its intent to use \$25 million of funds State had transferred in 2014 to cover project supervision and further replenish the project's contingency funding.<sup>15</sup> State reported that without the additional \$25 million, it would be forced to stop the project in mid-2015 because of a lack of funds.

### Construction Schedule Has Been Extended by Over 3 Years

According to State documents, State had originally planned to complete the entire Kabul construction project by summer 2014. State now estimates completion by fall 2017, although the 2010 contract has not yet been revised to reflect that date.<sup>16</sup> Table 2 shows current estimated delivery dates for key buildings, compared with the estimated delivery dates in OBO's original plan.

**Table 2: U.S. Embassy Kabul Construction Schedules**

Building	OBO's original plan <sup>a</sup>	Current estimated delivery <sup>b</sup>	Anticipated extension
Office annex A	September 2012	June 2015	33 months
Office annex B	September 2014	October 2016	25 months
Apartment building 1	September 2012	November 2015	38 months
Apartment buildings 2 and 3	September 2014	October 2017	37 months

Source: GAO analysis of State data. | GAO-15-410

<sup>a</sup>OBO's original plan was presented in June 2010, after the 2009 contract was awarded and 3 months before award of the 2010 contract.

<sup>b</sup>Current estimated delivery dates reflect information State provided to us in February 2015. Those dates are not reflected in the 2010 contract, which still reflects a project completion date of July 2016.

<sup>14</sup>State transferred this funding from the Diplomatic and Consular Programs Appropriations, Overseas Contingency Operations account to the Embassy Security, Construction, and Maintenance Appropriations account.

<sup>15</sup>In fiscal year 2014 State transferred \$394.9 million from the Diplomatic and Consular Programs Appropriations, Overseas Contingency Operations account to the Embassy Security, Construction, and Maintenance Appropriations, Overseas Contingency Operations account. Further, State is also planning to use \$17 million of these funds to subdivide some of the permanent staff apartments and construct a new, temporary dining facility. Those projects may, or may not, be executed under the current contract.

<sup>16</sup>Although Contractor 2's delivery date to complete the project is currently July 2016, State and Contractor 2 continue to discuss potential contract changes that may affect contract schedule.



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Figures 4 through 6 show ongoing construction of office annexes A and B as well as apartment building 1 as of December 2014. Construction of apartments 2 and 3 has not yet begun.

**Figure 4: U.S. Embassy Kabul, West Compound, Office Annex A**



Source: GAO. | GAO-15-410

**Figure 5: U.S. Embassy Kabul, West Compound, 2006 Chancery and Office Annex B**



Source: State. | GAO-15-410

**Figure 6: U.S. Embassy Kabul, East Compound, Apartment Building 1**



Source: GAO. | GAO-15-410

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State Did Not Follow Policy on Required Cost Containment and Risk Assessment Studies, a Fact That Likely Led, in Part, to Increased Costs and Extended Schedules

The U.S. Office of Management and Budget (OMB) and State both require cost containment studies for certain construction projects. Also, State requires OBO to assess risks posed to its construction projects. However, State did not properly follow these cost containment and risk assessment policies, a fact that likely contributed to increased costs and extended schedules in the 2009 and 2010 contracts.

State Procedures Require Cost Containment and Risk Assessment Studies

OMB policy requires federal agencies to use value engineering (referred to as cost containment in this report)<sup>17</sup> as a management tool to ensure realistic budgets, control capital and operating costs, and improve and maintain acceptable quality in program and acquisition functions (e.g., in a construction project).<sup>18</sup> The policy indicates that the value of cost containment is likely to be greatest when applied to the highest dollar value programs during the feasibility, planning, design, and other early phases of development and can also help to reduce overall risk. State implements this policy by requiring OBO to conduct two cost containment studies for each project costing more than \$20 million: one study during the planning of the project and one study no later than the design review.<sup>19</sup> OBO guidance requires the study team leader to formally record the disposition of cost containment study recommendations, identifying which will be implemented and providing a defensible rationale for rejecting other recommendations.

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<sup>17</sup>Value engineering includes a systematic process of reviewing and analyzing a project for the purpose of achieving the lowest life-cycle cost consistent with required levels of performance, reliability, quality, or safety. The process is performed by a team of contractors and/or agency personnel. The process may identify recommendations for changes to plans, contracts, and other documents associated with the project. It is a well-established commercial practice that can help federal agencies reduce program and project acquisition costs, improve the quality and timeliness of performance, and take greater advantage of innovative approaches. For the purposes of this report, we use the term cost containment to mean the same as value engineering.

<sup>18</sup>OMB, *Value Engineering*, Circular No. A-131 (revised), Dec. 26, 2013, which superseded the 1993 edition of the circular in force in 2009 and 2010.

<sup>19</sup>OBO, *Value Engineering*, Policy and Procedures Directive PE/DE 03 (revised), May 26, 2004.

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State Did Not Follow Its Cost Containment and Risk Assessment Policies for Either Contract

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In addition, OBO's standard operating procedures require risk assessment studies to reduce risks through identification and assessment, mitigation, and contingency planning.<sup>20</sup> The procedures state that risk assessment is a necessary and prudent management task.<sup>21</sup> Risk assessments should be conducted (1) early in the project planning phase (as input and guidance for initial planning), (2) again when developing budget estimates, and (3) again when developing cost estimates in support of negotiating and awarding a contract. Risks are also to be tracked during project implementation. After a risk assessment has been conducted, results should be conveyed to project stakeholders through a report and, if needed, a risk mitigation plan that outlines how the organization plans to take action to mitigate risks from occurring, or how it will respond to identified risks should they occur.

State awarded the 2009 and 2010 contracts for construction in Kabul without following its procedures for cost containment studies and risk assessments. Between the 2009 contract and the 2010 contract, State should have conducted four cost containment studies and six risk assessments. However, for the 2009 contract, State confirmed that it did not conduct either type of assessment. Because of the value of the 2009 contract, \$209.4 million, two separate cost containment studies would have been required. Also, no risk assessments were performed and no risk mitigation plan was developed.

State completed only one required cost containment study for the second contract and combined it with a risk assessment. The study was conducted by an outside firm in March 2010 on the conceptual design for the 2010 contract, which was planned for award in September 2010; that is, the study occurred while OBO was drafting State's request for proposals for the 2010 contract. The objective of the study was to evaluate the project from the perspective of performance, cost, schedule, and risk and to identify viable alternative concepts to enhance the project. OBO's consultant for this effort focused primarily on phasing construction,

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<sup>20</sup>OBO, *OBO Risk Assessment Standard Operation Procedure*, Mar. 7, 2005.

<sup>21</sup>OBO's procedure further specifies use of the International Project Risk Assessment (IPRA) method. The IPRA method was developed and based on guidance from the Construction Industry Institute (CII). CII, based at the University of Texas at Austin, is a research consortium of construction industry stakeholders from both the public and private sectors. CII reports that assessing and managing risk is a complex and critical task for international construction projects. OBO is a member of CII.

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planning risk response, and improving the project's long-term flexibility. Because of the accelerated nature of the project, the study did not focus on the programmatic elements (e.g., staffing, floor plan, and site layout).

DS officials were not sufficiently involved in the cost containment study, contrary to established policy. OBO policy on cost containment requires the OBO value engineering manager and the project team leader to request and coordinate review of the consultant's recommendations with technical team members and all interested offices to determine whether to accept, reject, or modify those recommendations. DS is cited in the policy as an interested office. According to attendee lists, no one from DS participated in the meetings related to the study, and DS officials we spoke with indicated they were not aware of the study and its security recommendations.

The cost containment study made 31 recommendations to State to streamline construction and improve the safety and efficiency of the buildings. State provided us with a table summarizing the cost containment alternatives and indicating that State accepted 18, rejected 12, and partially accepted one.<sup>22</sup> According to State, seven of the accepted recommendations were included in the request for proposals then being drafted. We did not assess the implementation of the recommendations. State's policy states that cost containment disposition memos should include defensible rationale as to why a recommendation was rejected.<sup>23</sup> The explanations for rejecting the twelve were brief.<sup>24</sup> For eleven of the twelve rejected recommendations, State provided no further documentation for rejecting the proposals other than a preliminary and a final summary paper.<sup>25</sup> Further, it was unclear from State's documentation

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<sup>22</sup>We did not assess the extent to which accepted recommendations were implemented by State.

<sup>23</sup>OMB policy also indicates that reasons for not implementing recommendations from cost containment studies should also be documented.

<sup>24</sup>For example, three rejections were based on "Quality of Life" design considerations from OBO.

<sup>25</sup>The only justification provided was for rejecting installation of co-generation power facilities because of insufficient space at the existing utility building. State provided this in its final summary paper. State's preliminary summary paper proposed other reasons for not accepting the co-generation recommendation, one of which was the assumption that the embassy would be on the Kabul electrical grid within two years. After deducting initial costs, which may have been incomplete, the estimated savings exceeded \$128 million over 50 years.

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memo what construction and operating life-cycle cost savings OBO expected to achieve in relation to the consultant's estimates and recommendations.<sup>26</sup>

The risk assessment identified over 30 risks to the project. In particular, it identified the interface between the 2009 and 2010 contracts as a major source of risk. Specifically, the study raised concerns about how State could best coordinate the 2010 contract with the 2009 contract without sufficient information about Contractor 1's design plans, which were still under development. The study noted that effects could be severe for apartment buildings 2 and 3 in the 2010 contract if progress on the 2009 contract was delayed. Other major risks included the following:

- The 2009 contract might not provide adequate site utilities for the facilities in the 2010 contract, as the 2009 design was still under development.
- Site areas that State planned to acquire—such as the adjacent Afghan Ministries of Public Health and Defense sites—might not be available in time, or at all, to enable construction to proceed as planned.
- There might be insufficient space for two contractors to stage construction concurrently.
- On-going physical security threats in a conflict environment.

The consultant recommended key risk mitigation actions, which State did not act on, that aligned with the recommendations for cost containment strategies related to the two contracts:

- Facilitate greater project coordination between the 2009 contract and planned 2010 contract; the consultant recognized that implementing

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<sup>26</sup>The study estimated about \$10.5 million in initial construction cost savings and about \$145.3 million in operating life-cycle savings if its recommendations were fully implemented. The table OBO provided indicated that the accepted recommendations may have resulted in \$1.25 million in estimated savings. However, there was no supporting documentation accompanying OBO's estimates nor was the life-cycle performance period(s)—in years—specified. OBO policy requires OBO to maintain documentation that supports the annual reported cost containment savings.

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the recommendation might require delaying the 2010 contract award to 2011.

- Divide the 2010 contract into two separate contracts to effectively defer award of apartments 2 and 3 so that if the 2009 contract was delayed, the 2010 contract would not also be delayed due to the tight sequencing of construction.

One State project official indicated that, given concerns about security in Kabul and pressure to get permanent, hardened facilities built as soon as possible, State was not going to act on any recommendation that would delay getting the contracts awarded and the facilities built. Further, a senior State management official acknowledged that State did not fully follow its cost and risk policies, in part because of the urgency of the embassy's facility needs, the security environment, and challenges in supporting the surge in embassy staffing that was occurring.<sup>27</sup> According to this official, had the cost containment and risk assessment study recommendations been more fully considered by senior management, there might have been a decision to delay award of the 2010 contract, which would have slowed efforts to provide facilities as quickly as possible. He also noted that budget pressures existed to get funding committed, contracts awarded, and projects started. He stated that OBO as an organization did the best it could, given the challenging circumstances. As noted in our July 2014 report, several risks eventually materialized, such as the loss of the Afghan Ministry of Health site and insufficient space that interfered with the sequencing of construction. These factors contributed to increased construction cost and extended schedule.

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<sup>27</sup>The staffing surge refers to State hiring an increased number of staff to include U.S. direct hires, local hires, and third-country nationals, in part, to support the expansion of Provincial Reconstruction Teams that worked with the Afghan government to establish programs directed at promoting better governance, economic development, and reconstruction.

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## State to Continue Use of Temporary Facilities but Lacks Specific Security Standards for Them, Contributing to Increased Costs and Extended Schedules

Since 2002, State has spent over \$100 million to construct temporary facilities on-compound in Kabul, and the post will likely continue to use some of those temporary facilities. Prior to building additional temporary facilities on the east compound, State informed Congress of its concerns about threats posed from incoming weapons fire and indicated that overhead protection was required to protect staff in existing temporary facilities on compound. However, while State has security standards for its facilities, it does not have security standards specifically tailored to temporary facility construction. As a result, State inconsistently applied alternative security measures that were insufficient and differed for temporary offices and housing. State subsequently took corrective action through contract modifications that increased the project cost and extended the schedule of the overall construction project.

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## Use of Temporary Facilities to Meet Interim Space Needs Expected to Continue Indefinitely

Since 2002, State has spent over \$100 million to construct temporary facilities on the embassy compound to accommodate evolving staffing needs and provide temporary office and housing space as permanent facilities are built. As of February 2015, temporary facilities on the embassy compound provided nearly 1,100 desks and 760 beds.

OBO building guidance from 2009 states that “temporary facilities” are facilities that will be occupied for no more than 5 years or until a permanent building is constructed, whichever is sooner.<sup>28</sup> The guidance also indicates that temporary facilities include, but are not limited to, containerized housing/office units, modular units, modified shipping containers, and trailers.<sup>29</sup>

Most of the embassy’s temporary facilities are located on the east compound. Some of the earliest temporary facilities were built to provide office and housing space for USAID and are more than 10 years old.

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<sup>28</sup>State has also used the terms “temporary” and “interim” to refer to those facilities that it did not intend to permanently occupy. According to officials, if State sets up a facility in a location but has not decided to establish a permanent presence in the location, it refers to it as a “temporary” facility. If State establishes a permanent presence in a location with the intent to remain only until a new embassy compound or new consulate compound can be built, it is referred to as an “interim” facility. Further, State has considered some temporary facilities as structures that can be “relocated” as they are designed to be erected, disassembled, stored, readily moved, resold, or reused in another location.

<sup>29</sup>OBO, *Building Innovation*, October 2009. OBO issued the guidance in the year the first contract was awarded.



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More recent temporary office and housing facilities were built in 2011—as part of the current embassy construction—to accommodate the staffing surge that began in 2009 and to provide temporary space while permanent facilities were constructed. Those temporary facilities were built under the 2009 contract.<sup>30</sup> Additionally, in 2013, State constructed additional temporary housing—built by Contractor 2—on the 6.17 site.<sup>31</sup> Figure 7 shows some of the temporary facilities that the post has used to meet interim space needs.

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<sup>30</sup>Construction of the 2011 temporary facilities on the east compound were included as part of the 2009 construction contract with Contractor 1 at a cost of approximately \$40 million.

<sup>31</sup>Construction of the 2013 temporary facilities on the 6.17 site was separately contracted by embassy Kabul and sole sourced—in part based on the urgency of the requirement—to Contractor 2 at a cost of approximately \$16.7 million. The construction of temporary housing was partly intended to offset the loss of some of the temporary housing that will be removed when apartment buildings 2 and 3 are built.

**Figure 7: U.S. Embassy Kabul, Temporary Facilities**



Source: GAO. | GAO-15-410

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State intends to demolish the older USAID temporary offices and some temporary housing built in 2011 on the east compound to build permanent apartment buildings 2 and 3.<sup>32</sup> According to OBO officials, State has not finalized which temporary housing facilities will be demolished and which will remain. As a result, 5 two-story temporary office buildings and an estimated 12 to 17 multiunit temporary housing structures will likely remain at the completion of the current project.

While State has not made a final determination on which temporary facilities will be demolished or repurposed for other functions (such as for use by support service contractors),<sup>33</sup> temporary facilities will likely consist of over a third of available desks and beds on-compound after current construction is completed in fall 2017.<sup>34</sup>

- Temporary office facilities that are to remain can provide space for 875 desks. By comparison, permanent office facilities (existing and newly constructed) in fall 2017 will provide 1,487 desks. That is, temporary offices will continue to provide 37 percent of the 2,362 available desks on-compound in fall 2017.
- The number of temporary housing facilities that are to remain has not been finalized. The number of beds that are likely to remain within the temporary housing facilities will range from approximately 472 (if 12 housing facilities remain) to 640 beds (if 17 housing facilities remain.) Given this range, and the 819 permanent beds to be provided within permanent apartment facilities (existing and newly constructed) upon construction completion, temporary housing will continue to provide between 37 and 44 percent of the available beds on-compound.

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<sup>32</sup>OBO officials have also indicated that the current construction project does not include funding for demolition of any remaining temporary facilities other than those that will be demolished so that apartments 2 and 3 can be built. The USAID temporary offices planned for demolition contain approximately 200 desks. Staff in those temporary offices will move into office annex A when its construction is completed. In 2011 and 2012, State demolished other temporary facilities in the planned footprints of permanent office annexes A and B and staff apartment building 1.

<sup>33</sup>State officials report that some of the existing temporary offices may be converted to temporary housing space so that State can rehabilitate and upgrade existing staff apartment buildings in the future.

<sup>34</sup>According to State officials, the number of permanent desks and beds corresponds with the embassy's long-term staffing needs.

Table 3 summarizes the numbers of desks and beds located in temporary and permanent facilities as of February 2015 and those likely to remain upon completion of the current construction project, currently estimated for fall 2017.

**Table 3: U.S. Embassy Kabul, Estimated Desks and Beds in Temporary and Permanent Facilities as of February 2015 and Fall 2017**

Timeframe:	February 2015	Fall 2017	February 2015	Fall 2017
Facility / unit type	Desks	Desks	Beds	Beds
Temporary facilities <sup>a</sup>	1094	875	760	472 to 640
Permanent facilities <sup>b</sup>	534	1487	158	819
<b>Totals</b>	<b>1628</b>	<b>2362</b>	<b>918</b>	<b>1291 to 1459</b>

Source: GAO analysis of State OBO documentation. | (GA)-15-410

<sup>a</sup>Figures do not include the temporary construction offices used by OBO and its contractor on the west compound, or the nearly 1,200-bed, temporary housing facilities built by Contractor 2 for its construction workforce on the 6.17 site.

<sup>b</sup>Numbers of permanent desks in the existing and chancery office buildings are planned to be reduced to alleviate overcrowding once office annexes A and B are completed and staff relocated.

State planning documents, as well as post and OBO officials, identify a continued need for some of the temporary facilities following completion of the permanent facilities in 2017. At that time, all temporary facilities on-compound will be nearly 5 years old or more, and a smaller subset on the west compound will be more than 10 years old.<sup>35</sup> State officials indicated some may be used by State contractors that will provide support services following the U.S. military's drawdown. Some facilities could also be used to relocate some of the Kabul Embassy Security Guard Force functions onto the compound. Further, State plans to invest at least \$124 million in further investments in some of the east compound temporary facilities that are to remain.<sup>36</sup> Some of those additional investments would correct

<sup>35</sup>In 2014, we recommended that State needed to develop a policy for the use of temporary and interim facilities that includes definitions for such facilities, time frames for use, and a routine process for reassessing their designation. See GAO, *Diplomatic Security: Overseas Facilities May Face Greater Risks Due to Gaps in Security-Related Activities, Standards, and Policies*, [GAO-14-655](#) (Washington, D.C.: Jun. 25, 2014). In response to our recommendation, and in response to congressional requests, State indicated that it has begun evaluating this issue but is not in a position to agree or disagree as a working group is currently addressing it.

<sup>36</sup>State, *Fiscal Year 2016 Congressional Budget Justification*.

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what State reports as deficiencies in the temporary facilities and provide upgrades to electrical, sewer, and water systems.

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Lack of Security Standards for Temporary Facilities Contributed to Insufficient and Differing Levels of Protection, Increased Costs, and Extended Schedule

State Lacks Security Standards for Temporary Facilities and Applied Insufficient and Differing Security Measures

State has recognized the need for an established level of security protection for temporary facilities. When State requested funding to construct apartment building 1 in its fiscal year 2008 Supplemental Appropriations Justification, it reported to Congress that while some employees enjoyed the benefit of 146 permanent, hardened apartments, all other employees lived in temporary housing facilities. The 2008 justification also communicated State's concerns about threats posed to temporary facilities from potential incoming weapons fire—amid increasing attacks around Kabul by the Taliban and al-Qaeda—and indicated that overhead protection was required to protect staff in the existing temporary facilities on-compound, such as the USAID temporary offices. State reiterated its concerns about the security of Kabul temporary facilities and threats posed to those facilities in its fiscal year 2009 Congressional Budget Justification when it requested additional funding for the current project.<sup>37</sup> Also, State security standards in 2009 indicated physical housing constructed as an integral part of or adjoining the chancery (i.e., office building) should be constructed to meet chancery

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<sup>37</sup>State's 2009 budget justification cited potential threats to temporary facilities to include threats from rockets, bombs, and earthquakes.

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physical security standards.<sup>38</sup> Examples of some physical security measures include features such as forced entry protection and ballistic resistance.

However, according to DS officials, State does not have a set of minimum security standards specifically for temporary facilities it constructs. State has physical security standards governing construction of offices and housing that State seeks to meet regardless of whether a facility is permanent or temporary. For practical purposes, DS officials stated that State's physical security standards governing new construction—regardless of whether a facility is permanent or temporary—are standards that only permanent construction can meet.<sup>39</sup> Where newly constructed temporary facilities—unlike newly constructed permanent facilities—cannot be constructed to meet all State's security standards, State has the discretion to grant exceptions from those standards.<sup>40</sup> To the extent that security criteria cannot be met, mitigating solutions (i.e., alternative security measures) must be developed in writing and approved by DS in advance of constructing new facilities.<sup>41</sup>

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<sup>38</sup>State, *Foreign Affairs Handbook*, 12 FAH-5 H-500, *Physical Security Handbook*, *New Construction of On-Compound Housing*. State's intent to provide an equal level of protection to staff in on-compound housing as compared with their offices is now reflected more clearly in 2012 and 2013 updates to State's *Foreign Affairs Handbook* 12-FAH-6 physical security standards for existing and new housing respectively. Specifically, those updates state that "residents of on compound housing, occupied on a 24/7 basis, are subject to the same political violence and terrorism threats as the offices building(s) nominally occupied during business hours. Equal protection is required."

<sup>39</sup>Temporary facilities cannot meet State security standards because the construction materials and methods used in building a temporary facility are different from those used in building a permanent facility. For example, wood or metal wall systems may be used—rather than concrete—in constructing temporary facility structures.

<sup>40</sup>In the case of Kabul, State approved security exceptions for the oldest temporaries, built in 2004, and the newest temporaries built in 2013. However, State did not document required security exceptions for the temporary facilities built in 2011. In June 2014, we reported that exceptions from security standards were not always requested or timely, and that State facilities have been occupied prior to posts submitting required exceptions for approval. In that report, we recommended State routinely ensure that necessary exceptions are in place for all work facilities at posts overseas. In response, State agreed and indicated DS and OBO were coordinating on this issue. See [GAO-14-655](#).

<sup>41</sup>State, *Foreign Affairs Manual*, 12 FAM-316.2, *Physical Security Programs – Security Site Selection Criteria*.

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In the absence of minimal security standards (or guidance) to guide planning for temporary facility construction, State inconsistently applied alternative security measures, resulting in insufficient and different levels of security between temporary offices and housing. When awarding the 2009 contract, State did not specify that overhead protection was required for either the temporary housing or temporary offices, even though State had previously expressed to Congress concerns about the threat posed from incoming weapons fire in its fiscal year 2008 justification. The only security protection measure specified in the 2009 contract for the temporary housing was shatter-resistant window film. By comparison, State specified temporary offices were to receive forced entry and ballistic protection. DS officials we spoke with indicated that staff living on-compound should receive the same level of protection in their housing as in their offices.

OBO and DS did not finalize the security measures for the temporary facilities before State's award of the 2009 contract, contributing to cost increases and schedule extensions. In December 2009—3 months after award of the September 2009 construction contract—the two bureaus were still seeking to reach agreement on the security measures for temporary facilities. At that time, in a memorandum to OBO, DS stated that the physical security requirements for the new temporary facilities should comply with State's physical security standards to as great an extent as feasible and that the temporary facilities should be designed and constructed to provide forced entry and ballistic protection as required for any other new construction.

#### Actions to Correct Security Disparities Increased Costs and Extended Schedules

After awarding the 2009 contract, State had to modify contract requirements to address the insufficient and different security requirements for the temporary housing and offices, which added cost and extended the project schedule to address this disparity. State likely paid more than it would have had the security requirements been included in the original contract requirements. This is, in part, because this work was not subject to competition, as was the original contract,

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which can drive down price.<sup>42</sup> State officials agreed that modifying the contract to address additional security requirements led to increased cost and stated that conducting such work after the fact was difficult in limited space on an active compound.

State modified the 2009 contract in December 2009 to provide some overhead protection for all temporary offices and housing. Those changes contributed, in part, to the increased costs and extended schedule of the 2009 contract.<sup>43</sup> In 2013, State further modified the 2010 contract, at a cost of \$8.2 million,<sup>44</sup> to develop a design to provide additional security protective measures for the temporary housing that had been constructed as part of the 2009 contract.<sup>45</sup> DS also has installed some concrete sidewall barriers to increase the physical security protection of the temporary housing and to be more consistent with protection afforded the temporary offices.

Several DS and OBO officials reported that State needs documented minimal security standards for temporary facilities in a conflict environment, and some of those officials identified “expeditionary”

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<sup>42</sup>The Institute of Internal Auditors reported that inadequate scope definition may understate a construction project’s cost and schedule to complete and that change orders are more expensive than including the work in the original project scope. Also, Design Cost Data—an industry provider of historical construction cost data—has reported that change order work will often cost 10 to 15 percent more than if it had been included in the original bid for several reasons, including lack of a competitive environment, inability to easily fit the change into the existing schedule, and extra paperwork and distraction experienced by the contractor.

<sup>43</sup>We were unable to quantify the cost and schedule increases for the 2009 changes to the temporary facilities as those increases were incorporated into other changes to the project and negotiated as a larger change to the 2009 contract.

<sup>44</sup>One project official indicated this amount may not fully fund the construction costs for those upgrades.

<sup>45</sup>This modification was, in part, in response to a September 2011 attack against the compound that caused State to reassess the security requirements afforded to temporary facilities on-compound.



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standards used by DOD as an example of such standards.<sup>46</sup> OBO officials also commented that State only undertook the building of temporary expeditionary structures on a large scale beginning in 2010. One OBO facility engineer indicated State should study its experience managing construction in conflict environments and apply lessons learned based on experience in locations such as Afghanistan and Iraq. One OBO security engineer indicated that State would have been better able to address the temporary facility security needs in Kabul if State had had clearer standards (or guidance) for construction of such facilities. In addition, some DS management officials and project staff indicated that while State needs minimal standards to guide the construction of temporary facilities, State would still need to tailor physical security measures—such as increasing security wall heights or installing guard towers and bunkers—to specific site threats and as new threats evolve. Some DS officials we spoke with indicated that State could examine DOD’s building design criteria for temporary facilities and standardized designs for such facilities—in addition to examining DOD’s minimum security standards—as a possible model for improving delivery of such facilities.<sup>47</sup> Senior OBO and DS officials we met with indicated that there have been both security and design challenges in constructing temporary facilities in Kabul—as well as elsewhere—and opportunities to learn from those challenges and the need for making any changes to standards or developing guidance could be examined by State’s security standards committee.

State Has Taken Some Actions to Improve Future Delivery of Temporary Facilities

State has taken some actions that may help avoid some of the problems it encountered in constructing temporary facilities on-compound. In 2011, State awarded task order contracts to multiple firms to design and provide State with temporary, modular, containerized housing and office units (though not hardened) when tasked. This may help reduce the time it

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<sup>46</sup>DOD has specific security standards for “expeditionary structures”—including temporary buildings in conflict zones—in addition to its security standards for new and existing buildings. Those standards are contained in DOD, *Uniform Facilities Criteria (UFC)*, *DOD Minimum Antiterrorism Standards for Buildings*, UFC 4-010-01, Feb. 9, 2012; (Change 1, Oct. 1, 2013) under the applicable section entitled “DOD Minimum Antiterrorism Standards for Expeditionary Structures.” DOD standards note that while temporary buildings are exempt from DOD minimum antiterrorism standards, those constructed in expeditionary environments are not. Further, the minimum standards should be applied to exempt building types—such as temporary buildings—where possible.

<sup>47</sup>DOD, *Uniform Facilities Criteria, Non-Permanent DOD Facilities in Support of Military Operations*, UFC-1-201-01, January 1, 2013.

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takes—from a contracting perspective—to procure such temporary facilities in the future.

In 2012, State also worked with the U.S. Army to develop a conceptual, standardized design for a Hardened Alternative Trailer System (hardened trailers) that a DS official stated provides an improved level of physical security protection, although not the level required for a conflict location such as Kabul, where rockets and mortars pose threats. According to DS officials, hardened trailers could be required as part of State's containerized housing and office unit task orders.<sup>48</sup> One State official identified a commercial off-the-shelf, modular protective trailer that State could consider using. One OBO official indicated this off-the-shelf solution is used by at least one U.S. ally in Afghanistan. According to product information provided by this official, it can provide protection against rockets and mortars.

State officials stated that the challenges in constructing temporary facilities in environments such as Kabul have led DS and OBO to work together to explore physical security measure “solutions”—such as overhead protective cover and sidewall systems—that could provide more consistency in future temporary construction. They further said that these solutions would also allow other security measures—such as increasing the heights of perimeter walls or providing bunkers—to be tailored to site needs and threats. According to these officials, the temporary housing constructed in 2013 on the 6.17 site reflects some improvements State has made in constructing temporary facilities in conflict environments and could inform the development of minimal standards, guidance, or procedures to inform planning and construction of temporary facilities in the future.

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<sup>48</sup>State reported to us that the hardened trailer specification has been applied to temporary facilities at five overseas posts.

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## Lack of Strategic Facilities Planning and Policy Has Led to Coordination Challenges in Addressing Future Needs in Kabul

State officials indicate that additional capital construction investments are needed to address interim and future facility needs of the U.S. embassy in Kabul, both on- and off-compound. State stakeholders in Washington and at the post are working to identify, prioritize, and address the post's facility needs through various coordination meetings and working groups. However, this effort lacks a strategic facilities planning approach, as recommended by industry standards. Without such a plan, projects may have been addressed inefficiently. Additionally, while OBO formally assigns responsibility for post-specific strategic facilities planning, OBO lacks a policy governing implementation of such planning. Without a strategic facilities plan for the embassy—supported by a policy to guide its development, content, and approval—future progress in meeting the embassy's facility needs will likely continue to be difficult in a location that is already challenging.

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## Further Construction and Funding Needed to Address Unmet Post Facility Needs

State has made or plans to make approximately \$2.17 billion in infrastructure investments in Kabul. Since the embassy reopened in 2002, the dynamic and unpredictable operating environment of Afghanistan has produced changing facility needs that have continually outpaced existing capabilities at the post. This has been due to various factors such as policy and program changes, staffing fluctuations, and changes in the security environment. During this time, the post has used a variety of off-compound facilities to meet some needs that could not be met on-compound. Key facilities include Camps Alvarado, Eggers, Seitz, and Sullivan, which, as of March 2015, represent a total State investment of almost \$731.4 million.<sup>49</sup> In addition, State plans to use \$394.9 million from its Embassy Security, Construction, and Maintenance account for additional construction to address other unmet post facility needs in fiscal year 2015, the majority of which would be used to fund facility upgrades at Camp Alvarado.<sup>50</sup> State is also seeking at least \$124 million in fiscal year 2016 for further facility investments, such as upgrading the remaining temporary housing. State is also planning for further potential investments in 2017, such as constructing the parking facilities that State had to remove from the current construction project.

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<sup>49</sup>These represent key off-compound properties used by the post and do not include sundry smaller properties leased by State in Kabul for storage and other purposes.

<sup>50</sup>This funding is subject to completion of State's congressional notification process.

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The post's current facility needs stem primarily from changing circumstances inherent to the dynamic operating environment in Afghanistan. For example, when the Afghan Ministry of Public Health site became unavailable for construction in spring 2011, OBO was forced to remove the parking garage, motor pool office, vehicle maintenance facility, and fuel point from the current project. Although the post has a temporary vehicle maintenance facility and fuel point on-compound, it is located where apartment buildings 2 and 3 will be built and must be demolished. State has explored interim solutions to provide a temporary vehicle maintenance facility at several off-compound sites, but a permanent location for the vehicle maintenance facility and other needed motor pool facilities has yet to be identified.

Changes in the security environment in Kabul have also affected post needs. For example, changing security threats, including attacks against the compound in September 2011, led DS to request several compound security upgrades that as of March 2015 were still being finalized. In addition, security concerns were a primary factor in DS and the post's acquisition of the Camp Seitz and Camp Eggers properties, as this would allow the relocation of both the Kabul Embassy Guard Force and the Protective Security Detail (movement protection) Guard forces to sites closer to the embassy.

The withdrawal of the U.S. military from Afghanistan has also produced new needs for the post, as certain support services formerly provided by DOD are eliminated. For example, this has driven recent post requests for a medical trauma facility and helicopter landing zone, as well as past and future planned upgrades at Camp Alvarado, the post's air transport hub. In addition, as of March 2015, State continued to develop its Afghanistan Life Support Services (ALiSS) contract, with which it intends to replace support services such as food, water, fuel, medical, fire protection, and miscellaneous support services previously provided by DOD.<sup>51</sup> This transition will also require further utility and infrastructure upgrades on-compound.

According to State officials, this transition also presents a housing challenge on- and off-compound, depending upon the size of the DOD

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<sup>51</sup>These and other services were previously provided under DOD's Logistics Civil Augmentation Program (LOGCAP) contracts and supporting Defense Logistics Agency (DLA) contracts.

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Office of Security Cooperation to be housed on-compound, as well as the potential ALiSS contractor footprint in Kabul. This problem will be exacerbated when some of the temporary housing on the east compound is demolished to make way for apartment buildings 2 and 3. State facilities and management officials at the post noted that the future needs of the embassy will likely exceed the available space on-compound and will require prioritization of needs as well as high-level policy and management decisions on staffing presence.

State stakeholders in Washington and at the post are working to identify, prioritize, and address these facility needs through various coordination meetings and working groups. For example, according to State officials, representatives from the post, DS, OBO, Office of the Under Secretary for Management, SCA, SRAP, Bureau of Budget and Planning, Office of Medical Services, and Office of the Legal Adviser meet weekly via video teleconference to discuss the status of all ongoing construction projects in Kabul. There are various working groups for specific issues, such as the medical working group, which meets monthly. According to State officials, DS and OBO have begun a regular meeting on DS-specific projects in Kabul. There are two weekly management calls with the post to review progress and a bi-weekly meeting with DOD to discuss the future DOD Security Cooperation Office on-compound. Construction issues are also discussed at a weekly executive steering group meeting.

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## Lack of a Strategic Facilities Plan Impedes Efforts to Coordinate Construction in Kabul

### State Lacks a Strategic Facilities Plan in Kabul

State does not have a strategic facilities plan for Kabul that documents current and future embassy needs, comprehensively outlines existing facilities, analyzes gaps, provides projected costs, and documents decisions made. Lack of such a plan has inhibited coordination and undermined the continuity necessary to address emergent needs at the Kabul embassy.

International Facility Management Association (IFMA), GAO, and OMB guidance recommend that an organization view all real property asset investments as a single portfolio with strategic linkages when determining

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the right mix of projects to undertake.<sup>52</sup> IFMA describes a strategic facility plan as a 2- to 5-year facilities plan encompassing an entire portfolio of owned and/or leased properties that sets strategic facility goals based on the organization's strategic objectives. It contains a needs statement (i.e., mission need), analysis of all real property assets and their condition (owned and leased), analysis of gaps between needs and current asset capabilities, recommendations for new spaces or buildings, and facility cost projections. IFMA also indicates the plan should document findings to include expected timelines for implementation but allow flexibility for updates, as appropriate. Similarly, GAO and OMB capital planning guidance emphasize the importance of identifying current capabilities of real property assets, determining gaps between current assets and needed capabilities, deciding how best to meet the gap by identifying and evaluating alternative approaches, documenting decisions, and making updates as needed.<sup>53</sup>

### State Has Faced Challenges Coordinating Changing Facility Needs

State officials responsible for embassy management, facilities, security, and construction all cited the lack of an overarching plan as an obstacle to coordination intended to address emergent post needs. According to State officials in Kabul and Washington, coordination to address the Kabul embassy's future needs is particularly difficult due to the large number of stakeholders in Kabul and in Washington. Additionally, the constant personnel turnover caused by the 1-year tours served by most management, facilities, and security staff in Kabul results in lack of continuity in decision making. As far back as January 2006, the State Office of Inspector General also identified "the near total lack of institutional memory" stemming from the lack of staff continuity and a "never-ending" learning curve as the most serious impediment to good executive direction at the U.S. embassy in Kabul.<sup>54</sup>

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<sup>52</sup>IFMA is an international professional association that advances facilities management through professional credentialing of facility managers, research, and training. OBO recognizes IFMA and OBO's facility managers have used IFMA training programs.

<sup>53</sup>GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, GAO/AIMD-99-32 (Washington, D.C.: Dec. 1, 1998). OMB, *Capital Programming Guide*, Supplement to Office of Management and Budget Circular A-11: Planning, Budgeting, and Acquisition of Capital Assets (July 2012).

<sup>54</sup>See State Office of Inspector General, *Report of Inspection: Embassy Kabul, Afghanistan*; ISP-I-06-13A, January 2006.

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State officials in Kabul noted the growing number and frequency of coordination meetings and teleconferences intended to address the embassy's future facility needs. However, they also reported that communication at such meetings can be difficult as parties seek to reconcile planning differences on proposed projects. Without a comprehensive plan that provides a strategic framework to document mission needs, catalog existing facilities, analyze gaps, provide projected costs, and document recommendations, the competing proposals of the post's many stakeholders are difficult to manage, prioritize, and reconcile. As a result, State officials in Kabul said that these meetings suffer from no common vision and a lack of decision making. Consequently, State has been challenged to efficiently address changing embassy needs in several instances on- and off-compound. For example:

- *Interference with on-compound construction*—OBO officials in Kabul expressed frustration that proposals for new projects would often conflict with plans previously agreed to by previous post management staff. For example, during our fieldwork, post management proposed to locate a helicopter landing zone near the embassy warehouse. However, according to OBO officials on-site, they had arranged with the previous management team to reserve that space as a staging area for the contractor to build the warehouse expansion. When asked about this, post management officials stated that they had no continuity document that informed them of this earlier decision.
- *On-compound physical security upgrades*—DS first requested changes to the embassy compound's security perimeter in December 2010 and added more requirements in response to attacks against the compound in September 2011. In February 2013, the post urged OBO to provide a project schedule and expedite the upgrades. However, that was not done and as of March 2015 OBO and DS had not reached agreement on schedules and costs for some security upgrade projects.
- *Camp Seitz*—In 2013, DS and post management decided to relocate the Kabul Embassy Guard Force from Camp Sullivan and the Protective Security Detail (movement protection) Guard forces from another camp to sites closer to the embassy compound due to security concerns. To facilitate this, DS initiated the acquisition of the Camp Seitz site through OBO. However, according to State officials, DS then began construction of temporary housing at Camp Seitz without submitting the design to OBO for review or applying for a building permit. After OBO became aware of the completed

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construction, it identified fire safety deficiencies that DS had to correct.<sup>55</sup>

- *Camp Sullivan, Camp Eggers, Qasemi Lot Vehicle Maintenance Facility*—As part of the security contractor relocation, post management and DS proposed removing several support facilities, including a vehicle maintenance facility, from an ongoing construction project at Camp Sullivan and transferring them to Camp Eggers. Post management and DS officials stated that once the temporary vehicle maintenance facility on-compound is demolished to make way for apartment buildings 2 and 3, it would be better for security and logistics to build the replacement vehicle maintenance facility close to the compound rather than at Camp Sullivan. However, OBO proceeded to build the Sullivan vehicle maintenance facility because negotiations for the 30 leases required at Camp Eggers were not complete, and OBO was concerned that if an alternative vehicle maintenance facility was not in place, construction of apartments 2 and 3 could be delayed and their costs increased.<sup>56</sup> Discussions continued among OBO, DS, and post management, and the proposed vehicle maintenance facility was shifted to Qasemi Lot, a site adjacent to Camp Seitz. OBO decided not to descope the Camp Sullivan vehicle maintenance facility until plans for a replacement facility at Qasemi Lot were approved by OBO and DS had awarded a construction contract with a scheduled completion date prior to the demolition date for the existing vehicle maintenance facility on-compound. As a result, State is funding two new, temporary vehicle maintenance facilities—one at Camp Sullivan (built by OBO) and one at Qasemi Lot (to be built by DS).<sup>57</sup>

A strategic facilities plan could have facilitated coordination in the above cases by providing a common vision of embassy needs, comprehensively cataloging existing assets and alternatives considered for meeting those needs, documenting expected timelines and projected costs, and

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<sup>55</sup>Following problems with DS's construction of Camp Seitz, OBO and DS took steps to more effectively coordinate on other projects, including developing memorandums of understanding or agreement. According to State officials, the Camp Eggers memorandum was signed in October 2014 and DS is updating the Qasemi Lot memorandum.

<sup>56</sup>OBO removed other Camp Sullivan elements as requested.

<sup>57</sup>Post officials reported that there are security concerns with using the Sullivan vehicle maintenance facility.



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Existing State Coordination  
Tools Do Not Substitute for a  
Strategic Facilities Plan

facilitating continuity by documenting decisions made, while allowing for updates.

When asked about strategic facilities planning, State officials provided a series of planning coordination tools as alternatives. These included OBO's 2010 site master plan for the embassy compound, a 2014 draft update of that master plan, a 2014 interactive site plan (web-browser based) showing the phased development of the compound, and an Afghanistan project plan used by State's facilities working group for Kabul. Although these tools did perform some coordination functions, they do not substitute for a strategic facilities plan. According to IFMA, a strategic facility plan contains a needs statement, analysis of all real property assets (owned and leased), their existing condition, analysis of gaps between needs and current capabilities, recommendations for new spaces or buildings, and facility cost projections.

OBO's use of the term "master plan" created some false expectations among non-OBO stakeholders in Kabul and Washington. For example, officials from post management and DS believed the 2014 master plan update would comprehensively identify the post's needs and take into account all facilities—to include off-compound projects—when determining capabilities and alternatives for meeting those needs. However, according to IFMA, a master plan in this context is limited to illustrating the physical layout of buildings on only one specific site and may portray aesthetics of buildings and grounds, as well as construction phasing and timing for that site.

We found that OBO's 2010 master plan appears to meet certain IFMA criteria for a site master plan, rather than a strategic facility plan for a portfolio of real property assets. For example, it showed how the unclassified office annex would need to be completed before the temporary USAID building could be demolished to allow apartments 2 and 3 to be built. It also showed the construction of parking facilities on the Afghan Ministry of Public Health site, which were removed from the current project in 2011. It did not address the use and future development of State's off-compound properties, or the associated elements of a strategic facilities plan.

In January 2014, OBO's Office of Project Development and Coordination (PDC) began work on an update to the 2010 master plan for the embassy compound (i.e., the 2014 Master Plan Update). The scope for this update was limited to developing a physical site plan that could incorporate the elements that OBO had planned to construct on the Afghan Ministry of

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Public Health site (i.e., the parking facilities) somewhere on the embassy compound. The 2014 Master Plan Update listed known needs of the embassy and broadly suggested some might be incorporated onto the east compound or the 6.17 site. When OBO presented the 2014 Master Plan Update to the post in September 2014, post officials told OBO that the site plan did not address all of the embassy's needs. In addition, they told us that limited space on-compound requires the continued use of off-compound facilities. OBO continues to work with stakeholders in Kabul and in Washington to find ways to incorporate as many post needs on-compound as possible. While the 2014 Master Plan Update may eventually be used to inform a series of new construction projects for the compound, it remains a compound-specific document and does not address how embassy needs will be met at off-compound facilities in the interim. According to State officials, the future use of off-compound facilities is discussed routinely during stakeholder teleconferences and working groups established for Kabul embassy planning. After we inquired about the limited nature of OBO's 2014 Master Plan Update, SCA officials stated that going forward they need a compound "master plan" and a series of "addendums" that outline future plans for off-compound sites and facilities.

Additionally, SCA officials in Washington presented an Afghanistan Project Plan to us, which they identified as the primary coordination and continuity document for project discussions involving off-compound facilities at the various Kabul coordination meetings, such as the Afghan Facilities Working Group. Our review of the Afghanistan Project Plan found it to be useful for tracking the status of active construction projects in Kabul and determining next steps at the project level. However, it did not catalog all existing real property assets, express interim or long-term embassy needs, or make recommendations on fulfilling those needs. Developed by SCA's contractor in October 2014, the Afghanistan Project Plan instead depicts a broad listing of ongoing State construction projects both on- and off-compound. Each project contains sub-tasks with deadlines, progress to completion, and notes on project status. For example, SCA officials noted the lack of progress on the trauma center to be built at Camp Seitz by DS due to physical design challenges.

Finally, OBO officials provided us with a 2014 Interactive Site Plan tool (web-browser based) that officials indicated OBO developed with the intent to provide the post with a continuity tool for the construction planned on-compound. The tool contained numerous interactive three-dimensional diagrams of the embassy compound with background information, construction timelines and phasing, preliminary space usage

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plans, and site utility information. Although the tool focused solely on the embassy compound, OBO officials stated that it was meant to be easily updated as circumstances demand and could have been expanded to include off-compound properties. According to OBO officials, they provided this tool to post management in February 2014 with the intent that it would be uploaded to the embassy's internal website, where it could be viewed and updated by stakeholders. However, OBO officials with access to the post's internal website reported the embassy never used the tool and OBO is not planning to make any further updates to it. When asked about continuity documents, post management officials directed us solely to the 2010 master plan and did not mention this interactive tool.

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State Assigns Responsibility for Planning, but OBO Lacks Policy Governing Strategic Facilities and Master Planning

According to State policy, OBO's Office of Master Planning and Evaluations (MPE) is responsible for directing and preparing both master plans and long-range facilities plans for posts abroad, not PDC, which is OBO's project coordination and management office. However, MPE has not been involved in PDC's on-compound master plan update or State's stakeholder meetings on embassy development.<sup>58</sup>

From April 1990 through December 2013, OBO had a policy and procedures directive that required strategic facility planning (termed long-range facilities plans) for posts meeting certain criteria.<sup>59</sup> These long-range facilities plans were to provide a comprehensive overview of the post's facility requirements, establish optimum use of existing assets, examine alternatives for meeting post needs, be tailored to the specific context of the post, be subject to periodic revisions, and provide direct input into the programming and budgeting of the post for the next 5 to 10 years. State documentation shows that between 2004 and 2008, OBO prepared 16 long-range facilities plans (strategic facility plans) for selected posts with challenging real property issues. In 2008, OBO's then director also reported to State's Undersecretary for Management that long-range facilities plans were essential precursors to the development

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<sup>58</sup>State, *Foreign Affairs Manual*; 1 FAM 283.1 and 1 FAM 284.3

<sup>59</sup>OBO, *Policy and Procedures Directive PPD 01, Long Range Facility Planning Program*. These criteria included such things as significant staffing changes, need to collocate State and other agencies, political changes (e.g., post openings/closings,) security issues, and posts where a significant investment was to be made.

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of individual projects. However, OBO produced no long-range facilities plans after 2008.<sup>60</sup>

In December 2013, OBO rescinded its long-range facilities plans policy and procedures directive based on an explanation that the office responsible for that function no longer existed and that the function had been replaced by master planning.<sup>61</sup> However, the action did not indicate what master planning entailed within OBO, nor did it explain and justify how master planning could substitute for strategic facilities planning. According to OBO officials, master planning is defined and conducted via stakeholder meetings and generally accepted practices within the organization. However, OBO was unable to provide any current policy governing either post strategic facilities planning or site master planning. A senior OBO official acknowledged that MPE had generally not conducted strategic facilities planning in the past few years. Without policies that clearly define strategic facilities planning and master planning, as well as outline the content and methods to conduct such planning, it will be difficult for OBO to fulfill these responsibilities.

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## Conclusions

Pursuing multiyear construction on an operational embassy compound in a dynamic and dangerous environment such as Afghanistan entails distinct challenges that present considerable risk. With State's investments to properly house and protect U.S. staff in Kabul planned to surpass \$2 billion and likely to increase further, the importance of mitigating such risk to the extent possible has only grown with time. Although State already has a policy to identify and manage construction risk, it did not fully implement this policy for Kabul. A cost containment study and risk assessment of the 2009 contract might have allowed some risks to be addressed earlier, potentially with cost savings. Additionally, if State had fully considered the cost containment recommendations and mitigated the risks identified in its 2010 study, further cost increases and schedule delays might have been avoided or reduced. That several of the risks identified in the 2010 study did eventually affect project cost and

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<sup>60</sup>Since 2008, OBO had prepared one real estate plan and six new embassy compound alternatives analyses. From 2004 to 2014, OBO also prepared 14 site master plans.

<sup>61</sup>According to OBO policy, a policy and procedures directive may be rescinded when replaced or superseded by a new directive or at the request of the proponent office. The responsible office must sufficiently explain and justify why the directive is no longer needed.

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schedule reflects the value of State's existing risk management process for construction. As State pursues further construction to address the facility needs of the U.S. embassy in Kabul, it is imperative that it follow its current policy to contain costs and manage risk where possible.

Future State construction in Kabul and other high-threat posts will likely entail the continued use of temporary office or housing facilities, especially in conflict areas. However, without clear standards or guidance detailing minimal physical security measures for the temporary facilities it constructs, State is at risk of encountering security design, cost, and schedule extensions similar to what has already occurred in Kabul. While State would still require sufficient flexibility to tailor physical security protection measures to the specific and possibly changing threats encountered at different posts, State should consider establishing clear minimal standards or guidance for physical security on temporary facilities, as this could yield more consistent application of security measures at posts, more efficient procurement, and potentially contain cost increases and schedule extensions.

Furthermore, it is clear that the changing facility needs of the Kabul embassy will require a combination of permanent and temporary construction on- and off-compound. Although State uses various coordination mechanisms to manage this effort, coordination would be further strengthened by the development of a strategic facilities plan that catalogs existing facilities, identifies embassy needs and gaps, and documents decisions made. Such a plan for Kabul would need to be tailored to the specific context of the post and would likely go through repeated updates. However, such a common framework would strengthen existing coordination and facilitate greater continuity of decision-making.

While past OBO policy recognized the value of such strategic planning, it was rescinded in December 2013. No formal policy on its stated substitute—master planning—was established, even though State continues to assign responsibility for both strategic facilities planning and master planning to OBO. By establishing policies that clearly define strategic facilities planning and master planning, as well as explain the content and methods to conduct such planning, OBO can better ensure the usefulness of any such efforts undertaken in Kabul or in other posts abroad.

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## Recommendations for Executive Action

To maintain State's adherence to construction risk management policy, guide future construction of temporary facilities, strengthen coordination efforts to address facility needs of the U.S. embassy in Kabul, and clarify strategic planning policy, we recommend the Secretary of State take the following four actions:

- Ensure existing cost containment and risk assessment policies are followed in future Kabul construction projects.
- Consider establishing minimum security standards or other guidance for the construction of temporary structures, especially those used in conflict environments.
- Develop a Kabul strategic facilities plan. Such a plan should comprehensively outline existing facilities, identify embassy needs, establish gaps between facilities and needs, and document decisions on meeting those needs.
- Establish policy and procedure directives governing the definition, content, and conduct of post-wide strategic facilities planning and master planning.

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## Agency Comments and Our Evaluation

We provided a draft of this report to State for comment. State provided written comments that are reproduced in appendix II. State concurred with our recommendation to ensure existing cost containment and risk assessment policies are followed in future Kabul construction projects, stating that it will better administer cost containment and risk assessment by adhering to relevant OBO policies. State also concurred with our recommendation to develop a Kabul strategic facilities plan. According to State, OBO will continue to work with post and State stakeholders to formalize current and future embassy needs into a plan that outlines existing facilities, identifies embassy needs, establishes gaps between facilities and needs, and documents decisions on meeting those needs. Finally, State concurred with our recommendation to establish policy and procedure directives governing the definition, content, and conduct of post-wide strategic facilities planning and master planning. According to State, OBO is currently developing a policy and procedures directive that will outline the new master planning program and post-wide strategic facilities planning.

State partially concurred with our recommendation to consider establishing minimum security standards or other guidance for the construction of temporary structures, especially those used in conflict

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environments. State does not support separate standards for temporary structures, reiterating that it aims to meet Overseas Security Policy Board security standards in all environments. Where this is not possible, State asserts it works to meet the intent of these standards through alternative security mitigation measures via its “waivers and exceptions” process. However, State does believe that there is value in documenting standard operating procedures and best practices associated with the deployment and protection of temporary structures in high-threat and conflict environments. State noted that while such documentation would not constitute security standards and would not circumvent risk management integral to its waivers and exceptions process, it would provide templates from which to base the design of future projects in exigent environments. Should State produce such documentation, we believe that this could meet the intent of our recommendation.

State also provided technical comments, which were incorporated into the report as appropriate.

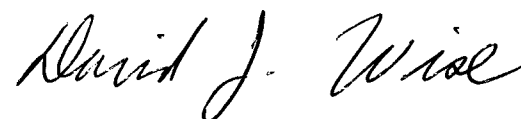
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We are sending copies of this report to the appropriate congressional committees, the Secretary of State, and other interested parties. In addition, the report will be available at no charge on GAO’s website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact either Michael J. Courts at (202) 512-8980 or at [courtsm@gao.gov](mailto:courtsm@gao.gov) or David J. Wise at (202) 512-5731 or at [wised@gao.gov](mailto:wised@gao.gov). Contact points for our Office of Congressional Relations and Office of Public Affairs can be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.



Michael J. Courts  
Director, International Affairs and Trade



David J. Wise  
Director, Physical Infrastructure Issues

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*List of Addressees*

The Honorable John McCain  
Chairman  
The Honorable Jack Reed  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Bob Corker  
Chairman  
The Honorable Ben Cardin  
Ranking Member  
Committee on Foreign Relations  
United States Senate

The Honorable Lindsey Graham  
Chairman  
The Honorable Patrick J. Leahy  
Ranking Member  
Subcommittee on State, Foreign Operations, and Related Programs  
Committee on Appropriations  
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The Honorable Edward R. Royce  
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The Honorable Eliot L. Engel  
Ranking Member  
Committee on Foreign Affairs  
House of Representatives



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The Honorable Jason Chaffetz  
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The Honorable Ron DeSantis  
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The Honorable Stephen Lynch  
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House of Representatives

The Honorable Kay Granger  
Chairwoman  
The Honorable Nita Lowey  
Ranking Member  
Subcommittee on State, Foreign Operations, and Related Programs  
Committee on Appropriations  
House of Representatives

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# Appendix I: Objectives, Scope, and Methodology

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We reviewed State Department (State) construction efforts at the U.S. embassy in Kabul under the authority of the Comptroller General to conduct evaluations on GAO's initiative because of broad congressional interest in the oversight and accountability of U.S. funds used in Afghanistan. In the report we examine (1) the extent to which construction cost and schedule have changed and why, (2) State's use of temporary facilities on-compound, and (3) State's planning for projected embassy facility needs.

To conduct this review, we obtained information from agency planning, funding, and reporting documents and interviewed officials from State's Bureau of Overseas Building Operations (OBO); Bureau of Diplomatic Security (DS); Office of Acquisitions Management; Bureau of South and Central Asian Affairs (SCA); Office of the Special Representative for Afghanistan and Pakistan (SRAP); and Office of Management Policy, Rightsizing, and Innovation. Within OBO, we met with officials from Construction Management, Design and Engineering, Master Planning and Evaluations, Project Development and Coordination, Real Property Leasing, Security Management, Strategic Planning, and Financial Management. Within DS, we met with officials from High Threat Programs, Overseas Protective Operations, and Physical Security Programs.

In February 2014, we traveled to Kabul, Afghanistan, to observe construction progress and meet with U.S. embassy officials responsible for construction, facilities management, post management, and security. We also met with contractor officials in Kabul and in the United States. In addition, our Kabul Field Office conducted follow-up meetings with officials in Kabul and their successors through December 2014. We incorporated audit work from our February trip and relevant material gathered for our July 2014 report into this audit.<sup>1</sup> In addition, we obtained State funding information on all such projects over \$1 million in Kabul. We determined that these funding data were sufficiently reliable for the purposes of this report.

To examine the extent to which construction cost and schedule have changed and why, we collected and analyzed State and contractor

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<sup>1</sup>GAO, *Afghanistan: Kabul Embassy Construction Costs Have Increased and Schedules Have Been Extended*, [GAO-14-661R](#) (Washington, D.C.: July 8, 2014).

documents and met with relevant officials. We analyzed contract files for the fiscal years 2009 and 2010 Kabul construction projects, including requests for proposals, site surveys, project authorization documents, design drawings, contract modifications, cost estimates, approved schedules, and other contract documentation. We also examined OBO and other State planning and oversight documents, such as space requirements programs, trip reports, rightsizing reviews, site plans, OBO briefings to State management, and progress reports. In addition, we examined Office of Management and Budget and State policy and procedures governing construction planning and implementation, including those pertaining to value engineering (cost containment) and risk assessment. We also met with relevant officials in OBO, DS, and SCA, and in Kabul to discuss the original planning of the 2009 and 2010 contracts, as well as current construction progress.

To examine State's use of temporary facilities at the embassy, we inspected the temporary offices and housing currently on-compound and reviewed related State planning, design, construction, and contract documents for the temporary facilities within the 2009 contract. We also reviewed State budget justifications to Congress related to State's use of temporary facilities and security concerns about those facilities. In addition, we examined State physical security and building standards for State-built facilities, as well as Department of Defense security and building standards for temporary facilities. We also obtained funding information from State on what it has allocated to the construction of temporary facilities in Kabul since 2002. In addition, we interviewed embassy management officials, OBO's on-site project director for construction, and OBO facility managers in Kabul. We also met with OBO, DS, and SCA officials in Washington to discuss State's construction, use, and plans for temporary facilities.

To examine State's planning for projected embassy facility needs, we analyzed State coordination and planning documents, as well as funding proposals for new construction in Kabul. In addition, we reviewed State policy regarding master planning and strategic facilities planning. We also consulted best practices for such planning established by the International Facility Management Association (IFMA),<sup>2</sup> as well as GAO

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<sup>2</sup>IFMA is an international professional association that advances facilities management through professional credentialing of facility managers, research, and training. OBO recognizes IFMA, and OBO's facility managers have used IFMA training programs.

and Office of Management and Budget capital planning guidance.<sup>3</sup> To discuss changing post facility needs and the various coordination efforts to address those needs, we met with State officials from OBO, SCA, SRAP, and DS, as well as with post officials responsible for management, facilities, and security in Kabul.

We conducted this performance audit from July 2014 to May 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>3</sup>GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: Dec. 1, 1998). OMB, *Capital Programming Guide*, Supplement to Office of Management and Budget Circular A-11: Planning, Budgeting, and Acquisition of Capital Assets (July 2012).

# Appendix II: Comments from the U.S. Department of State



Dr. Loren Yager  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

**United States Department of State**

*Comptroller*

*Washington, DC 20520*

**APR 23 2015**

Dear Dr. Yager:

We appreciate the opportunity to review your draft report, "AFGHANISTAN: Embassy Construction Cost and Schedule Have Increased and Further Facilities Planning Is Needed" GAO Job Code 321034.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Cy Alba, Office Director, Office of Policy and Program Analysis, Bureau of Overseas Buildings Operations at (703) 875-5748 and Paul Ginsburg, Policy Analyst, Office of the Executive Director, Bureau of Diplomatic Security at (571) 345-9696.

Sincerely,

A handwritten signature in blue ink that reads "Chris H. Flaggs".

Christopher H. Flaggs

Enclosure:

As stated.

cc: GAO – Michael J. Courts  
OBO – Lydia Muniz  
DS – Gregory Starr  
State/OIG - Norman Brown

**Department of State Comments on GAO Draft Report**

**AFGHANISTAN: Embassy Construction Cost and Schedule Have Increased  
and Further Facilities Planning is Needed**  
(GAO-15-410, GAO Code 321034)

The Department appreciates the opportunity to comment on the GAO draft report entitled "*Afghanistan: Embassy Construction Cost and Schedule Have Increased and Further Facilities Planning is Needed.*"

**Recommendation 1**

Ensure existing cost containment and risk assessment policies are followed in future Kabul construction projects.

**Department of State Response:**

State concurs with this recommendation and will better administer cost containment and risk assessment by adhering to active Bureau of Overseas Buildings Operations (OBO) policies:

1. P&PD PE/DE 03: *Value Engineering* (May 25, 2004), and
2. Standard Operating Procedures for Risk Assessments (March 27, 2005).

**Recommendation 2**

GAO recommends the Secretary of State consider establishing minimum security standards or other guidance for the construction of temporary structures, especially those used in conflict environments.

**Department of State Response:**

The Department partially agrees with this recommendation. DS does not support separate standards for temporary structures. The Department aims to meet Overseas Security Policy Board security standards in all environments; if this is not possible, the Department works to meet the intent of the standard through alternative mitigation. The "waivers and exceptions" processes require the Department, in cooperation with posts and regional security offices, to develop tailored mitigation strategies to achieve the level of protection envisioned by the security standards. The waiver and exception process then formally documents the residual risk that cannot be mitigated and serves to also document the

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Department's acceptance of that risk. The Department notes that alternative mitigation measures designed to meet the intent of a standard will vary from location to location based on physical conditions and the assessed threats and vulnerabilities specific to that location. Understanding, however, that security standards cannot be met in all environments, the Department has established a high bar for exceptions to security standards. The minimum security standards apply to any structures, permanent or temporary the Department might build or acquire in the future. DS does believe that there is value in documenting standard operating procedures and best practices associated with the deployment and protection of temporary structures in high threat and conflict environments. While these documents would not constitute security standards and would not circumvent essential risk management process integral to the waiver and exceptions process it would provide templates from which to base the design of future projects in exigent environments.

**Recommendation 3**

Develop a Kabul strategic facilities plan. Such a plan should comprehensively outline existing facilities, identify embassy needs, establish gaps between facilities and needs, and document decisions on meeting those needs.

**Department of State Response:**

State concurs with this recommendation. OBO will continue to work with post and Department stakeholders to formalize current and future embassy needs to develop a strategic facilities plan to outline existing facilities, identify embassy needs, establish gaps between facilities and needs, and document decisions on meeting those needs. With the consolidation of resources/programs to a Kabul centric focus, the Department has, through working sessions with various stakeholders, identified several gaps between planned/under contract facilities, known and perceived needs. These gaps include those facilities unaccounted for with the loss of the Ministry of Public Health (MOPH) property during the award of the FY2010 project, operational requirements that have, to date, been supported by the Department of Defense, and the beds and support facilities that can/will accommodate the fluctuations in staffing for the Department and other agencies as programs are assessed, revised and revamped, as needed, to meet enduring requirements.

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**Recommendation 4**

Establish policy and procedure directives governing the definition, content, and conduct of post-wide strategic facilities planning and master planning.

**Department of State Response:**

State concurs with this recommendation. OBO is currently developing a Policy and Procedures Directive (P&PD) that will outline the new master planning program and “Post-wide strategic facilities planning.”



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# Appendix III: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Michael J. Courts, (202) 512-8980 or [courtsm@gao.gov](mailto:courtsm@gao.gov)  
David J. Wise, (202) 512-5731 or [wised@gao.gov](mailto:wised@gao.gov).

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## Staff Acknowledgments

In addition to the contacts named above, Michael Armes (Assistant Director, Physical Infrastructure), Leslie Holen (Assistant Director, International Affairs and Trade), David Hancock, Eugene Beye, John Bauckman, Jacob Beier, Jon Fremont, and Marc Schwartz made key contributions to this report. Technical assistance was provided by Lynn Cothorn, Kristine Hassinger, Ernie Jackson, Tina Cheng, and Gwyneth Woolwine.

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