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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Report of Inspection

Bureau of Overseas Buildings Operations

Report Number ISP-I-08-34, August 2008

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PURPOSE, SCOPE AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspections, as issued by the President's Council on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, Section 209 of the Foreign Service Act of 1980, the Arms Control and Disarmament Amendments Act of 1987, and the Department of State and Related Agencies Appropriations Act, FY 1996. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its oversight responsibility with respect to the Department of State and the Broadcasting Board of Governors to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel
Acting Inspector General

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KEY JUDGMENTS

- The Bureau of Overseas Buildings Operations (OBO) successfully completed 54 new embassy compounds (NEC) and annex office buildings under the Construction Security Program, placing over 17,000 embassy employees in secure facilities between 2001 and 2008. Current leadership endeavors to build on this record by maintaining the pace of construction while improving relations with other Department of State (Department) bureaus and missions abroad that felt left out of the planning process.
- The ultimate goal of the Department is to construct 150 NECs by 2018, at a total cost of \$17.5 billion. Escalating construction, commodity, labor costs, and the depreciation of the dollar threaten to prevent the attainment of that very important goal. Either the program must be scaled back, additional resources identified, or the program stretched beyond 2018.
- The Office of Inspector General (OIG) conducted a global customer survey of diplomatic missions and a detailed analysis of 12 completed NECs. Posts commented favorably about their new facilities. Many have received positive feedback from their host governments that the facilities are architecturally attractive and appropriate. At the same time, posts expressed concern about commissioning, post-occupancy use, and NEC maintenance.
- OBO's continuing use of the design-build and Standard Embassy Design (SED) concepts is effective. However, the organizational structure of OBO is overly complex with entities operating in semi-isolation resulting in the lack of effective coordination, communication, and accountability. The contracting process is cumbersome and complicated, and must be streamlined. Organizational problems ultimately add to the cost of construction projects.
- The Department does not know the future costs of operating and maintaining its facilities overseas, although OBO is addressing the problem. Costs to support and maintain the Department's legacy facilities are increasing. There are no effective systems in place to plan, budget, and track operation and maintenance costs. The Department must do a better job of identifying the resources necessary to protect its multibillion dollar investment.

- The Director Ad Interim took charge in January 2008. He quickly corrected a number of organizational deficiencies and improved coordination and communication between regional bureaus, overseas posts, and other agencies. During the inspection, he was pursuing major realignments of functions and responsibilities, including efforts to fix major operational problems in information management and human resources. Progress has been slow and much remains to be done.

The inspection took place in Washington, DC, between January 7 and May 31, 2008. Ambassador John C. Monjo (team leader), James Martino (deputy team leader), John Belz, Harrison Ford, Mary Ellen Gilroy, Martha Goode, Christopher Mack, Ruth McIlwain, Kristene McMinn, Robert Mustain, Walt Norko, Vandana Patel, Matthew Ragnetti, Robert Ripley, Iris Rosenfeld, Peter Stella, Deborah Taylor, Moosa Valli, and Michael Yoder conducted the inspection.

completed by September 1991; eight were under construction; 14 were in site acquisition, under design, or out for architectural and engineering selection; and 28 were on hold, deferred, or canceled.⁴

From FY 1987 to FY 1998, the Executive Branch requested \$5.8 billion for security purposes for various Department accounts. Congress appropriated \$5 billion to implement the Inman security recommendations. According to the 1991 GAO report, nearly half the funds remained unobligated at the end of FY 1990 because of project-specific circumstances such as construction delays and the lack of building sites. Difficulties in using these appropriated funds continued. In FY 1995 and FY 1996, according to Senator Grams, Congress rescinded a combined amount of \$100 million of unobligated funds in the Security and Maintenance of Overseas Missions account.⁵

In 2001, the previous OBO Director was appointed and dramatically altered the organization by initiating a new business model that emphasized design standardization, cost containment, and expedited construction schedules. With newly provided funding increases, the approach resulted in the completion of 54 NECs and new facilities between January 1, 2001, and December 31, 2007. The previous Director brought much needed discipline to the overseas buildings organization; but was perceived as not tolerating dissent or criticism. The emphasis was completing projects on time and within budget. This often resulted in friction with customers. Some projects were descoped (facilities and features were removed from the project) to stay within budget. OBO's relations with other Department bureaus were strained during the previous Director's tenure. The Director Ad Interim is quickly moving to improve relations with stakeholders and has taken the initiative to avoid late-year project descoping.

This inspection focused on OBO's central programmatic initiative, which is the Capital Security Cost Sharing Program (CSCSP) for the construction of NECs, but also addresses other key functions across the organization, including planning, real estate, human resources, information management, operations, facilities maintenance, resource management, and contracting. OIG conducted a global customer satisfaction survey of all diplomatic and consular posts to obtain the views of OBO's ultimate customers; 122 missions and one Washington office responded. OIG also prepared 12 detailed case studies of recently completed NEC projects to assess the efficiency and effectiveness of OBO's internal processes. OIG also tasked inspection teams visiting overseas posts during the course of the OBO inspection to review OBO programs at the inspected posts and used this information to inform its findings.

⁴ GAO Report No. GAO/NSIAD-92-2, *State Department, Management Weaknesses in the Security Construction Program* (November 1991), p. 3.

⁵ *Ibid.*

EXECUTIVE DIRECTION

The Director Ad Interim assumed the responsibility for managing OBO in January 2008. The previous Director served from 2001, and instituted a number of sound management mechanisms including monthly project reviews of all OBO activities, the establishment of office-specific performance measures, an upgraded annual Long-Range Overseas Buildings Plan, and a more streamlined process for designing and constructing facilities than had previously existed. Perhaps the most significant development during his tenure was the establishment in 2004, of the Capital Security Cost Sharing Program, which provides for a steady stream of funds to construct future overseas facilities and requires all U.S. agencies to share in the costs.

The previous Director instilled much needed discipline at all levels of OBO in managing projects, which is a crucial factor in containing costs and meeting construction schedules. The previous Director was also willing to make tough decisions to balance the needs of stakeholders within fiscal realities. The OIG team recognizes the importance of discipline in the planning, development, and execution of OBO projects.

The Director Ad Interim inherited an organizational structure that was unorthodox and overly complex. For example, there was no executive director or principal deputy assistant secretary equivalents; the human resources, management support, and information management officers reported to the Director, and coordination among OBO offices suffered from these arrangements. The previous Director emphasized completing projects on time and within budget—clearly responsible objectives—but relationships among Department bureaus and overseas posts became strained over a perceived autocratic management style and lack of consultation although OBO had historically conducted meetings with various stakeholders, including mission-occupying agencies.

Managers and most of the OBO staff are highly experienced, motivated, and accomplished professionals who work effectively together. Yet there are significant morale problems, and work loads are not well-distributed throughout the organization.

The Director Ad Interim moved quickly to correct deficiencies and to bring an open accessible management style that is well received. The Director Ad Interim reached out to employee groups and OBO customers to improve relations, including holding regular meetings with Department principals and overseas missions and including them in previously restricted meetings at OBO. Missions abroad as well as bureaus and other agencies have responded favorably to these efforts.

The Director Ad Interim moved to realign OBO functions to improve internal coordination and enhance accountability. An executive director position was established to oversee the human resources, management support, and information management functions. A formal principal deputy position was also proposed. The Office of Real Estate was combined with the Office of Planning; and the Facilities Management function realigned with the Office of Project Execution. The OIG team views these moves as positive developments.

Internal Review and Operations Research Office

Internal Review and Operations Research Office (IROR) was established to provide the previous Director with independent assessments of programs, operations, and personnel matters. The office is comprised of a director and a staff of seven; the office director reports directly to the OBO Director. The OIG team found that the operations of this office were secretive, under instructions from the previous Director, and the offices that underwent review were usually not given an opportunity to formally comment on the reports or other products before issuance. Some IROR reports, particularly those involving contracting procedures, contained inaccuracies and recommendations which were ultimately rescinded. Staff throughout OBO expressed some frustration with the operation of IROR.

One manager familiar with IROR products stated that their audit and consulting functions were often blurred, resulting in reports that presented findings which were more akin to opinions. Many OBO employees concluded that due to the secretive nature of their operations, IROR was the previous Director's vehicle for obtaining information on matters of interest to him.

IROR did not have any formal published operating procedures and did not have a transparent work plan to ensure that the work of the office was understood by the various offices within OBO. The staff consists of investigators, a certified financial manager, and several auditors. The staff did not have a formal training program similar to that required of government audit organizations or periodic briefings from OBO program managers. OIG acknowledges that an internal review function is an

important tool for assessing operations and evaluating the use of the multibillion dollar OBO budget. The Director Ad Interim acknowledges these shortcomings and has hired a personal services contractor (PSC) to improve IROR operations.

Recommendation 1: The Bureau of Overseas Buildings Operations should establish a mission statement and formal operating procedures for the conduct of Internal Review and Operations Research activities. (Action: OBO)

Recommendation 2: The Bureau of Overseas Buildings Operations should provide Internal Review and Operations office personnel with the requisite training to perform its oversight function. (Action: OBO)

Historic Preservation Portfolio Program

In January 2007, the previous Director of OBO founded the Historic Preservation Portfolio Program and placed it as an independent division under the Office of Project Execution. Comprising one GS-15 director with six GS/contractor subordinate personnel, its intended purpose was to standardize policies in order to protect approximately 180 U.S. Government properties that have historic, architectural and cultural significance to the United States and the host country. By application of algorithm software, properties would be placed in rank order so that resources would be targeted appropriately.

Throughout 2007, OBO management continually questioned the validity of the program and how it contributed in terms of real value and direct benefit to the OBO mission of renovating existing U.S. Government buildings in order to provide a more secure working environment for mission personnel. Debate, which was at times emotional, centered on whether the Historic Preservation Portfolio Program could justify its position and budget as a real-time contributor versus a historical archive. In January 2008, the Director Ad Interim of OBO made a decision to abolish the Historic Preservation Portfolio Program. The Facilities Management Division is responsible for maintenance of historical buildings and a unit is being formed under the Operations directorate to coordinate the training of post Official Residence Expense staff in preserving cultural assets. The OIG team concurs with this decision.

CUSTOMER SATISFACTION SURVEY

There are 268 U.S. missions located in six geographic regions, which are key consumers and end users of OBO products and services. During the course of inspections of embassies and consulates over the past decade, OIG made recommendations to be effected by both post and OBO. Many of these recommendations, along with observations from inspection teams at posts between January and May 2008, informed this inspection of OBO. OIG determined, however, that to form a complete impression of the work of OBO, it was necessary to have current information solicited directly from missions worldwide. On March 6, 2008, OIG sent a cable to all diplomatic and consular posts (State 23375). It transmitted a request from the Acting Inspector General to chiefs of mission to designate one member of mission staff to solicit answers from members of the mission to 17 questions. Chiefs of mission were asked to submit one post-specific compilation of the answers to an e-mail box no later than March 21, 2008. Several posts chose to respond via front channel cable; the vast majority responded via e-mail. By March 21, a total of 122 posts from all six regional bureaus and one Washington office, replying on behalf of its field-based services, submitted replies.

The format of the survey was a series of open-ended questions, which invited replies in the form of a statement rather than a scalable response (e.g., highly satisfied/ satisfied/neutral/dissatisfied/highly dissatisfied/not applicable). The 17 questions were divided into four areas. Three areas concerned OBO programs and services: NECs and Newly Acquired Buildings; housing; and maintenance and repair. The fourth area contained general questions: OBO-specific software; the quality of communications between post and OBO; and any other comments or observations post might wish to share with the inspection team.

It was obvious from several of the post replies that views had been solicited from different sections of the Department and from other agencies at post. Several post responses included observations from prior postings, as well as the current post. Responses were thoughtful, with many including specific examples of what worked and what did not work. Many posts offered constructive suggestions for improvements to the design of NECs, the rental waiver process, and field support and training.

A summary of the customer satisfaction survey is in Appendix B. Several key points from the survey are summarized as follows:

- Posts praised their NECs for design, beauty, space, and security. Responses to the planning and construction phases varied: many posts praised the collaboration with OBO during real estate acquisition but were concerned that their suggestions for use and design were ignored; a few expressed frustration that the finished product was missing such elements as the warehouse, recreation center (essential to morale in many posts without American-style amenities), or restrooms in the CAA. One third of the posts observed that more input from post and other agencies might have prevented costly adjustments after occupancy. Many posts expressed frustration that the mechanical systems of the new buildings were too complex to be maintained and serviced by local technicians.
- The congressionally mandated residential rental ceiling of \$50,000 per year appears to be outdated for many countries across the geographic regions, the result of a volatile worldwide housing market, competition from other missions and the private sector, and the state of the dollar in current currency markets.
- The majority of posts were satisfied with services provided by the Washington-based staff of the OBO Operations Divisions: Area Management; Facility Management; Fire Protection; Safety, Health, and Environmental Management; and Art in Embassies. Several posts, however, expressed concern at the high levels of staff turnover in Area Management. The greatest maintenance issue for posts occupying new buildings is HVAC (heating, ventilation, air conditioning) systems—finding replacement parts locally and finding staff able to service highly complex equipment. NEC posts were also concerned about the increased costs of operating the new buildings. Posts on the Top 80 list for new construction or in the construction phase of an NEC believed that needed maintenance and repairs to existing buildings were not funded because of the impending move in three or more years.
- Half the posts were satisfied with OBO software for posts, Work Orders for Windows and Real Property Application (WebRPA). Many posts stated that more training in software use was needed. In general, posts viewed communications with OBO positively. Those posts that did not believe communications were positive expressed their views strongly.

CASE STUDIES OF NEW EMBASSY COMPOUND PROJECTS

The OIG team conducted 12 case studies of NEC projects as one element of the OBO inspection effort. Theoretically this study would provide the team with an understanding of the major effort that OBO has engaged in since the African embassy bombings in 1998, and the subsequent inception of the Capital Security Construction Program (CSCP). To get a full spectrum view of the program, NEC projects chosen for the study had to be completed and occupied for a reasonable period of time to obtain operational feedback from the posts. In addition, NEC projects were chosen from three different fiscal years so that the evolution in planning, design, construction and management could be seen and evaluated. The case studies are attached as Appendix C.

Three NEC projects were chosen from FY 2002, four from FY 2003 and five from FY 2004. FY 2002 projects were chosen as the starting point of the study because that year was seen as the initiation of the SED model and the design-build project delivery system. One FY 2002 project, NEC Abuja, was included because it was atypical in that it was a non-SED, design-bid-build model that could be used to contrast the other projects.

Perhaps the most surprising result of the case studies was the difficulty in collecting all of the relevant project and contract documentation necessary to conduct the study. Although OBO and the Bureau of Administration, Logistics Management (A/LM) personnel were extremely helpful in searching files and databases for the information requested by the OIG team, all of the material needed was simply not available. In general, the older the project, the less documentation existed. This data collection effort forms the basis for the recommendations in this report regarding the need to document and systematically store project information.

The most significant result of the study came to light as a result of comparing common issues noted throughout the case study projects to those reported on projects now underway. The OIG team acknowledges that improvements in planning and design were realized since 2002 as the program matured. However, many of the same issues and problems in planning, design, and construction continue to be noted even though the SED and the design-build model should have matured to a point that systemic issues would have been eliminated or minimized. Reviews in ProjNet,

OBO's electronic database, of the unclassified 35 percent drawing packages for six NEC projects now in design or construction showed a total of 3,148 review comments or an average of 525 comments per project. These observations and trends form the foundation of many of the organizational and project management recommendations in this report. Based on its review of the significant number of review comments from OBO staff and contractors, the OIG team concludes that there is a lack of consensus and understanding of the project requirements and specifications.

The case studies are a synopsis of the data collected by the OIG team. Key points contained in the study are summarized as follows:

- All 12 posts commented favorably on the NEC buildings and office space. Most stated that the buildings were considered a significant positive statement for the U.S. Government to the host country.
- There were 239 contract modifications as of this OIG report documented for all 12 case studies for a total cost of \$20,054,662. This cost represents approximately 2.6 percent of the total project funding.
- Of 12 case study projects, 11 used the design-build project delivery approach based on an evolving SED design prototype and proved that the overall timeline for executing a NEC project could be reduced by using a design-build delivery method. However, individual project contract durations proved to be too optimistic and need to be adjusted to accommodate a realistic duration that includes the needed time for design.
- Contract documentation records were disorganized and in most cases the contract record of negotiations inadequately explained the trade-offs and negotiations that led to the final scope and cost of the contract.
- The case studies revealed a systemic problem incorporating lessons learned, change requests, and post-recommended improvements in a timely manner for future projects.
- All 12 case studies documented significant planning, design, and space usage issues that cut across all aspects of a typical project.
- Maintenance and commissioning issues were also a common problem noted throughout the case studies. These issues represent a broad spectrum of problems brought about by compressed commissioning schedules and quality control issues.

- Operations costs were noted as an issue in six of the case studies. The major concern was that estimates were not provided by OBO or were inaccurate.
- Training of locally employed staff was reported as a significant issue in six of the case studies. There were two issues noted: the training and documentation provided by the construction contractor was inadequate, and the locally employed staff did not have the requisite background to maintain the sophisticated systems in a modern NEC.
- Consular design issues were noted in four of the case studies. These issues fall within the planning and design categories.
- Marine security guard quarters issues were noted in three of the case studies. These issues are related to the lack of living, entertainment and storage space. There was one report concerning privacy screening of the Marine security guard quarters from the NEC's offices.

CAPITAL SECURITY CONSTRUCTION PROGRAM

The OIG team strongly believes that two elements of the building program, design-build contracts and use of a SED, are key factors in the success of the CSCP and should be maintained for most, but not all, capital projects. However, the fast paced construction program and OBO's reorganized structure have produced significant issues that must be addressed to sustain an effective capital building program going forward.

OBO Organizational Structure and Issues

The limited capital construction program of the Office of Foreign Buildings Operations, the predecessor of OBO, was based on the design-bid-build delivery system with oversight by a traditional project management-based organization. This process was not best suited to implement a large-scale program to build 150 NECs over a 15-year period.

The previous director initiated significant organizational and operational changes designed to speed the construction process. Operationally, OBO embarked on a design-build philosophy using a SED. The traditional project management approach was eliminated in favor of the sandbox model—distributed accountability analogous to an assembly line. The OIG team notes that the sandbox approach was previously adopted by the U.S. Corps of Engineers in the 1990s, but was subsequently dropped when it was determined to be less effective than using a project management structure.

One of the key organizational adjustments that evolved over the last six years was that the Planning and Development Office was given the additional responsibility for project-specific development and the production of the Request for Proposal (RFP). The evolution of planning management and RFP responsibilities moved from the abolished Project Execution (PE) project management division to a PE planning and development division, and ultimately to two divisions within Planning and Real Estate (PRE) division in 2006. In late 2007, project planning and RFP development were consolidated into one PRE division; PE continued to be responsible for design development, construction execution, commissioning, and contract administration.

The structure that evolved was complex, requiring frequent organizational realignments in an attempt to overcome coordination and communication gaps inherent in the new structure. OBO offices involved in planning, design, and execution operated in semi-isolation resulting in low employee morale and organizational inefficiencies.

Examples of attempts to overcome the inherent sandbox deficiencies:

- A formal memorandum of agreement completed among the Design Engineering Division, Project Evaluation and Analysis Division, and Special Projects Division to coordinate technical services for NECs, an unusual step for offices in the same bureau.
- An unusual memorandum of understanding (MOU) was established between the Construction and Commissioning (CC) Division and Facilities Division, and signed by the division chiefs in December 2007 to clarify responsibilities for building turnover and warrantee management issues.
- In the CC Division, the Construction Planning and Integration Branch was established primarily to coordinate with other OBO offices, divisions, and bureaus on project-related issues, but this group adds an additional level of isolation between project executives and other offices.
- The Security Management Division established five GS-14 project integrator positions along geographical lines to enhance the division's coordination and communication efforts with other OBO offices, Diplomatic Security (DS), and the other tenant agency personnel. While the heavy travel requirements of project officers partially justify the new positions, these new positions further isolate the project officers from these elements.

Complex procedures and reporting requirements for construction projects called the OBO Process were established to coordinate project actions within OBO and among external stakeholders. While many of these procedures and reports are essential, they are often cumbersome and result in incomplete and inaccurate documents because of compressed time lines. For example, the Project Analysis Package (PAP), considered a key planning document, is often completed after the RFP is sent to the A/LM contracting office. In addition, the OIG team noted that the PAPs do not always contain all of the information required. (See Appendix C). OBO acknowledged the problems in preparing timely PAPs and stated that staffing shortages were a factor. As a result, PAPs were neither useful in development of RFPs nor as

a handoff document to PE. In the OIG team's view, the concerns are not just due to staffing shortfalls, but demonstrate the need for better distribution of the workload across the organization.

The following list of planning products demonstrates the complexity of the process culminating in the RFP:

OBO Planning Products

Planning Surveys and Analysis

Boundary, Topographic & Utility Location Surveys
Phase 1 – Environmental Site Assessment
Phase 1 Geotechnical Report
Recommendation Letter
Initial Planning Survey
Preliminary Site Utilization Diagram
Preliminary Blocking and Stacking Diagram
Technical Planning Checklist
International Project Risk Assessment
Site Maintenance and Development Plan
Energy and Environmental Report
Cost Estimate

Early Site Package

Site Rough Grading Plan
Tree Preservation & Removal Plan
Retaining Walls
Erosion & Sediment Control Plan
Demolition Plan
Specification
Early Site Work Cost Estimate

Preliminary Planning Documents

Blocking and Stacking Diagram
Site Plan Diagram
Site Demolition Plan
Phasing Diagram
Technical Planning Checklist
Cost Estimate

Integrated Planning Review Workshop Phase 1 & 2

Blocking and Stacking Diagram
Site Plan Diagram
Integrated Planning Review Report
Cost Estimate

Draft Planning Documents

Test-Fit Drawings
Space Program
NEC Master Site Development Plan
NEC Site Perimeter Plan
Site Utility Plan
Site Grading and Drainage Plan
Site Demolition Diagram
Phasing Diagrams
Cost Estimate

Value Engineering and Integrated Design Review

Test-Fit Drawings
Space Program
NEC Master Site Development Plan
NEC Site Perimeter Plan
Site Utility Plan
Site Grading and Drainage Plan
Site Demolition Diagram
Cost Estimate

Final Planning Documents

Test-Fit Drawings
Space Program
NEC Master Site Development Plan
NEC Site Perimeter Plan
Site Utility Plan
Site Grading and Drainage Plan
Site Demolition Diagram
Cost Estimate

Local Development Approval Package

Title Page
Mass Model/Site Perspective Drawing
Front Elevation Drawings
Site and Building Sections
Master Site Development Plan
Site Utility Plan
Conceptual Site Grading & Drainage Plan

Government Purchased Equipment
Phase 2 – Geotechnical Investigation Report

Request for Proposal

Section C
Section J

Interior Design Functions

During the inspection survey, a number of employees and senior management commented on the interior furnishing functions and specifically the interior design function as examples of the inefficiencies associated with the sandbox approach.

Until September 2006, the Interior Furnishings Division in the Office of Project Execution consisted of three branches – Office Facilities, Residential, and Program Management. In October 2006, the division was broken apart and reorganized into four branches in three different Directorates. Most of the Residential Branch and the Program Management Branch staff were moved into the Office of Operations Area Management Division. Some of the Office Facilities and Residential interior designers were moved into the Office of Program Development's Division of Program Evaluation and Analysis. The remaining interior designers from Office Facilities were relocated within the Office of Project Execution to the Design and Engineering Division.

The OIG team views the current structure as being quite convoluted. Several individuals have pointed out that the former Interior Furnishings Division worked reasonably well as one cohesive unit, and that the breakup has resulted in duplicating resources with each group performing only partial roles. The vast majority of the interior designers for the NECs complained that they were not able to follow their projects from initial planning through design development and completion. Many

viewed the over-specialization as an unnecessary waste of resources. All of the designers in PE complained that the original planning documents developed within the Planning and Development Division were not accurate and usually had to be corrected.

Based on discussions with OBO employees and written responses to inspection questionnaires, the OIG team believed that a realignment of professional interior designers into a single unit would benefit OBO operations, the quality of the interior designs, and employee morale.

Recommendation 3: The Bureau of Overseas Buildings Operations should consolidate the office facilities interior design personnel now in the Planning, Development, and Real Estate Directorate into the Design and Engineering Division of the Project Execution Directorate. (Action: OBO)

Construction Management

Capital Security Projects are passed to the CC Division of the Project Execution Directorate after contract award. Although project executives within CC were assigned to monitor the project through the planning and development process, they told the OIG team they were often, but not always, invited to attend meetings on projects in the planning and development stage, but were not active participants at that point.

Project executives do not see themselves as project managers. However, they are the officers controlling the design process immediately after contract award. One employee categorized their job as “pushing the buttons to get the work done” but said that they were not in charge of a project. Project executives do in fact fill the project manager void after contract award and are the primary persons identified in OBO, per the 2006 Construction and Commissioning Guide Book, for carrying through the project design and other commissioning and funding responsibilities. These responsibilities are shared when the on-site OBO project director (PD) comes on board.

The cadre of project executives assigned to the CC Division is a mixture of Foreign Service (FS) construction engineers, Civil Service personnel, and PSCs. All of the project executives interviewed by the OIG inspection team have exceptional backgrounds in the construction field and were well motivated. However, their experience level with the State Department and OBO programs and procedures varied widely.

The FS construction engineers may be new hires or returning PDs or construction managers from OBO overseas projects. Civil Service personnel gain extensive project management and OBO Washington experience but are not routinely assigned to overseas projects. PSCs are a mixture of new hires and retired OBO employees. With the exception of formal training for the contracting officer's representative (COR) and contract law, new hires only attend a series of two-hour seminars on the various programs within OBO. On-the-job training, mentoring, a detailed policy and procedures guide, and supervision by a senior project executive are the primary methods used to train new employees. FS construction engineers routinely rotate out of CC within a couple of years to become PDs or construction managers on overseas projects.

The distributed, horizontal organizational approach to NEC projects has three key divisions: planning, project development, and execution. There is no overall experienced project manager to closely coordinate the project from beginning to end. The entire NEC planning, design, and construction plan is noted as the OBO Process. The process consists of three areas called Program Wide, Project Specific-Planning and Real Estate, and Project Specific – Execution. There are 23 major events in the process that take a project from inception to contract award and nine events from contract kickoff to certificate of occupancy.

While OBO policy, procedures, and management briefings provided to the OIG team indicate that projects passing from planning to development to execution are well coordinated and seen as a smooth transition, OIG inspectors found this was not the case. Mistakes and lack of coordination in each phase of the project were reported by key personnel and in the project documentation reviewed for this inspection. For example, 13 modifications were added to all 2007 NEC projects after RFP award by CC. The modifications were known to be needed prior to RFP completion. The cost of the modifications was absorbed with project contingency funds.

The OIG inspection team concludes that attempts to make the sandbox approach work, have only been marginally effective and an alignment of functions and accountability is needed. The goal is to have an RFP development management process within a single directorate, thereby eliminating the handoff. The OIG team acknowledges that organizational changes have already been initiated by the Director Ad Interim to remedy some of these issues.

Construction projects are not under the umbrella of a dedicated project coordinator from planning through commissioning. The break point between planning functions that rightfully belong in the Planning and Real Estate (PRE) directorate and the planning functions rightfully transferred to the control and direction of a

project coordinator is logically after the initial planning survey and before the integrated planning review.

Accountability, project continuity, and clear lines of communication are critical when dividing the project-specific planning processes. For example, the development of the Space Requirements Program remaining within PRE; the Initial Planning Survey, and Integrated Planning Review may be best managed by the project coordinator.

Recommendation 4: The Bureau of Overseas Buildings Operations should integrate the project-specific planning, development, and design functions for capital construction and major renovation projects under the Office of Project Execution. (Action: OBO).

Recommendation 5: The Bureau of Overseas Buildings Operations should establish an office of project coordinators to oversee each major construction project. These coordinators should have project management expertise and be given the authority, responsibility, and administrative resources to oversee each project from planning to commissioning. (Action: OBO)

Standard Embassy Design and New Embassy Compound

One of the key criticisms in the Crowe report was the lack of funding available to construct NECs. Once the funding became available, the introduction of a SED using a design-build delivery system to accomplish the recommendations of the Crowe report, was one way of expediting the construction process. This would shorten design time by using a standard design and reduce construction time by using the design-build delivery system to meet the overall goal of placing embassy employees in secure, safe, and functional chanceries and consulates throughout the world.

During the development of the SED there was a concerted effort by OBO, with the assistance of the bureau of DS, to fully integrate and develop physical and technical security standards into the SED design and specifications. There was also a mandate by OBO management that waivers and exceptions would only be requested when absolutely necessary and only when there was full agreement between all responsible parties. The resulting generic SED design and specifications were fully vetted for conformity to security standards, which permitted faster and more accurate certification and accreditation of NEC projects based on this standard design.

Key Features

The SED encompasses more than the principal office building of the NEC. The NEC may also contain non-office support spaces including maintenance shops, Marine security guard quarters when a detachment is assigned to the post, utility buildings, Compound Access Control (CAC) facilities, a recreation facility, and parking. There may also be an unclassified office annex, if required. Warehouses, part of the original NEC plan, were dropped as a cost-savings measure for the CSCSP; they are now included only if justified by a business case analysis made by post and if post's current warehouse will be sold, demolished, or otherwise not used. Each SED-based project can be modified to meet post-specific requirements (e.g., higher volume of traffic for the consular section, variations in topography, unique political or cultural conditions in the host country, etc.).

The SED design is flexible. As of FY 2008, there are five versions, including one in development. Three of the four current SEDs are derived from the same standard plan optimally located on 10-acre sites and are scalable to fit embassies classed as small, medium, and large. A small embassy was generally 4300 gross square meters, with a construction cost of \$50 million and construction duration of 15 months. The medium embassy was 7,400 gross square meters at a cost of \$75 million and duration of 24 months. The large embassy was 11,300 gross square meters with a cost of \$97 million and duration of 28 months.

The OIG team found that mandated construction schedules were overly optimistic. The 12 case studies demonstrated that the schedules have added significant risk to the NEC projects, resulting in fewer contractors bidding on projects. Those contractors that participate tend to increase their bids to offset risk. The compressed construction schedules have contributed to contractor disputes. In early 2008, the Director Ad Interim acknowledged the problem and eliminated the mandated contract duration periods. He directed CC to establish optimum construction contract durations on a case-by-case basis, taking into account project specific conditions.

The fourth SED is the Standard Secure Mini-Compound, designed for posts with small staff and limited classified needs located on a minimum of four, but less than ten, acres.

The 10-acre requirement has resulted in many of the NECs being located outside of the city center. Several posts felt that this was detrimental to diplomatic, consular, and public diplomacy outreach. In early 2008, in response to post and regional bureau recommendations, OBO and DS began to develop a SED which could be more easily located closer to the city center. Unlike the current SEDs, which are

expansive low-rise office buildings, typically three to five stories, the vertical standard embassy design (VSED) will have a much smaller footprint but more stories.

The OIG team concurs that there is a need to locate some missions in downtown centers in order to effectively conduct diplomatic and consular operations. The OIG team also agrees that the 10-acre requirement and the SED are not well suited to such applications. However, attempting to develop a VSED to the level of detail of the present design models is a challenge. Available sites in major metropolitan areas such as London, Mexico City, and Madrid (three projects in planning) will vary widely in size and configuration. In addition, unique zoning and mission-specific requirements will likely affect the design of these facilities. An informal recommendation was made for OBO to consider developing only basic requirements for the VSED and using the design-bid-build method of delivery for each project.

OBO has successfully used the design-build delivery system and SED model for the vast majority of the Capital Security Program facilities. The success that OBO had with this approach dictates its continued use for projects that fit within the SED model. In addition to the VSED scenario, there may be other projects where the SED model, using the design-build delivery system, does not make practical sense. Some examples of projects that fall into this category include Embassy Beijing and the consulates in Guangzhou and Shanghai that have unique design requirements, projects with special or atypical space requirements such as consulates with extremely large consular sections, and projects to be built on unique sites where a SED design may be impractical. These projects require unique designs and the design-bid-build delivery system when it is advantageous to the government's interests and budget.

Standard Embassy Design and Design-Build Program

The major change in OBO's project delivery process from essentially a design-bid-build process to a design-build process drastically changed the approach that contractors must take to properly bid, design, and construct a NEC project. It requires that contractors be more sophisticated in their capabilities not only to manage the construction but also to manage the design, customer requirements, schedule, and compliance with codes, and to take on more risk for performance. In order to accomplish these project goals, they needed to staff projects with more experienced personnel not only to manage construction but also to manage all other design aspects of the project.

The planning and development of SED-based design-build projects have steadily changed since the program's inception in the 2002 CSCP. At that time, OBO project planning used detailed SED drawings, space planning documents, and an OBO-authored Architectural Engineering Design Guide. As the process matured, the SED interior design model became less prescriptive, with greater use of blocking and stacking diagrams, and replaced the Architectural Engineering Design Guide with the industry standard International Building Code. OBO also authored International Building Code supplements to specify a series of unique requirements for Department overseas facilities.

As a consequence of discrepancies and conflicts among the Space Requirements Program requirements, the blocking and stacking diagrams, and the SED design documents, Indefinite Delivery-Indefinite Quantity architect and engineer (A/E) firms were engaged to produce "test fit" drawings that are used for the project RFPs. This additional level of design effort utilized today for the NEC program is useful and desirable for clarifying design requirements, provided the test fits are accurate. However, in several instances the contractors stated that the test fits were in conflict with the Space Requirements Program requirements and probably added to the contractor's perception of added risk. This also deviated from what the industry would consider a traditional design-build project delivery process and produced a contractual RFP that would be considered a hybrid method of project delivery.

OBO is now essentially using for its capital building projects, a bridging methodology that is a hybrid of the traditional design-bid-build model and the design-build model. If implemented correctly, the bridging model retains aspects of both methods that are beneficial to OBO and eliminates aspects of both that often cause problems. However, OBO's RFP documents do not fully meet the industry standards for bridging documents. Furthermore, the documents contained in the RFPs are reportedly often in conflict and have significant omissions.

In a true bridging methodology, the OBO A/E would go forward with a level of effort roughly equivalent to the concept design development phase in a design-bid-build project delivery method. The basic concept is that the A/E will continue to develop the design and will produce drawings and specifications equivalent in level of effort to a concept design stage.

However, there are substantial differences, as these documents will form the basis of an agreement between OBO and a contractor in a design-build form of contract. According to a private company specializing in the use of the bridging method:

Typically, most of the architectural design work will be completed during this phase while most of the engineering design work, defined through drawings and performance specifications, will remain to be completed by the contractor's A/E, designer of record. The guiding criteria is that everything that should be fully designed and/or specified by the A/E is incorporated into the A/E's design documents in order to protect the government, the design, and the quality of the construction. Conversely, nothing should be fully designed and/or specified that can be adequately covered by code and/or performance specifications. Competing design-build teams will likely come up with highly cost effective solutions for these various elements of the project.⁶

The project RFP development process in conjunction with the implementation of the design-build project delivery process has caused several unintended consequences that could hamper future program execution if not corrected. These unintended consequences have resulted in the following execution issues:

- A declining pool of competitive qualified construction contractors
- Project shared risk imbalances
- Higher contractor contingency costs
- Unrealistic contract durations
- Concurrent RFP proposal periods that overload both A/QM staff and construction contractors

The last several years have seen a declining pool of competitive qualified construction contractors to bid for OBO work.⁷ Award data indicates that the same construction contractors get multiple projects and that it has been hard to attract qualified new contractors to bid for many of these OBO contracts. Construction industry groups' concerns and the OIG team review of various case study projects indicate that there needs to be a variety of RFP process improvements in order to attract additional competitive bidders. These issues are as follows:

- Provide for a realistic sharing of risk between what is asked of contractors and government responsibilities. If contractors perceive that there is a one-sided sharing of project risk, and organizational impediments remain in place that will not allow for the true benefits of the design-build approach to be fully utilized, they tend either not to bid for the work, to increase their cost for the work to cover all contingencies, and/or to submit a high bid for projects they really do not want to win. In effect, this will reduce the pool of qualified bidders over time.

⁶ Excerpt from "A detailed explanation of the Bridging method" by the Brookwood Group.

⁷ A review on the contractor issue by the GAO was ongoing during OIG's inspection.

- Provide for a realistic assessment of the required contract duration for each project and use that data for the contractual period of performance. Arbitrary contract durations that do not take into full account the design effort required, local conditions, geographic impediments, organizational impediments, and site conditions are all risk issues for contractors and may limit the number of bidders that are attracted to these OBO projects. The OIG team noted that the Director Ad Interim has addressed this issue.
- Provide fully coordinated design parameters in the RFP that are deconflicted and are ready for initiation of design. RFP documents, most notably the Space Requirements Program, Test Fit package, and SED design and specification documents, are almost always in conflict. These all need to be fully coordinated. If the effort is expended to do a coordinated Test Fit, then that should be the single contractual document for the contractors to follow for their design guidance. If high confidence in the Test Fit design is not achieved, then the design expense and time effort to perform a Test Fit should be refocused elsewhere. The goal must be to provide accurate design information and parameters that are consistent and do not require major rework. This will then achieve better contractor bids and improve schedule performance on each project.
- Project acquisition schedules need to be more realistically executed and spaced out throughout the fiscal year to alleviate the recurrent bunching of all contract solicitations and negotiations in the summer with most contract awards made in late September. This process has led to a less competitive contractor pool, less price competition, and a more one-sided negotiation environment. OBO agreed with this and stated that 2008 projects in Suva and Lusaka were awarded in this manner.

The project delivery process seems almost always to take all the available time such that the project documents are only completed for transfer to the acquisition team late in the fiscal year. This then leads to a compressed award process that puts the entire project team in a disadvantaged position in terms of an award deadline and in negotiating with the potential contractor. In reviewing a sampling of NEC projects from the 2002 through 2004 program years as part of its in-depth case study review, the OIG team found that only one out of 12 NEC case study projects was awarded in the middle of the fiscal year. The remaining 11 projects were all awarded in the last two weeks of September. This trend has continued in program years 2006-2008, which was after the RFP process was reassigned from PE to PRE.

This obvious year-end trend continues despite the fact that OBO materially changed its project delivery process from a design-bid-build process to a design-build process and added the application of a SED in the 2002 program year. These two initiatives should, but have not in fact, reduced the preparation and advertising time for these design-build projects. The Design-Build Institute of America and other industry groups have documented in various construction industry studies that the design-build project delivery method can save owners a great deal of time in both the preparation of the RFP and in the design or construction process. Although OBO has achieved overall time savings in total project execution time, it has not materially changed the pre-award RFP development process timeline that should be inherent in the design-build delivery method. The OIG team can only conclude that there is a process and/or organizational flaw in the current process that must be corrected to achieve the expected time savings in the pre-award stage of executing these projects.

Recommendation 6: The Bureau of Overseas Buildings Operations should conduct a top-to-bottom review of the RFP process for capital projects with the goal of producing direct accountability for a streamlined, less complicated and time consuming planning stage that results in a timely design-build RFP document that contains clear, realistic and nonconflicting guidance to prospective bidders. (Action: OBO)

The Embassy of the Future

The report on the embassy of the future from the Center for Strategic and International Studies recommends a comprehensive, distributed presence around the world that will allow for a broader and deeper engagement with governments, opinion leaders, and the global public.⁸ Designing this presence in each country should begin at post, tailored to local needs, and coordinated with the relevant Department bureau. The commission advocates the founding of a federally funded research and development center to support the task of analyzing the overseas requirements for this presence.

According to the report, the current Department construction program for diplomatic facility replacement needs to be continued. Embassies and consulates must be modern, safe, and functional places to work. Locations remote from urban centers should be avoided wherever possible, balancing the needs for diplomatic engagement and outreach against the need to manage security risks.

⁸ The Center for Strategic and International Studies (Cochairs George L. Argyros, Marc Grossman, and Felix G. Rohatyn), *The Embassy of the Future* (Washington, DC: CSIS Press, 2007).Center

As the Department, OBO, and DS look to the infrastructure of the embassy of the future, they must ensure that security best practices formulated over the last eight years are not diluted. The capital security projects being built today using the SED criteria represent a security model that should be viewed as best practices for our missions abroad as they effectively integrate existing Overseas Security Policy Board security standards with post's operational, procedural, and personnel security requirements. Weekly risk management meetings among OBO and DS personnel provide an appropriate venue for these discussions.

As new initiatives are formulated to meet the vision of the embassy of the future, risk assessments must be made to ensure that the lessons learned in the Inman and Crowe reports are preserved. Alternately, security best practices must constantly be reviewed against the ever escalating threats against our missions overseas and the benefits of new technology to counter the threats.

The report raises philosophical as well as operational questions about the conduct of U.S. diplomacy in an insecure environment. Beyond the traditional settings such as American Centers or Binational Centers, the report endorses the use of circuit riders and Virtual Presence Posts where appropriate. OBO has taken the lead in contemplating the future American physical diplomatic presence. It is essential that senior Department leadership weigh in and guide the decisions that must be made.

Recommendation 7: The Bureau of Overseas Building Operations, in coordination with the Bureau of Diplomatic Security, should document and include the security best practices into the infrastructure of the embassy of the future. (Action: OBO in coordination with DS)

Environmental Security Program - Chem/Bio Threat Protection

One of the most insidious yet understated threats against our overseas mission has been the specter of a chemical, biological, or nuclear attack. DS and OBO jointly developed environmental security design guidelines and briefed the Under Secretary for Management on February 11, 2000. The Under Secretary concurred with the proactive design efforts to address evolving concerns regarding terrorist activities for new office buildings. At that time, OBO was pioneering new technology.

In 2005, OBO conducted an exhaustive top level risk management review of the environmental security program, which included threat assessments from DS. The consensus to continue OBO's environmental security efforts was confirmed in a risk

management report dated June 2005. Last year the National Research Council of the National Academies for Science and Engineering published a comprehensive report on building protection against chem/bio threats and endorsed the methodology in OBO's design as the optimal passive protection system using today's available technology.⁹

In 2007, the previous OBO Director was provided detailed documentation indicating that the environmental security design for chem/bio protection required less than one percent of building space and less than one percent of first costs for new SED projects. PE originally estimated the annual operational costs for environmental security, including filter replacements and the additional fan energy required by chem/bio air handling units, at less than one percent of typical SED building operating expenses (BOE). However, the Planning and Development Division estimates that for 2007 projects, the space required added four percent to the building area (rather than one percent) and added 1.4 percent to operational costs for the first year, and that life cycle costs will be significantly higher.

The OIG team applauds OBO's innovative effort in the environmental security protection suite for NECs and believes that building environmental security should be addressed in the Overseas Security Policy Board security standards (12FAH-6).

Recommendation 8: The Bureau of Overseas Buildings Operations, in coordination with the Bureau of Diplomatic Security, should validate the environmental protection requirements for new embassy compounds and then codify them into the Overseas Security Policy Board security standards. (Action: OBO in coordination with DS)

⁹ National Research Council, *Protecting Building Occupants and Operations for Biological and Chemical Airborne Threats*, June 2007.

IMPROVING PROJECT DESIGNS AND ADDRESSING CUSTOMER CONCERNS

Over the years the SED has evolved and matured. There are three principal mechanisms to make changes to the SED: Post Occupancy Evaluations (POE), Lessons Learned, and Standards Change Requests (SCR). In addition, OBO meets regularly with regional and functional bureaus to address areas of concern including changes to the SED or post specific modifications. Individual posts may also reach out to OBO staff or to the Director.

In FY 2002, the first NEC contracts were awarded under the CSCP, creating the “SED class of 2002.” The SED was envisioned as an evolving, not static, design. Each year adjustments are made to the design, so that each “SED class” after 2002 reflects modifications based on practical experiences with the prior design class. Because of normal construction schedules, the first SED posts did not take occupancy until mid or late 2005. OBO generally waits until a NEC is occupied for a minimum of 12 months before conducting an assessment of building functions to consider possible changes to the standard design.

Adding together normal planning, budgeting, and contracting schedules, plus the building break-in period means that it could take anywhere from two to eight fiscal years before a specific project might produce a proposed change to the SED process or design.

Post Occupancy Evaluations

In 1993, OBO’s predecessor, the Office of Foreign Buildings Operations, adopted the industry standard POE process to evaluate newly constructed and occupied buildings. The POE program has shifted between PE and PRE and is now managed by the Standards Maintenance Branch of Planning and Development (PRE/PDD/SMB) as part of the SCR process cited below. Between 1993 and December 2007, 25 POEs were produced.

POEs evolved from exhaustive reports based on findings of large teams that visited post more than a year after occupying a new building to a combination of actual POE visits to post by a smaller team of experts and virtual or electronic POEs whereby information is collected electronically via a questionnaire from a selection

of post users (including the management officer, facilities manager, and regional security officer). A POE typically takes place between 12 and 18 months after occupancy. As currently structured, the POE does not solicit post-initiated lessons learned cables transmitted within months of occupancy, nor does it incorporate such voluntary submissions into the POE products. In fact, some in OBO regard these voluntary submissions from post as not helpful or useful to the internal SCR process.

The current POE process is designed to focus inquiries on technical disciplines, which may result in improvements to the SED or SED processes that will decrease costs or increase functionality for the same cost. The end product is shorter, a PowerPoint presentation, which is delivered to the OBO front office within 45 days of completion of the POE process.

Lessons Learned

Initially, OBO/PE handled suggestions, comments, and complaints from PDs, contractors, and NEC occupants without a formal structure in place for noting, assessing, and accepting suggested improvements to the SED. In August 2004, OBO formed a Lessons Learned Committee to weigh possible changes to the SED gathered from a wide range of sources (including, but not limited to, PD reports, post-generated lessons learned cables, bidder inquiries, industry best practices, and new industry technologies and processes). The committee members represent a cross-section of OBO technical expertise; during their weekly meeting, they vet possible changes to the SED.

Standards Change Request

In 2006, the SCR process was established in PRE to bring discipline and transparency to the SED modifications. The previous Director of OBO required that modifications and SCRs reduce costs or have a “no cost” effect; changes that might have been cost efficient in the long run but required higher initial funding were generally not considered unless required by changing security requirements. The previous Director personally authorized every single change to the SED. The current SCR process appears to be successful as the sole means for changes to be incorporated into the SED. Since 2006, out of approximately 120 SCRs, more than 40 changes to the SED were approved.

Unlike lessons learned in PE, SCR does not have a standing committee to evaluate proposals. It must assemble technical experts for each new proposal, a difficult, time-consuming process.

During the course of the inspection, OBO senior leadership determined that the SCR process would better support the evolution of the SED by moving it from PRE into PE. This change was being formalized as this report was written. The OIG team supports this move.

Improving Future Projects

OBO was correct to create a system to assess technical changes to the standard embassy design. There does not seem to be a similar system in place to gather and assess a broader range of project-specific lessons learned which could be adopted quickly into existing NEC projects or in the upcoming fiscal year's NEC RFPs. As it currently exists, the SCR process appears to focus narrowly on approving changes to standard embassy designs and not on the overall process of gathering, evaluating, and implementing lessons learned whether they be technical specification changes, SED design changes, site specific requirements, or contractual and administrative RFP changes.

OBO receives information from a wide range of sources which could contribute to streamlining and improving the whole CSCP: contract amendments issued before award; numerous changes noted in contract modification files; contractor suggestions; feedback from the project designers of record; project completion reports submitted by PDs; post generated cables on best practices; and practical observations by the Bureau of Consular Affairs, the Office of Medical Services, and other agencies with offices in the new NECs and SEDs. These suggestions are addressed piecemeal, creating a costly cycle of repeated problems. Improvements to the contract documents and the RFP need to be reviewed and incorporated into the subsequent contracts with greater speed.

Working Groups

OBO uses an increasing number of working groups to communicate internally and externally on a wide range of issues and subjects. There appears to be little communication among these working groups. There also seems to be no effective way to track the work of individual groups to coordinate, integrate, or mediate their efforts.

Among the external working groups, the most effective are those on intelligence and security. The likely reason for the success of the groups is the presence of experts working full-time at OBO headquarters. This report is not suggesting that other bureaus and agencies such as Consular Affairs, the Office of Medical Services,

the U.S. Agency for International Development, or the Department of Homeland Security detail technical experts to OBO. They do not have the staff or the technical expertise.

OBO, however, does have the staff and the expertise which could work full time as a liaison with other bureaus and agencies to incorporate their needs and suggestions into the overall SED/NEC process. The staff could be consolidated into a new or existing office and would function as the single point of contact responsible for communicating suggestions, issues, and concerns from other bureaus and agencies to the appropriate OBO action offices and to internal working groups. As such, this office would ultimately be accountable for ensuring that other bureaus' and agencies' needs were understood and met by OBO or, in the case where the specific needs could not be met, a mutually understood explanation would be offered.

Instead of multiple external working groups, OBO should initiate one multibureau, multiagency working group that meets annually or semiannually. During the meeting, OBO would brief participants on the status of Capital and Non-Capital Construction projects, schedules, and budgets. OBO should be prepared to receive suggested changes in advance of the meeting and explain to the group why changes can or cannot be accommodated. Non-OBO participants should be authorized by their respective bureaus and agencies to accept, reject, or negotiate offers or suggestions by OBO during the meeting.

Internally, OBO's working groups are not organized by discipline (e.g., architecture, space planning, security, maintenance, IT, etc.) to initiate, vet, and suggest for approval, changes to the standard embassy design, as well as overall system improvements.

Recommendation 9: The Bureau of Overseas Buildings Operations should streamline the number of internal and external working groups under a single unified coordinating office to address current and future construction issues. (Action: OBO)

Recommendation 10: The Bureau of Overseas Buildings Operations should establish a nimble, time-sensitive process which solicits comments from agencies, bureaus, and posts; documents short- and long-term suggestions; and expeditiously incorporates those comments and suggestions into changes and improvements to the overall Capital Security Construction Program. (Action: OBO)

COMMISSIONING OF CAPITAL CONSTRUCTION PROJECTS

According to OBO's stated policy, commissioning provides a comprehensive, systematic process for verifying that a facility performs according to the design intent, is operationally efficient and maintainable, and meets safety goals and security requirements. Commissioning entails the organization and control of the activities required to ensure that the transition period between completion of construction and occupancy will proceed without delay and will result in a complete and usable facility that meets all functional requirements. Commissioning activities begin at the project contract award and continue until the expiration of the one-year warranty period of the operation and maintenance phase.

Nevertheless, commissioning of a NEC project has different meanings and expectations for various OBO offices, the post recipient of the NEC project, and stakeholders within the Department and other foreign affairs organizations. The formal commissioning process that resides within the CC Division's Technical Support Branch primarily addresses commissioning elements within the construction contract. Project executives, within the CC Division's regional branches, view commissioning as the coordination of activities to achieve security accreditation and ultimately a certificate of occupancy. The project executives also work to coordinate and schedule commissioning elements from other OBO offices such as fire, security management, and the security engineering branch as well as other government entities that perform work within the NEC.

The commissioning process must reflect the broader sense of the program. The post, the ultimate customer of the OBO construction project, considers commissioning to mean that the project is complete and all systems (including communication, computers, technical security systems, etc) are installed and operational. In addition, all training of post personnel has been satisfactorily completed and all spare parts and documentation required by the contract have been turned over to post. Currently, all commissioning activity oversight, responsibility, and documentation primarily reside with the PD in the field, who must satisfy all commissioning expectations. The following list demonstrates the wide-range of activities associated with getting a project from the point of substantial completion to ready for occupancy.

Commissioning Activities Generally Included in New Embassy Compound Projects (Abbreviated List from New Embassy Compound Accra)

- Commissioning agent participation in design reviews
- Commissioning agent reviews contractor maintenance training
- Spare parts, manuals and equipment turnover
- As-built drawings and other project documentation
- Final fire pump and fire alarm inspection testing and certification
- Telecommunications cable testing and certification
- Permanent technical security systems inspection and certification
- Physical security systems inspection and acceptance
- Elevator inspection and certification
- Building electrical systems acceptance
- Commissioning post generators
- Furniture and furnishings installation inspection and acceptance
- Special construction final inspection and testing
- Telephone system testing and acceptance
- DS accreditation
- Mechanical systems testing and certification
- Building Automated System commissioning
- Communication antenna and equipment installation and testing
- Prime mission equipment installation and testing
- Public Affairs TVRO and CNN Antennas installation and testing
- Classified local area network installation and testing
- Unclassified local area network installation and testing
- Maintenance plan (Work Order for Windows (WebWOW) Database)
- Completion of punch list items
- Occupation planning by post

The commissioning activities of a NEC project are the most commonly discussed and maligned issue from the posts' perspective as reported in OIG's world-wide survey and inspection reports. Posts have criticized non-operational equipment; long punch lists that impeded post operations; lack of training for post personnel; and lack of documentation, spare parts, and specialized maintenance tools. Quality of construction and workmanship has also been noted.

The CC Division has attempted to improve the commissioning effort. OBO has initiated an independent commissioning independent delivery-indefinite quantity contractor program that works for, and reports directly to, OBO for the FY 2007 capital projects. This new OBO initiative is in line with industry best practices.

The commissioning firm is to provide support to OBO in commissioning and turnover of the construction project through the commissioning agent at the construction site and through the commissioning firm's corporate or subsidiary office. The commissioning agent is to be a part of the OBO PD's site team. The PD is the primary point of contact at site; in Washington it is the OBO COR for the contract. The commissioning agent is to participate in the independent review of the design to be prepared by the design-build contractor and will coordinate with the project executive of the CC Division. Preliminary data suggests that the independent commissioning agent program, working directly for OBO, has merit and should be continued. However, Washington oversight of the field activities of the commissioning agent should be strengthened.

Need for Greater Accountability at Bureau of Overseas Buildings Operations Headquarters

The commissioning process, in the broad sense, is not comprehensively monitored or documented in Washington. There is no single office or person responsible for overseeing the PD's progress in commissioning activities and producing a comprehensive report for OBO management on these activities. Presently, individual disciplines inspect and accept their systems and provide the results directly to the PD for action. In addition, the inspection individuals or teams write trip reports upon return to Washington that include the results of their work. The trip reports are not uniformly circulated within OBO and do not form the basis of a consolidated commissioning tracking and compliance record. Follow through on project issues from these commissioning trips is left in the hands of the PD. Compliance reports from the PD are not required to close the loop on identified issues. Certain life safety issues or security accreditation deficiencies are more aggressively tracked because of code or statutory requirements and are the exception. However, it was noted that the accreditation punch list items for the recently completed and occupied NEC in Panama were not done and a followup trip to post is scheduled to revisit the issues. OBO has since begun a more aggressive followup to punch lists and accreditation issues on new projects.

OBO has acknowledged commissioning problems and completed MOU between CC and FAC signed by both division chiefs in December 2007. The MOU was entitled, "Embassy Capital Security Construction Program Building Turnover and Warranty Administration." Its stated purpose was to clarify the responsibilities of each party (CC and FAC) related to building turnover and warrantee management issues as related to the capital construction program. The fact that two divisions within OBO believe that an MOU is needed clearly demonstrates more oversight and accountability over commissioning activities is needed.

A Washington-based program, under the direction of the project coordinator, would facilitate coordination of all commissioning activities for a given project, culminating in a comprehensive report before the certificate of occupancy is requested.

Recommendation 11: The Bureau of Overseas Buildings Operations should establish a comprehensive Washington-based program to coordinate, monitor, and document commissioning activities for all trades and activities associated with a construction project. (Action: OBO)

PROJECT DOCUMENTATION

Project documentation from planning to commissioning is extremely difficult to obtain. Documents are not systematically recorded or filed, and historical documentation in many cases has been lost. Each OBO office tends to save electronic media files in its own way without agreed upon naming conventions for folders and files. CC division personnel primarily use the OBO shared drive to maintain their information; however, each officer tends to maintain data differently. The Planning and Development office primarily uses OBO's DataStor database to store much of its project information, but the data stored does not conform to uniform naming and filing conventions. Building Management Information System (BMIS) is used for a variety of purposes such as tracking the SCR program. Documentation necessary to track changes in project scope, funding, and stakeholder's requirements and comments is lacking. BMIS is not available to stakeholders outside of OBO. The one notable exception is the information placed on ProjNet, which is available to all persons who require project information.

Historical documentation of hardcopy material within CC is also in disarray. While a storage area exists within CC, documents including designs are not stored in an organized and systematic manner. Similar to electronic media filing, project executives store their hardcopy documentation in a manner to their own liking.

OBO Link is another database project created by OBO. The OIG team's effort to gain access to OBO Link to conduct research for their case studies was hampered by log-on issues that took several months to resolve. However, when access to OBO link was finally established, the results were disappointing. While the system was set up with many subject folders within country folders, there was very little data stored on the system. The information was not useful in conducting the case studies. Interviews with OBO employees indicated that they do not routinely use OBO link to store data.

Much of the capital construction project documentation is maintained by PDs in the field. This documentation, especially for commissioning, is not duplicated in Washington files; but is turned over to post at the completion of the construction project by the PD. Project sites are not routinely provided unclassified and classified local area network access. Providing the onsite project management team direct computer access would facilitate the rapid exchange of data necessary for headquarters oversight.

PDs are required to complete a comprehensive project completion report at the end of their project. A review of these reports for the case studies showed that they range from poor to exceptional. Some reports contain extensive lessons learned information, PDF documentation on project modifications, and commissioning data. Some reports are prepared late. The report for Embassy Belmopan, a NEC project completed over a year ago, was recently forwarded for review in draft.

Recommendation 12: The Bureau of Overseas Buildings Operations should establish and enforce a project documentation database that provides essential information from planning to commissioning in a readily retrievable format. This information should be made accessible to personnel within the Bureau of Overseas Buildings Operations and other State Department entities that require the information in a read-only format. Key documentation presently maintained only by the PD in the field should also be archived to this database. (Action: OBO)

Recommendation 13: The Bureau of Overseas Buildings Operations should establish a mandatory outline for a comprehensive Project Director's project completion report with an appropriate deadline for completing the report. (Action: OBO)

OPERATIONS AND MAINTENANCE FOR NEW AND EXISTING FACILITIES

The mission of the Operations Directorate is to serve as an overseas post's point of contact within OBO and to provide services and funding for the operation and maintenance of existing overseas facilities. During the inspection, the Director Ad Interim proposed and the Under Secretary for Management approved a reorganization which will move the Facility Management function and related maintenance funds (7901) from the Operations Directorate to the Project Execution Directorate. This realignment was designed to ensure that the Department's investment in NECs is protected by proper maintenance and to improve coordination and transparency within OBO and among client bureaus. OIG reviewed the following functions:

- Area Management (AM)
- Facilities Management (FAC)
- Safety, Health and Environmental Management (SHEM)
- Fire Protection
- Art in Embassies

Area Management

The Office of Operations Area Management Division serves as the primary contact with overseas posts for customer service support, relaying OBO's message to the field and posts' facilities concerns to OBO. It also manages the budgets for leasehold, routine maintenance, special maintenance and improvement, and major repair accounts. (1 FAM 285.1 details AM's role in OBO.) The role of AM has been decreasing in recent years and FS personnel no longer view an assignment there as desirable. The Director Ad Interim recognizes this and is attempting to reinvigorate the function.

A total of 123 responses were received from OIG's worldwide survey. The great majority rated AM services favorably (from satisfied to extremely satisfied) and four posts singled out specific AM officers for special praise. Many said that communications with AM were excellent and the support that the office provided was helpful and constructive. Four posts pointed appreciatively to instances when their AM officers advocated on their behalf for much needed special projects and funding. Seven posts were critical. One complained that its AM officer dragged his feet on a special

project at the deputy chief of mission's residence, recommending instead small, less costly, and less effective cosmetic repairs. Another criticized its AM officer for being unreachable and unresponsive to e-mail and other queries, and complained that information from that office is sometimes contradictory. Because of constant staffing changes in AM, one post described AM as "totally incompetent." A hardship post felt strongly that its AM officer constantly questioned its requests and dodged answering its questions. It complained that routine maintenance and repair (M&R) funding was sent late and only after multiple requests.

Several posts expressed frustration with AM's chronic shortage of funding and its inability to fund special projects. Many posts had given up submitting requests for routine maintenance and repair to U.S. Government-owned or long-term leased properties (commonly referred to by its budget function code of 7901) or for special projects (commonly referred to by its budget function code of 7902) because they believed they would not be funded. The lack of resources to assist posts is likely a key reason that the AM function has diminished.

AM was once a key player and had a very influential role in dealing with overseas posts. The division historically served as OBO's primary link with embassies and domestic regional bureaus, and enjoyed a very favorable reputation for embassy advocacy and astute managerial and operational effectiveness. FS officers coveted assignments as AM officers because of the nature of the job and the increased prospects for desirable follow-on assignments. AM officers played a central role in managing their posts, controlling resources, and clearing or approving any actions proposed for their posts. This decade, however, their roles and influence waned. Contributing factors included a marked decline in the previous Director's engagement with and interest in AM, prolonged staffing gaps, and chronic funding shortfalls in unheeded maintenance and repair accounts.

OBO senior management recognizes that AM must be more assertive in planning and managing post support. 1 FAM 285.1(3) requires that AM be OBO's primary contact with posts. The Director Ad Interim reopened lines of communications to the regional bureaus and encouraged several seasoned veterans to accept assignments to AM. To underscore AM as the primary point of contact for handling support, issues and concerns, he directed that AM be consulted and included in all issues concerning post support and whenever actions are contemplated at any overseas post. AM is also to be included for clearance on all outgoing cables and on all communications with the Director. OBO is attempting to elevate the director of the Operations Directorate to the Principal Deputy Assistant Secretary, thereby elevating the AM function within the bureaucracy. This may make the positions somewhat more desirable from a FS perspective.

Safety, Health and Environmental Management

The Safety, Health, and Environmental Management (SHEM) Division plans, coordinates, and administers the Department's overseas safety, health, and environmental management program, including policy development, program audits, training, environmental health and safety hazard identification, and investigation of major accidents, injuries, and environmental incidents. The majority of posts found SHEM personnel to be responsive, helpful, and knowledgeable on their visits to posts. Communications between SHEM and posts were rated excellent and support was rated outstanding. Posts expressed appreciation for SHEM's training programs, but one post suggested that training times at post be shortened from a week to two days to save money. One small post found SHEM requirements "somewhat onerous." A few posts noted that while SHEM requires fencing for pools, it fails to provide funding. One post complained that it was unable to get training for its Post Occupational Safety and Health Officer assistant. SHEM has not provided the bureau assistant with training opportunities and will not allow the assistant to attend Post Occupational Safety and Health Officer training seminars.

Fire Protection

The Fire Protection Division (FIR) in OBO's Operations Directorate is responsible for implementing the Department's overseas fire protection program, established to reduce the loss of life and property caused by fires at overseas facilities. FIR establishes fire/life safety standards and policies, monitors and assists with maintaining fire protection systems, and replaces fire alarm detection systems in principal buildings as needed. In general, post response to the support from FIR was rated from good to excellent and lauded FIR's training provided to posts. However, some posts mentioned that many requests had not been answered or acknowledged in a timely manner or they had considerable difficulty receiving promised fire extinguishers. In contrast, other posts specifically mentioned how responsive FIR has been to date.

Previous management assigned fire protection engineers from FIR to the Design and Engineering Division. These engineers are responsible for design reviews of NECs and the establishment of specifications for, and the commissioning of, fire suppression systems. During the commissioning process, the fire engineers perform their final inspection of the fire protection system to verify its compliance with the contract documents and governing standards for system commissioning and acceptance. After completion of the inspection, the fire engineers send a detailed report of their findings to CC's director. However, FIR, which is responsible for maintaining fire suppression systems after expiration of the systems' one year warranty, had not been included in the report distribution. As a result, FIR was unaware of the

problems described in the reports to OBO/PE/CC's director, which would have provided FIR with helpful details of possible future problems.

During the OIG inspection, the Director Ad Interim for OBO changed this process. FIR has now been tasked to take over the commissioning function and issue the final system certification. By moving the certification from Design and Engineering Division to FIR, OBO is more in line with the way cities and municipalities work. In addition to this new responsibility, FIR has also been tasked to reinspect and recertify every fire suppression system of all completed NECs to date. Once the reorganization is in effect, the fire engineers in the Design and Engineering division of Project Execution will be involved in the original design of the fire suppression systems, including the early stages of planning, to ensure that the designs are followed. FIR engineers will be involved with the project at the 50 percent construction level and if any descoping takes place, that is, if any original requirements are eliminated from the project in order to stay within the budget.

Required Fire Inspections Not Being Performed

The OIG team was advised that because of funding limitations, FIR tries to schedule post inspections every three years. They would like to make it an annual inspection. The Department of Labor, Occupational Safety and Health Administration regulations require that fire extinguishers, sprinkler systems, and hose systems are inspected annually and fixed semiannually. These requirements are contained in 15 FAM 812.2 Fire Inspections. The FAM paragraph states that post management must periodically, at least annually, survey fire protection and exit systems to ensure they operate and function as installed. FIR officials stated that most posts only do minimal inspections because they do not have trained staff. According to OBO/FIR, post personnel conducting fire inspections must be certified in fire and life safety systems and have at least five years experience in the field of protection. Also, the FAM does not require an annual report of the inspection nor does it specify that the inspections are to be accomplished by appropriately trained personnel.

Recommendation 14: The Bureau of Overseas Buildings Operations should update the 15 FAM 812.2 Fire Inspection requirement to include that posts submit an annual report of findings for fire inspection. (Action: OBO)

Recommendation 15: The Bureau of Overseas Buildings Operations should perform fire inspections at overseas posts annually using either appropriately trained post personnel or headquarters staff. (Action: OBO)

Art in Embassies

The Art in Embassies (ART) program plans and implements international, cultural communications through the display of original American art in U.S. ambassadorial residences, coordinating the selection, packing, and shipping of art work; arranging for insurance; and monitoring worldwide exhibitions. Of those that responded to OIG's survey, the majority was satisfied with the program and characterized it as professional, responsive, and helpful. However, one post complained that ART had not consulted with it in placing art in the NEC. Another criticized the lack of post input in selecting art pieces that it said were culturally inappropriate and offensive. One suggested that Americans and Foreign Service Nationals at post be consulted in choosing artwork for the NEC.

The ART program is a valuable program that relates well to the interior furnishings role that OBO plays, although some have suggested that the program fits better elsewhere, perhaps in Public Diplomacy.

Facilities Management

The Facilities Management (FAC) Division of OBO/PE provides global support in operating and maintaining the Department's overseas facilities and facilities-related equipment at posts. FAC's technical experts provide professional support for the operational maintenance of overseas buildings. FAC does this by analyzing data furnished by posts from the field. FAC employs its maintenance expertise to perform specific maintenance program planning and budgeting.

Of those responding to OIG's survey, the majority were satisfied with the program. Posts were generally pleased with the support provided by FAC and felt the division was responsive to their needs. There were, however, some dissenters (eight posts). One post stated that FAC had not been supportive and was quick to point to other OBO offices to find solutions to post issues. Another said it was not satisfied with FAC and stated that there seems to be a general inability to answer or return emails sent by post. A hardship post recounted the difficulties in getting timely FAC responses to its generator and uninterruptible power supply needs. Three posts complained about the assignment of facilities managers to their posts, one calling the process opaque. This process has now been devolved to the Office of Career Development and Assignments by the Director Ad Interim. Another described the difficulties in dealing with the FAC office previously responsible for FM assignments and the long delays in getting responses. The post claimed that it got relief only

when the ambassador threatened to withhold country clearance for OBO personnel assigned to work on another post project. One post criticized the lack of support and visits by a regional FM.

FAC is adequately staffed, but staff is not optimally distributed within the division. Some sections were underutilized, others without budgets supplied only specialized manpower to support other branches, and some consist of only two persons to handle elevator problems worldwide. FAC suffers from a chronic shortage of funding, which limits its ability to respond to post needs. Nevertheless, FAC utilizes 7901 and 7902 funding prudently and together with funding from other sources including International Cooperative Administrative Support Services (ICASS) and bureaus, delivers much needed services to posts. In one instance, the OIG team observed that FAC, working closely with AM, reacted swiftly and favorably to a request for emergency generators for South African posts totaling over \$4 million. FAC also stepped in to bring together the contractor and CC to broker resolution of outstanding punch list issues in a NEC handover at another post.

The Facilities Management Division provides posts with technical assistance and support for managing and maintaining diplomatic facilities abroad, including maintenance and condition inspections, preventive maintenance program development, and engineering and hands-on technical support. Major programs, with some contractor support, include roof and various building systems repair or replacement activities, electrical generating and conditioning equipment, elevators, and hazardous materials abatement.

During interviews with FAC employees, the OIG team found universal unhappiness that FAC had been split from the rest of OBO and moved to a separate facility far from other parts of OBO with which it needs to interact regularly. The OIG team found low morale, and most employees felt marginalized and said the organization treated them as second rate. In a widely applauded move, the Director Ad Interim has already decided to relocate the division back to OBO and has identified space within OBO to house them.

Facilities Management Program

The Facilities Management Program (FM) was established in 1991 and its aim is to place facility managers (FMs) on site at embassy and consulate compounds worldwide to maintain building systems and equipment in government-owned and long-term leased properties. Employed as direct-hire FS specialists, there are currently 155 FMs assigned to 139 posts. Depending on the size of the post, the FM is supervised by either the management officer or the general services officer. The

FM program is required to ensure that an FM is assigned to a NEC six months prior to and six months after the facility is commissioned. Unlike other FS officers and specialists whose positions are centrally funded, FM positions are funded by OBO.

Entrance requirements are being strengthened at the present time. FM candidates must have an engineering degree or equivalent technical experience, and a minimum of five years prior experience as an FM. Increasingly, OBO requires that candidates also have significant management experience. The OIG team heard complaints from OBO employees and in interviews with the regional bureaus of FMs who, while technically competent, lacked the necessary skills to manage a large and sophisticated maintenance program in a diverse embassy environment. The Director Ad Interim has undertaken a major effort to professionalize FMs. From a managerial perspective, this makes sense to the OIG team. The Director Ad Interim is working to assure that the facilities manager reports to the management officer at post. He is seeking to elevate them and maintenance issues to a higher priority at post and is establishing through FSI a new and separate training program, identifying regional responsibilities, and unifying several separate funding streams (as recommended by GAO).¹⁰ His proposal includes exploring a new title for the facilities manager specialist skill group 6217.

The Director Ad Interim realigned the program from the Operations Directorate to the Project Execution Directorate to enhance full life cycle facility from accountability in construction to decommissioning and to address issues that the OIG team has also cited above.

FMs will be required to undergo specialized training. Newly hired FMs currently attend only the 10-week general services officer course as required training. OBO will work closely with FSI and HR to develop a training continuum for FMs to include an expanded offering. The reporting structure at post will be changed to reflect that FMs are full members of the management team and report to the management officer at posts as distinct from a technician reporting to the GSO. OBO will provide more robust regional support in close collaboration with the regional bureaus. And lastly, funding should be streamlined and unified so that the funding stream can be easily identified and tracked as GAO had requested.¹¹

¹⁰ GAO Report No. GAO-06-641, *Embassy Construction; State Has Made Progress Constructing New Embassies, but Better Planning Is Needed for Operations and Maintenance Requirements* (June 2006), p. 42.

¹¹ *Ibid.*

Regional Facilities Maintenance Support

OBO has considered for a number of years the need to establish regional offices to provide real-time facilities maintenance support to posts within a geographic region. The NEC construction over the past seven years and the complex building systems being installed have made the requirement for support to the field even more important. The establishment of regional support offices could provide vital assistance to posts without full-time facilities managers for operations and maintenance issues, special projects, emergency requirements, or the unanticipated absence of an assigned FM. As part of its operations and maintenance (O&M) program review, OBO and the regional bureaus are exploring the best way to provide appropriate regional support for the Department's real property assets. The decision must weigh the advantages of timely response from a regional location versus the cost of basing support overseas, as well as the full-time employees needed to staff the offices. Contracting support is another proposed area being evaluated.

OIG's inspection of Embassy Abidjan noted that the Embassy did not have trained and qualified personnel to maintain the critical elements of the HVAC systems.¹² The post had to bring in a private contractor from South Africa for emergency repairs at a cost of about \$9,000 per visit. OIG's Abidjan inspection report recommended that the Bureau of Management, Office of Management Policy, Rightsizing, and Innovation (M/PRI), in coordination with the Bureau of African Affairs and OBO, determine how best to fund and provide trained and qualified personnel who can maintain and repair critical infrastructure systems at Embassy Abidjan and other posts with NECs in Africa. In its response, M/PRI agreed that additional regional support would help Abidjan and other African posts manage and protect the significant investment the Department has made in NECs on the African continent. M/PRI suggested, however, that the Bureau of African Affairs and OBO consider a regional maintenance contract, supplemented by Washington-based TDY support, before creating a U.S. Government-staffed regional support center in Abidjan or elsewhere. Whichever option is chosen, it is clear that OBO must do more to support posts faced with operating and maintaining technically complex building systems at our new facilities. Posts in other regions, as well as AF, might be in need of similar assistance.

The Bureau of Diplomatic Security has adopted the practice of using Regional Support Centers for maintenance and repair of security equipment at embassies and consulates. This has replaced the more costly use of security equipment maintenance and repair teams located in the Washington D.C. area and deployed to posts when problems arose. Regional Support Centers are staffed by foreign national-hired security technicians who are trained at the Diplomatic Security DS Training

¹² OIG report No. ISP-I-08-10A.

Center on all types of security equipment currently in inventory. This program is highly successful and has saved money in terms of long distance travel and salaries.

As the cost to operate and maintain the Department's new facilities continues to increase, it would seem logical that some of the Department's share of the costs associated with the actual maintenance of the building systems—such as preventive maintenance and service contracts—be properly funded by OBO. The costs could still be shared by all tenant agencies through International Cooperative Administrative Support Services (ICASS), but OBO should shoulder the burden of budgeting for and justifying the funding.

Recommendation 16: The Bureau of Overseas Buildings Operations should develop and implement an action plan for how best to provide the training, preventive maintenance, and service support to posts in areas of the world where such support is not available to ensure that the facilities can be operated and maintained as intended, using cost sharing principles to the extent possible. (Action: OBO)

Planning and Budgeting for Operations and Maintenance

Because funding for overseas facility operations and maintenance comes from multiple sources outside of OBO's control (ICASS, the bureaus, and other agencies), it has been difficult to determine accurately what it costs to operate and maintain the Department's facilities overseas. As recommended by the GAO and agreed to by the Department, an integrated comprehensive facilities plan that clearly specifies the financial and human resources for meeting the immediate and long-term operations and maintenance requirements of the Department's overseas facilities is essential.¹³ Absent articulated requirements, appropriate funding cannot be justified. The multi-billion dollar investment in our facilities overseas is being put at risk.

Costs to operate and maintain U.S. Government facilities overseas are shared by the regional bureaus through their Diplomatic and Consular Program appropriation, by the tenant agencies through ICASS, and by OBO through its Embassy Security, Construction and Maintenance appropriation. While all of these costs are often lumped together as operations and maintenance, they fall in to two separate categories—BOE and M&R.

¹³ GAO report No. GAO-06-641, *Embassy Construction, State Has Made Progress Constructing New Embassies, but Better Planning Is Needed for Operations and Maintenance Requirements* (June 2006).

In June 2006, the GAO report assessing OBO's progress in constructing NECs concluded that OBO did not have a system in place to identify the operations and maintenance funding requirements for these new facilities.¹⁴ The focus of the report was on the day-to-day operations costs of the NECs, the bulk of which are not OBO's responsibility. The report did not address the larger issue of maintenance and repair of existing legacy facilities. While OBO has made some progress in estimating and tracking BOE for the NECs, it has not yet devised a comprehensive plan to identify total O&M requirements for all of its overseas facilities.

Regional Bureau and International Cooperative Administrative Support Services Responsibilities

BOE, funded by all tenant agencies through ICASS for shared facilities, or the regional bureaus for Department facilities, are those costs associated with occupying a facility. They include maintenance staff salaries, utilities, fuel, custodial services, trash collection, and grounds care, among other things (15 FAM 121). Preventive maintenance service contracts for the building systems are also considered part of BOE.

The GAO report pointed out that although the Department did not initially recognize the impact and magnitude of new costs for the day-to-day functional requirements of NECs, OBO subsequently developed guidance for posts and their ICASS councils to help determine the notional staffing and financial resources required. For NECs that are scheduled to open during a particular budget period, OBO now provides estimates of BOE costs to the regional bureau for use in preparing their budgets.

According to OBO, the methodology and accuracy of its BOE estimates are of great interest to the Office of Management and Budget (OMB). Concerned about the variances between the estimated and actual costs, OMB has directed the Department to submit a plan to improve estimates of BOE costs for the NECs. OBO is working with the regional bureaus, the ICASS Service Center, and the Bureau of Resource Management, Office of Budget and Planning to develop consistent ways to record, track, and report BOE costs. A current review is focusing on ways to improve upon the process and to compare the estimates of BOE with actual costs once they are determined. Several options are being considered to increase transparency, standardize budgeting and reporting, and ensure that BOE requirements for the NECs are fully funded. Some consideration is being given to transferring the main-

¹⁴ *Ibid*, p. 3.

tenance portion of BOE funding responsibility to OBO, to consolidate all O&M costs under one bureau and appropriation.

Resource Requirements for Maintaining Properties Are Vastly Understated

The Department's inventory of overseas Government-owned and long-term leased facilities includes more than 17,000 properties valued at more than \$14 billion. Additionally, OBO will add more than one billion dollars worth of new construction per year for the next nine years. Yet the amount received for M&R for all Department facilities worldwide has averaged about \$100 million annually, only recently approaching \$150 million in FY 2008. Although OBO's FY 2010 budget request contains substantial increases for M&R funding, there is no system in place to ensure that immediate and long-term maintenance needs are being met or that adequate funding is being sought.

OBO has begun work on a Long-Range Overseas Maintenance Plan to improve maintenance of the Department's overseas facilities. The draft plan projects O&M costs over a six-year planning cycle using the Department's adaptation of the Department of Defense Facility Cost Model. This model uses industry maintenance cost factors, together with area cost factors that have been developed by the Department of Defense and supplemented where needed by the Department. The Department of Defense model develops cost estimates in three categories: facilities sustainment, operations, and modernization. The first iteration of this model demonstrated a vast discrepancy between the Department's FY 2008 budget (\$440 million) and the model's total projections in the three categories (\$1,960 million).

The Department of Defense facility cost model's levels of funding do not correspond to any of the current funding matrixes. The three categories do not segregate BOE and M&R costs in the same way as the Department does. For example, the sustainment model mixes service contracts—a BOE expense—with M&R. The operations model includes many components of BOE (utilities, grounds maintenance, and water) but also includes fire protection and leases, which are OBO costs. Lease costs are neither BOE nor M&R, but an entirely separate OBO account.

In order for the Long-Range Overseas Maintenance Plan to be a useful tool for planning and budgeting for O&M costs, the Department of Defense model will have to be modified to make it compatible with the Department's funding structure and processes. The OBO working group has recognized this problem and has recommended that a study be undertaken to identify the modifications necessary to make it compatible with the Department's O&M funding structure.

Recommendation 17: The Bureau of Overseas Buildings Operations should develop and implement a system for accurately identifying the costs of operating and maintaining new embassy compounds and legacy properties and then budget accordingly. (Action: OBO)

stitute a system to track vacancies and pending personnel actions. Such a system will remind managers of deadlines for performance evaluations. HR also plans to write standard operating procedures (SOPs) and manuals, including award policies which are being written to mirror the Department. The office is working to ensure that all managers and supervisory personnel get training appropriate to their grade and responsibilities in such areas as communications, team building, and organizational skills, in addition to the previously mentioned Equal Employment Opportunity training.

Recommendation 18: The Bureau of Overseas Buildings Operations should continue working to eliminate Human Resources backlogs of personnel actions. (Action: OBO)

Recommendation 19: The Bureau of Overseas Buildings Operations should continue working to fully staff the Human Resources office and ensure that all staff receives the training and resources to perform their duties. (Action: OBO)

Recommendation 20: The Bureau of Overseas Buildings Operations should develop and begin implementing a plan to review and rewrite for accuracy the position descriptions of direct hire staff. (Action: OBO)

Recommendation 21: The Bureau of Overseas Buildings Operations should put in place procedures to ensure that each direct hire employee has an accurate and current performance appraisal on file. (Action: OBO)

Personal Services Contractors

As of April 2008, OBO employed 325 PSCs, representing approximately 40 percent of OBO's total overseas and domestic workforce. Eighty-five percent of PSCs are in domestic positions, with approximately two-thirds in positions such as engineers, security specialists, realty specialists, and designers. The remaining PSCs are program and management analysts or provide administrative support. OBO employs the largest PSC workforce in the Department. While there are advantages to using PSCs, OBO needs to ensure that PSCs are not crossing the line into supervising direct-hire employees and that the direct-hire workforce is not disadvantaged by the large number of PSCs.

Definition and Criteria

According to OBO's procedural directive on PSCs,¹⁵ a PSC's primary purpose is "to perform identifiable services or tasks rather than to furnish an end item or supply." The inherent nature of the service requires direct or indirect government direction or supervision to "adequately protect the Government's interest; retain control of the function involved; and retain full personal responsibility for the function supported in a duly authorized Federal officer or employee." The original intent of hiring PSCs was to get technical expertise that could not be obtained through traditional hiring practices, to have additional government staff where there was no likelihood of obtaining it quickly, and to meet surge capacity on an emergency basis.

OBO's authority to hire PSCs stems from the Foreign Buildings Act of 1926, as amended (22 USC 8, Section 296), which states that OBO may, "...without regard to Civil Service and classification laws...obtain architectural and other technical services as may be necessary...and pay professional fees as established by local authority, law or custom..." Originally, PSC authority was used to hire foreign nationals who worked on a long-term basis at embassies and American PSCs working overseas on specific building projects.

OBO started hiring PSCs on a large scale following enactment of the Omnibus Diplomatic Security and Antiterrorism Act of 1986. Since then, PSCs have become a major, permanent component of OBO's workforce. While PSC contracts are for one year (with four option years), the Department's Office of Acquisitions Management (AQM) said that there are only few instances of PSC contracts not being renewed.

PSCs may not perform inherently governmental functions. Subpart 7.5 of the Federal Acquisition Regulation, "Inherently Governmental Functions," outlines U.S. Government policy on what is or is not inherently governmental. For example, a PSC may not direct or control Federal employees or determine policy. Numerous procurement functions are reserved for a direct hire contracting officer. Communications that reflect final policy must be cleared by a U.S. direct hire employee. OMB has the authority to modify the definition and make determinations regarding agency use of PSCs.

¹⁵ OBO Policy and Procedures Directive (P&PD RM/HR 01: Personal Services Contracts) dated July 23, 1996, revised in 2003, and further revised in 2006 with the approval of the Department's Legal Adviser.

Advantages and Disadvantages of Personal Services Contractor Usage

There are several advantages to using PSCs. It takes significantly less time to hire PSCs than to engage direct hires through the protracted processes of HR and the Department's HR division of Civil Service Personnel. Most Department officials stated that PSCs are less expensive than direct hires, though the Department had no analysis showing the estimated cost-savings. PSCs are presumed, however, to be significantly less expensive than third-party contractors. The PSC system has allowed OBO to obtain technical experts in some areas that it could not have engaged otherwise. Some PSCs are willing to work on short assignments whereas others are interested in longer assignments. In competitive fields such as information technology (IT), using PSCs is one way to get people with the most recent skills. Also, when OBO's extensive embassy building program ultimately reaches the end of its building goal, it will be easier to end the contract of a PSC than to downsize direct hire employees.

There are also disadvantages to using PSCs. Officially, PSCs may not supervise U.S. direct hires. However, at times it may appear that they do. A prime example is in the Management Support Division (MSD) structure. MSD is functionally but not officially split into three sections. There are no branch chiefs, just senior management analysts (with the working title of branch representatives or coordinators). OBO's previous Director removed layers from OBO in order to operate more quickly, and tried to organize MSD officially by submitting a realignment plan that was rejected by the HR Bureau. Two of MSD's sections are now headed by PSC grade 14s and another is headed temporarily by a GS-12 until the permanent PSC-14 is hired who will then supervise the GS-12. MSD lacks career ladders; Civil Service positions are frozen at the current grade. Personnel cannot earn a grade increase in the position they occupy. Another example comes from the information management division where the ratio of PSCs is high (discussed in the Information Management section of this report).

The extensive use of PSCs has also contributed to morale problems and hindered career development. The Department's Bureau of the Director General and Human Resources is concerned about the extent to which PSCs are put in higher graded positions than Civil Service employees. However, others in the Department's HR Bureau think that OBO has an appropriate mix of FS, Civil Service, PSC, and contractor positions. For U.S. direct-hire procurement employees in OBO, the Office of Acquisitions Management's director and the Office of the Procurement Executive agree that there is little career development or succession planning. At times, PSC hiring gets in the way of a direct hire career ladder. There are examples

Use of Bureau of Overseas Buildings Operations
Personal Services Contractors as Pilot for
Department

One of the Department's management reform initiatives announced in 2007 is to expand the Department's PSC authority. The Department is seeking OMB's approval for blanket PSC authority for the whole Department. The idea is to reduce costs for third-party contractors. OMB seems agreeable. PSCs are the wave of the future. The Department needs to plan on how it would use PSCs. OBO is a likely lab for this initiative because it has used a large number of PSCs. As the Department addresses its human capital challenges, it needs to reexamine hiring flexibilities and identify how PSCs could be used more extensively or effectively without disadvantaging the permanent workforce. The Department must not use PSCs merely as an excuse to limit efforts to recruit, hire, and manage the Department's workforces. OBO's experiences with PSC issues (serving as an unofficial pilot program) offer the Department valuable lessons learned.

Recommendation 22: The Bureau of Overseas Buildings Operations should conduct a review of its procedures for using personal services contractors to ensure that relevant government policies are scrupulously followed so that the use of personal services contractors does not detract from the career development of direct hire employees. (Action: OBO)

EXECUTIVE OFFICE FUNCTIONS

Under the previous Director, OBO's traditional executive office functions have been dismantled and redistributed throughout OBO. The OIG team learned of numerous problems with the scattered executive office functions. For example, the information management section was plagued with problems (see discussion in Information Management section of this report) and MSD has been improving but still has decisions to grapple with.

The Director Ad Interim reviewed the then existing executive office structure and returned the functions to a traditional executive office, keeping the office of Resource Management separate from the executive office. The OIG team agrees with the desire to go back to a previous, traditional office but has no conclusions on a specific structure.

Personal Property Management

MSD's personal property management system had major weaknesses, but management is making progress in improving OBO's property management process and reporting. The Department's Property Survey Board presented OBO with a memorandum report and recommendations. On arrival, the principal custodial officer developed a three-year inventory plan, determining their actual amount of inventory in the first year, and clearing items from the inventory that they did not have in the second year. The Property Survey Board cleared MSD's last inventory report with the understanding that MSD would write and adopt an internal asset management policy. While OBO/RM is still reviewing it, MSD is actively using the policy. The principal custodial officer states that the Department's Logistics Management is using it as an example of a good policy. OBO stated that during the third year (this year) it will submit an inventory report covering all personal property and IT equipment by implementing controls preventing lost property and minimizing unrecorded property.

Travel Procedures

The OIG team found significant deficiencies in the travel authorization process. There were allegations that some travel was excessive or questionable. (b) (7)(C)

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(b) (7)(C)(b) (7)(C) Improper or questionable activities or decisions can in part be attributed to insufficient oversight of the process. OBO stated that now that there is a new executive director, that individual will provide continued oversight over OBO's travel program to ensure compliance with the Department's regulations and approve business class travel. OBO said that first-line managers should ensure that trips are necessary, a mechanism established for verifying that managers fulfill this responsibility, and a system created for ensuring that trips are coordinated.

Employees widely criticized travel procedures. The steps called for both hard-copy and electronic forms and the need to hand-carry papers to the proper authority. Many reported that the timing of the authorizations delayed their travel or did not allow for responding immediately to urgent business abroad. OBO, with the help of IT (to enhance electronic processing capabilities) and its IROR office, is looking for solutions to streamlining the cumbersome process.

Recommendation 23: The Office of Overseas Buildings Operations should establish a mechanism for verifying that first-line managers ensure travel is necessary and create a system for ensuring that trips are coordinated. (Action: OBO)

FINANCIAL MANAGEMENT

In FY 2007, OBO had \$4 billion to conduct operations. The \$4 billion included \$1.49 billion appropriated by Congress, \$1.28 billion carried over from FY 2006, \$1.04 billion in reimbursements and proceeds of sale (includes CSCSP contributions and a London property sale) and \$0.2 billion in recoveries. A summary of how OBO's FY 2007 funds were allotted among different programs is shown in Appendix A. Unused FY 2007 funds totaling \$1.67 billion were carried over into FY 2008.

OBO is one of only a few Department bureaus designated as a billing office. OBO payments are certified twice a week by a resource management certifying officer and paid by OBO. OBO officials informed the OIG team that the amount of Prompt Payment Act interest payments is well within Department and U.S. Government standards. During the inspection, OIG's Office of Audits initiated a review of OBO's undelivered orders. OBO's Financial Management section has a small internal audit team that conducts spot checks of missions' use of OBO funds (primarily 7901 and 7902 funds). The team conducts reviews of 15 to 20 missions every year. While OBO financial management operations have improved in some areas, such as fund tracking by project, the Department's conversion from Central Financial Management System to Global Financial Management System (GFMS) has created some problems. Additionally, internal controls over COR activities need strengthening and some questionable past practices concerning the use of construction funding for maintenance activities appear not to have been fully resolved.

OBO had difficulty recording and tracking obligations and payments since the conversion to GFMS. As discussed in the contract section, OBO had difficulty tracking and tallying available contract fund balances since (VTA) the voucher tracking system was discontinued. Although information entered into the requisitioning system (Ariba) is successfully fed into GFMS, information does not flow from GFMS back into Ariba creating disconnects primarily with prior year contract modifications. Both Resource Management and A have been responsive; meetings on the deputy assistant secretary level have occurred, and OBO has proposed solutions to both Resource Management and A. However, until these issues are resolved, OBO staff will have to spend additional time working around the problems.

OBO's Financial Management section relies heavily on other parts of the organization for oversight. For example, although OBO/RM/FM approves travel

authorizations, travel vouchers are not routed through FM. Travel voucher approvers are scattered throughout the organization. The OBO/RM/FM section relies on CORs to meet 14 FAH-2 H-522.4(e) invoice reviewing requirements and to determine whether or not invoices are sufficient. However, some of these CORs are far removed from the contractor's worksite. For example, AQM gave project executives in OBO's Project Execution (OBO/PE) division (located domestically) authority to approve NEC contractor invoices. Project executives are responsible for coordinating with on-site PDs (who are the CORs) to ensure that invoice information is accurate. Although the OIG team does not have evidence that coordination between the project executives and PDs is lacking, The OIG team provided an informal recommendation that OBO/RM/FM conduct spot checks quarterly to ensure that project executives have verified invoice information with PDs before approving invoices.

PDs located in the field have limited contracting warrants for \$25,000 per action for up to \$250,000 a year to modify AQM-awarded construction contracts. The OIG team found that PDs regularly sign contract modifications (called "field modifications") without first checking with the Office of Resource Management, Financial Management to ensure that funds are available. OBO representatives stated that PDs coordinate with the CC division to determine if adequate contingency funds are available for contract modifications. (CC receives a budget from the Office of Resource Management, Financial Management for contingency funds.) The OIG team provided an informal recommendation that OBO ensure that this practice is consistent with 4 FAM which requires that funds availability be checked before incurring obligations. The OIG team also found that field modifications are not usually recorded promptly in the accounting system nor made part of the contract. 4 FAM 084.4 requires the prompt and accurate recording of all financial transactions having an effect on the apportionments and funds control. 4 FAM 087.2 states that, "Obligations and disbursements are to be reported promptly and recorded at the earliest possible time." The OIG team informally recommended that OBO revise its field modification procedures to ensure prompt recording of obligations.

The OIG team found some questionable past practices that skirted administrative violations. For example, on an early NEC project (discussed in more detail in the case study section), OBO certified to AQM that \$60 million was available for a contract award. AQM awarded the contract for just under \$60 million, but OBO later discovered that it had not budgeted adequate contractor oversight funds for that project. OBO had to terminate the contract for convenience at a cost of just under \$400,000. OBO representatives asserted that the mistake did not constitute an unauthorized commitment requiring ratification because the total project budget was \$66.7 million. OBO's financial management section now reviews the entire project budget before releasing funds to AQM for award.

The OIG team also found that OBO used Capital Construction project funds to fund some building operating expense (BOE) activities in Astana, which was not appropriate. A few years ago, OBO considered using the NEC construction contractor to operate and maintain the facility for the first two years, under the concept called Design, Build, Operate and Maintain. To pilot this program, OBO added a line item for contractor-provided operations and maintenance services for two years after occupancy into the Astana NEC contract. The two-year option, which cost \$2.6 million, expires in November 2008. Capital Construction project funds are for NEC construction and not BOE. As discussed in 15 FAM 162.1, BOE should be funded by ICASS. The OIG team is not aware that OBO has reported this improper use of funds or arranged for the reimbursement from ICASS.

Value Added Tax Reimbursements

The Diplomatic Tax Relief Initiative (DTRI) established in October 2004 seeks to ensure that the Department is relieved of all foreign tax obligations on U.S. Government operations in accordance with diplomatic privileges and immunities under international law and custom. It aims to more aggressively identify and collect reimbursable taxes paid overseas. In 2006, OIG conducted an audit of the Department's management of value added tax (VAT) collections overseas.¹⁷ It found that the Department was not consistently developing tax relief agreements with local governments before beginning major construction projects overseas. OIG noted that the process for overseas construction projects could be improved by requiring missions to reach agreement with host governments on tax relief before beginning construction and incorporate standard language into the formal procedures for future construction contracts and solicitations. Responding to the OIG's recommendations, the Department developed appropriate policies and guidance for negotiating tax-relief agreements and collections. Similarly, OBO developed appropriate policies for its worldwide construction program.

Since the inception of DTRI, OFM and OBO/PEA, working in tandem, have negotiated tax-relief agreements for over 40 capital and non-capital projects, reflecting a potential tax savings of over \$200 million. Current estimates through FY 2013, based on the FY 2008-2013 Long-Range Overseas Buildings Plan (LROBP), indicate potential tax-relief savings of over \$260 million for capital projects alone. These agreements, based on unique host government requirements for tax relief and often taking up to a year or more to confirm, span the globe and are based on reciprocity rooted in the Vienna Convention on Diplomatic Relations and the Vienna Con-

¹⁷ OIG Report No. AUD/FM-06-38, *Audit of the Department's Identification and Collection of Value-Added Taxes* (September 2006).

vention on Consular Relations.¹⁸ The easiest and most straightforward is the point of sale agreement. By far the most common is one where the contractor submits paid invoices to the embassy for VAT reimbursements from the host government. In any case, the contractor receives payment in Washington for all expenses, VAT included, and has little incentive to submit invoices locally for VAT reimbursements. It is therefore incumbent on the PD to ensure that the contractor fulfills his end of the agreement. OBO is currently mulling a third method that involves a change in contractor payments in Washington to contractor payments at post when host government requirements demand it. The Office of Resource Management, Financial Management is not in favor of the change, fearing a loss of tracking once funds have been transferred from the Department's Global Financial Management Center in Charleston to post. The OIG team believes this problem can be overcome by hiring someone at post, such as an eligible family member, to manage the process of contractor payments. Given the substantial amounts of VAT involved, this would be a prudent move and involve minimal financial outlays.

As impressive as the progress is, several problems remain. Because OBO construction contractors in Frankfurt, Athens, and Rome did not understand or follow host government requirements (DTRI was not involved in negotiating agreements in each case), OBO is still seeking several million dollars in reimbursements for these projects. Kyiv is scheduled for an FY 2008 NEC project where VAT reimbursements of about \$10 million are to be administered at post. Riga and Sarajevo, with approximately \$13.5 million in anticipated refunds, are similarly at risk, unless another methodology is established.

OBO does not have a reliable mechanism in place to track the success of the DTRI program in terms of reimbursements. At present the tracking of refunds received from posts and sent to the Office of Resource Management, Financial Management is reflected in a financial report that the division of CC highlights during the monthly program performance review. This process is neither timely nor accurate, and often these funds take over a year to report.

Recommendation 24: The Bureau of Overseas Buildings Operations should require that the Construction and Commissioning division add a Value Added Tax item to its monthly Project Director's progress report and that the Project Evaluation and Analysis division report Value Added Tax accomplishments at the monthly program performance review. (Action: OBO)

¹⁸ See www.state.gov/ofm/tax.

OVERSEAS BUILDING OPERATIONS CONTRACTS

OBO obtains contractor support for a variety of items and services from major construction contracts to PSC services. The OIG team focused its inspection on the process for contracting for NECs but also addressed some non-NEC contract oversight issues. During the inspection, the Director Ad Interim hired a PSC to review OBO contracting issues. AQM contracting officers negotiate, award, and administer all of OBO's contracts. OBO PDs are the only other staff with contracting authority for OBO contracts; they have limited contracting warrants of \$25,000 per action for up to \$250,000 a year to modify AQM-awarded construction contracts. In terms of dollar value, OBO was AQM's largest customer; in 2007, OBO-dedicated AQM staff processed about 4,200 procurement actions valued at \$1.6 billion for OBO.

Similar to other Department bureaus, there is no single point of contact within OBO for contracts. AQM contracting officers are centrally located in Washington, while OBO CORs are dispersed throughout OBO and at embassies overseas. Every year, numerous contracts are awarded to support OBO's building program, but there are a number of problems associated with OBO's participation in the contracting process:

- Technical requirements are submitted to AQM late in the fiscal year,
- Requirement documents are often contradictory,
- Independent government estimates (IGE) need improvement, and
- Contractor prequalification procedures are strained.

Additionally, some NEC and non-NEC CORs have not had sufficient training to carry out their contracting responsibilities.

Bureau of Overseas Buildings Operations Technical Requirements Submitted Too Late in the Process

OBO almost always provides technical requirements to AQM late in the process. Near the beginning of each year, OBO establishes a list of all major construction projects that it plans to award during the fiscal year.¹⁹ To meet this schedule, OBO develops a Master Procurement Integration Schedule listing each project and dates by which OBO must submit project-related documentation to AQM. The schedule

¹⁹ Although these are no-year funds, OBO has self-imposed a requirement to award these contracts during the fiscal year when appropriated.

also has target dates for contract awards. OBO is cognizant of the level of effort required to award these contracts and therefore attempts to stagger submission deadlines throughout the year. OBO's January 16, 2008, Master Procurement Integration Schedule for FY 2008 projects shows OBO submission dates ranging from February 22 to June 6, 2008, and contract award dates from April 9 to August 13, 2008.

AQM contracting officers stated that submission dates listed in the initial Master Procurement Integration Schedules would allow for the orderly solicitation and award of these contracts.²⁰ FAR Subpart 7.1 – Acquisition Plans - requires that agencies perform acquisition planning to ensure that “the Government meets its needs in the most effective, economical, and timely manner.” FAR Subpart 7.105 requires that written acquisition plans “must identify those milestones at which decisions should be made.” The problem arises when OBO misses initial deadlines and the Master Procurement Integration Schedule then gets compressed and revised. For the 16 projects listed on the January 16, 2008, Master Procurement Integration Schedule, RFP submissions for 12 are already late, one submission was not yet due, and the remaining submissions were for projects that were on hold. In FY 2007, submissions to AQM for the RFP release for 12 of 13 projects were late.

Effects of a Compressed Award Schedule

When OBO RFP submissions to AQM are late, the entire contracting process is compressed, and contracts are usually awarded towards the last week in September. In FY 2007, 10 of the 13 projects were awarded the last week in September. As discussed in the case study section of this report and in OIG's December 2006 inspection report covering AQM (ISP-I-07-12), OBO RFP submissions are chronically late and contract awards are then generally made the last week in September. A compressed award schedule is detrimental to both the building program and to the award process. It makes it much harder to award a project within the designated budget at the best value. The resulting consequences for a compressed contracting schedule, a constrained award date, a limited budget, and a limited pool of potential construction contractors are summarized as follows:

- In a normal competitive bidding environment, multiple contractors bid on multiple projects in order to increase their chances of getting work. However, with a compressed award schedule, where release of the RFP occurs

²⁰ AQM officials need OBO requirements at least 120 days prior to the target award date for a typical major construction project. The 120 work days allows time to: review OBO-provided technical documentation; create and issue RFPs; give contractors 45 days to complete proposals; amend RFPs if necessary; review contractor proposals; conduct follow-up technical evaluations; determine which prices fall within the competitive range; hold negotiations with contractors; and award contracts.

late in the fiscal year and with the expectation that an award must be made by the end of the fiscal year, contractors will be more selective on which projects they will provide a competitive bid. In OBO's case, where contractors are already limited to those that were pre-qualified, contractors decide early on the contracts they wish to pursue competitively and those projects where they will not bid or where they will only provide a courtesy bid. This selective process is not only affected by the OBO portfolio of projects, but other agencies' work out to bid will also influence the number of projects that contractors will bid on and the competitive environment. Therefore, a program of projects that is compressed towards the tail end of the fiscal year will have more limited competition and incur higher pricing due to the known limited competition for these projects.

- A second factor influencing pricing is the fact that contractors know who is bidding the work seriously as a result of their contacts with subcontractors and suppliers for these projects. This superior knowledge allows for competitive contractors to bid the work with higher pricing and take an advantage in negotiations due to the known award constraints and limited number of contractors bidding the work.
- The compressed advertising and award schedule also provides for a reduced window of opportunity to correct RFP deficiencies and discrepancies before submission of final proposals. This in turn also creates a situation where multiple major amendments are issued in the final stages of the proposal period and leaves very little time for a thorough analysis during bid preparation. Contractors must rework their proposals when these last minute changes and amendments occur and often add significant contingency sums to their bids that may or may not be warranted. Contractors can only view this as a form of added risk and generally endeavor to cover that added risk of performance with more than adequate contingency sums.
- This process also puts significant stress on the AQM acquisition department to award these contracts despite limited time to negotiate and to clarify all contractual information and amendments before best and final offers are received. This puts AQM staff at a significant disadvantage when negotiating with the contractor, making it more difficult to ensure that the Government is receiving the best value in its contract awards.

Neither Office of Acquisitions Management nor Bureau of Overseas Buildings Operations Have Taken Action to Improve the Process

Neither AQM nor OBO have done much to improve the process. OIG noted the very same problem in its 2006 inspection report of AQM (ISP-I-07-12). OIG stated that most FY 2005 awards “were not made until late September. Several negotiations were conducted and awards made with very little processing time. To a great extent, amendments to proposals, negotiations, and awards take place in September under hurried circumstances.” To address the problem, OIG recommended that the “Bureau of Administration (A), in coordination with OBO, establish written timelines for the submission of technical requirements packages, contract negotiations, and contract award”. AQM has not yet complied with this recommendation. In its latest response to the OIG dated March 12, 2008, A’s Office of Logistics Management reported that, “AQM is establishing service level agreements that outline acquisition...requirements to include timelines for required documents, negotiation and award.” AQM contracting officers, however, have never drafted, reviewed, or seen any such agreements related to OBO projects and appear to rely on the OBO-generated and often revised Master Procurement Integration Schedule as their acquisition plan.

OIG also recommended that A “institute procedures to monitor and enforce the timeliness and completeness of technical requirements packages, provide timely feedback to OBO and take corrective action as necessary.” AQM has not yet complied with this recommendation. In its March 12, 2008, response to OIG, A/LM reported again that it is drafting service level agreements that will address requirements to include performance review meetings that will “provide timely feedback to OBO concerning the status of their contracts”. AQM and OBO already hold regular meetings to discuss the status of project submissions and awards. Lacking in both the meetings and in A’s planned service level agreements is how and whether AQM will have a mechanism for enforcing the timeliness and completeness of the technical requirements packages given OBO’s desire to have projects awarded by the end of the fiscal year. Contracting officers appear to work hard and have heavy workloads; however, OIG is not aware of any time when AQM officials have refused to conduct an acquisition process because submissions were late or refused to endeavor to award a contract by the end of the year for lack of adequate time to complete the process.

In November 2006, the Office of the Procurement Executive (A/OPE), responsible for evaluating, monitoring, and reporting to A on the quality of Department-wide procurement actions, also found that AQM contracting officers were

not preparing procurement plans to outline milestones needed to manage the procurement process. A/OPE similarly recommended that AQM establish milestone schedules for key events as part of the procurement plan and track performance to these milestones to manage the workload. As noted, AQM has not complied with these recommendations. Since A has not complied with OIG's former recommendations or taken steps to improve the process, higher level attention is needed to establish, oversee, and ensure revisions to OBO-related acquisition milestones to ensure adherence to prudent and proper contracting practices. OIG is redirecting its AQM report recommendations to M rather than A.

Recommendation 25: The Under Secretary for Management should establish a formal process to ensure that the Bureau of Administration and the Bureau of Overseas Buildings Operations establish written timelines for the submission of FY 2009 and future technical requirements packages along with target contract award dates; and, adjust contract award dates (into the next fiscal year if necessary) when technical requirements packages are submitted too late to conduct appropriate procurement procedures. (Action: M, in coordination with A and OBO)

Recommendation 26: The Under Secretary for Management should ensure that the Bureau of Administration institutes procedures to monitor the timeliness and completeness of technical requirements packages; and, report back to the Under Secretary for Management and Bureau of Overseas Buildings Operation when packages are late. (Action: M, in coordination with A)

The above recommendations should ensure more rational project planning and contract award schedules for FY 2009 and other future projects. However, considering that all of the RFP packages for FY 2008 were submitted to AQM late, contract award dates for those projects need to be revised. Although the OIG team does not disagree with OBO's quest to avoid congressional reprogramming requirements by awarding planned 2008 projects in FY 2008, ensuring that AQM contracting officers follow proper acquisition procedures results in better contracts at lower prices in the long run.

Recommendation 27: The Under Secretary for Management should obtain revised contract award dates for FY 2008 projects from the Bureau of Administration that will allow for a proper acquisition process and then consider deferring appropriate projects into the following fiscal year. (Action: M)

Bureau of Overseas Buildings Operations Request
for Proposal Performance Standards Are Not
Effective

While OBO establishes reasonable submission deadlines in its initial Master Procurement Integration Schedule each year, it does not appear that there are adequate incentives for meeting those deadlines. OBO's Planning Integration Division is responsible for providing technical requirements packages (RFP packages) to AQM in a timely manner. The Planning Integration division's first performance measure is to "Prepare and deliver to A/LM all RFPs on time and in accordance with the Project Evaluation & Analysis (PEA) Master Schedule." OBO's PEA Division provides OBO's Planning Integration division with much of the documentation included in the RFP package. PEA almost always provides documentation to the Planning Integration division late. The PEA division's RFP-related performance measures include: "Establish and implement an NEC project Master Schedule that sets deadlines for all Divisions and distributes RFPs evenly over at least 6 months of each fiscal year;" and, "Ensure completion of Rights of Passage and Technical Planning Checklists, Test-Fits, and Project Analysis Packages in time to allow the Planning Integration division to prepare well-written RFPs."

Although both offices have performance measures related to the timeliness of RFP submissions, neither appears to accurately report on compliance with those measures and it does not appear that there are any consequences for not meeting those measures. For example, in its May 2008, program performance review slides both the Planning Integration division and the PEA divisions reported compliance as "Green" to RFP timeliness performance measures. As shown above, technical requirements packages for 12 of 13 FY 2008 projects were already behind schedule according to the January 2008 Master Procurement Integration Schedule. From discussions with OBO staff, benchmarks used to report on performance appear arbitrary and not at all related to the initial Master Procurement Integration Schedule provided for AQM. The OIG team was not able to determine if adherence to RFP timeliness measures was a factor in the evaluations of either the head of the Planning Integration division or PEA because neither had current evaluations on file.

During the inspection, some of the RFP responsibilities were transferred from the Planning Integration division to PEA. The OIG team does not believe, however, that the transfer of responsibility will improve the timeliness of RFP packages. OBO commented that performance measures had not existed but have now been established.

Recommendation 28: The Bureau of Overseas Buildings Operations should review and revise performance measures related to providing the Bureau of Administration request for proposal packages in a timely manner to ensure that the measures use the initial Master Procurement Integration Schedule (or other Acquisition Plan or service level agreement) that is coordinated with the Office of Acquisitions Management as its performance benchmark and have clear thresholds for delinquent reporting. (Action: OBO, in coordination with A)

Recommendation 29: The Bureau of Overseas Buildings Operations should ensure that the work commitments of employees who have responsibilities related to timely request for proposal packages address performance measures for which they are responsible. (Action: OBO)

Bureau of Overseas Buildings Operations Technical Requirements Packages Contain Contradictory Information

OBO technical requirements packages sometimes contain contradictory information. To address the problem, OBO inserted an order of precedence clause into the RFP to point contractors to the document that most likely contains the correct information. To sort out why documents are contradictory, OBO is currently mapping what office is responsible for each piece of information included in the RFP. While this is a step in the right direction, as discussed in the SED and Design-Build section of this report, a more thorough review of the RFP documents and processes is needed. Discrepancies in the bid documents have resulted in added costs. For example, OBO had to reimburse the contractor constructing a NEC and unclassified office annex in Managua, \$4.4 million because there were discrepancies in the bid documents and the RFP misrepresented the actual NOB size. OBO also had to reimburse the contractor constructing NEC Belmopan one million dollars because of bid document inconsistencies.

Independent Government Estimates Need Attention

The OIG team received a number of complaints that IGEs, which are used to ensure that contractors' proposals are within the competitive range, were always low. Although the OIG team found that not all IGEs have come in low, a number have come in significantly lower than the competitive range. Because OBO's major construction contracts are all awarded at the end of the fiscal year, discovering that contract amounts will be higher than expected generally results in a mad scramble

to determine whether OBO can afford all planned contract awards. Often, projects have been descoped. OBO's Cost Management Division (CMD) is responsible for developing IGEs. CMD also develops current working estimates (CWEs) to estimate the full cost of each project. CWEs include the contract award amount (IGE), contractor oversight funds (for the PD's salary, living expenses, and contingency funds), salaries and expenses for planners, etc. CWEs are developed at project inception and are used in the LROBP and as the basis for OBO's budget request for each project. CWEs are also updated throughout the life of the project.

CMD representatives admit that there have been problems in getting the IGEs and CWEs right. In the past, there had been pressure to hold overall project costs under \$100 million. Additionally, once OBO received a project budget from Congress, there was pressure to keep estimates close to the amount of the budget despite the fact that years may have passed since CWE estimates for the project were developed. The head of CMD, who arrived in that division in June 2007, said she that estimators were encouraged to be more conservative in their CWE and IGE estimates. The head of CMD also recently changed CWE performance standards from plus or minus 20 percent of actual costs to at or above 20 percent of actual costs, and took steps to obtain additional staff and update and enforce CMD policies and procedures. Although these appear to be steps in the right direction, additional improvements are needed.

Cost estimators' performance standards related to the major construction contracts are to be within plus or minus 10 percent of the competitive range. However, the section has not actually measured performance against those standards for the FY 2007 construction awards. The section head said that they simply did not have enough time or staff to close that loop. Meanwhile, those same cost estimators are developing estimates for future projects. The OIG team left an informal recommendation that OBO review performance standards related to the accuracy of IGEs and CWEs and develop a benchmark timeline for measuring and reporting on those standards.

Cost estimators also lack some of the tools they need to generate accurate estimates. When the division is asked to update cost estimates, often they do not check all of the factors, only those they believe have changed. While measuring performance against standards will help, there is no CMD staff handbook listing all standard forms and processes CMD staff should use to develop cost estimates. For example, many costs that are incorporated into the IGE come from other offices (such as IRM for telephone costs, CC for project supervision estimates, and the Security Management division for security estimates). New cost estimators do not necessarily understand where this information should come from. Additionally, the SED template cost estimators use to develop estimates has not been updated in

about six years. Therefore, any across-the-board changes that have been made to the SED have to be updated by every cost estimator for every project. Finally, Success, the application used to estimate costs, is saved on individual workstations rather than on a shared server. This makes cross project reviews difficult and impairs the section chief's ability to ensure that estimates are accurate. Use of enterprise-wide estimating systems is standard within the construction industry and is needed particularly in today's volatile marketplace in order to capture project costs on a real-time basis and to track costs across all segments of a project accurately.

The OIG team left informal recommendations that OBO develop a staff handbook of all standard forms and processes, update the SED template for estimating costs, and determine whether an enterprise-wide version of a cost estimating system can be cost effectively implemented to meet industry standards.

Prequalification and Technical Evaluation Processes and Contractor Base

The OIG team found anomalies in the prequalification process for NEC contracts. Due to OBO's compressed project award schedule, OBO and AQM conduct the prequalification process early in the fiscal year. During this process, firms interested in winning major construction contracts submit documentation showing their technical qualifications, and those found acceptable by a technical evaluation panel (made up of OBO representatives and overseen by AQM) are prequalified. The OIG team found that although a contractor's performance on two FY 2006 projects was dismal, AQM and OBO awarded that contractor an FY 2007 project. (According to an AQM official, the contractor's performance at the time of prequalification was problematic, but not so much as to prevent it from being prequalified.) During the inspection, the OIG team was informed that that contractor was not prequalified for FY 2008 projects. However, at a later date, AQM prequalified the contractor based on the contractor's plan to improve performance on the FY 2006 projects.

AQM officials informed the OIG team that they sometimes have to take risks with contractors because of the limited contractor base (mentioned earlier in this report in the section on SEDs). While the OIG team acknowledges this problem, it is also aware of at least one instance when an additional contractor stated that it was interested in bidding on a project if the proposal submission date could be extended by one month. Since OBO wanted to award the contract by a certain date, the proposal submission date was not extended, which had the effect of limiting the number of contractors bidding on the project. The OIG team was not able to review prequalification procedures in detail but noted that the GAO is conducting an audit of the contractor base.

Inadequate Contracting Officer's Representative Training

Some CORs throughout OBO are not adequately training. As discussed in the financial management section, OBO's VTA, used to electronically track and route vouchers and invoices, was recently discontinued and replaced by a manual system. Under the old system, staff in OBO's Financial Management section, entered each invoice into VTA under the appropriate contract and routed the invoice to the COR or Assistant COR for approval. According to 14 FAH-2 H-517, CORs must maintain working files, with copies of contractor invoices, a payment register indicating the remaining fund balance for the task order or contract, and other documents. The payment register ensures that government employees do not request nor accept contractor services unless funded obligation documents are in place. The VTA maintained payment registers centrally for OBO CORs, tallied the balance remaining, and facilitated the matching of each invoice to the correct line-level fund cite. After VTA was discontinued, it became apparent that many CORs did not fully understand how to approve invoices using the correct line-level fund cite. The OIG team informally recommended that OBO arrange a refresher training session for all CORs and Assistant CORs located domestically on their responsibilities in reviewing and approving contractor invoices.

The OIG team also found that an individual responsible for overseeing a domestic contractor had not been delegated those responsibilities by AQM. Additionally, that individual has not always certified hours worked on invoices. An individual in a different office without direct knowledge of the contractor's hours has been signing for the hours. The OIG team provided an informal recommendation that OBO identify all designated CORs located domestically and ensure that the designated CORs cognizant of the scope and services that their contractors are performing and are in the best position to oversee these contractors.

CAPITAL SECURITY COST SHARING PROGRAM

The CSCSP, authorized by Congress in the FY 2005 Consolidated Appropriations Act, requires that all agencies with overseas personnel under chief of mission authority help fund construction of 150 NECs over 14 years at an annual rate of \$1.4 billion per year (\$17.5 billion total). The program is designed both to generate funds for the NEC construction program and to encourage all other agencies to rightsize their overseas staff. The Department bills other agencies based on a per capita charge for each authorized or existing overseas position in a U.S. diplomatic facility and each projected position above current authorized positions in those NECs that have already been included in the President's budget or for which a contract has already been awarded.²¹ According to legislative language, "the program will include agency involvement in setting priorities and in other aspects of the development of new embassy compounds" and that the Department is expected to implement the program in an inclusive, cooperative, and transparent manner.

Both OBO and other agency representatives agreed that overall the program runs well. Agency representatives gave CSCSP-dedicated staff in OBO high marks for their cooperation and support. Agency payments are made without problems and recent changes made both by OBO and by tenant agencies have improved the transparency and accuracy of CSCSP charges. However, given current construction costs, commodity price increases, and the depreciation of the U.S. dollar, it appears unlikely that OBO will be able to complete all 150 NECs within the original \$17.5 billion budget. Additionally, some tenant agencies did not receive funding from Congress for their full share of the CSCSP charges. Finally, not all other agencies' needs have been fully met by OBO's existing building program.

In November 2007, OBO developed a white paper titled "Overseas Facilities Cost Higher than Expected" which noted that the cost of completing overseas facilities has increased dramatically since 2003 because of the rapid increase in construction prices worldwide and the depreciation of the dollar. The paper concludes that the annual cost escalation rate of 3.5 percent OBO currently uses across the NEC program, grossly under-represents construction and site acquisition costs. Although OBO officials informed the OIG team that the white paper has been provided to members of Congress and OMB to justify the need for an additional \$100 million

²¹ Additionally, CSCSP charges for ICASS positions are passed through to agencies based on their relative percentages of use of ICASS services. Agencies are also eligible to receive a rent credit each year for office rent paid because existing diplomatic facilities are not able to accommodate their overseas personnel.

this fiscal year, it is unclear whether OBO has communicated to Congress, OMB, and the other agencies how a more realistic cost escalation rate would affect the NEC program in terms of how many of the 150 NECs are likely to be completed with \$17.5 billion. The OIG team left an informal recommendation that OBO provide a more realistic forecast to CSCSP stakeholders.

To address other agency CSCSP funding shortfalls, OBO plans to execute a combination of projects and site acquisitions totaling \$1.237 billion rather than the \$1.266 billion due to the shortfall. Other agencies will receive the full amount of space requested. OBO noted that the other agencies are expected to pay the shortfall next year. The OIG team provided an informal recommendation to OBO that it ensure that its plan for dealing with other agency funding shortfalls is legal, equitable, and transparent.

Headquarters elements of other agencies are involved only tangentially in selecting which facilities will be built with CSCSP funding. The Department is expected to spend CSCSP appropriations only on facilities at the 80 most vulnerable posts. Every year, regional bureaus nominate projects to be placed on the top 80 list. After posts are nominated, M/PRI then chairs a meeting with the regional bureaus, OBO, and DS during which they decide which posts will be added to the list. According to the Department, "Posts and non-Department of State U.S. Government agencies may make the case to their Regional Bureaus detailing why a post should be moved ahead on the Top 80 List."²² Although theoretically other agency representatives at missions should advocate through their chief of mission for their agency's needs, mission-based representatives may not be aware of their agency's long term plans in country when compared to other priorities. To facilitate other agency headquarters' input into the top 80 process, the OIG team provided an informal recommendation that headquarters elements of other agencies be provided access to or be asked to comment on nominees to the top 80 list each year. The regional bureaus or M/PRI would be the focal point for the information.

Other Agency Requirements

There was confusion among some of the agencies about when and how their technical requirements should be provided to OBO. One agency, for example, noted that it had provided OBO technical requirements a few years ago for all buildings but was informed that those technical requirements were never actually approved. Another agency representative recently provided technical requirements for one of the upcoming projects but was not sure if those requirements would also be used in the other upcoming projects. Another provided technical requirements but the requirements were not incorporated into the building.

²² Department Cable No. State 00167739.

According to an OBO official, standard technical requirements have been established for some agencies but not for others; there is no standard data call each year for other agency technical requirements. Requirements are gathered by project. If an agency will have a presence in a NEC, it is asked to provide technical requirements early in the planning process. If a project is deferred there is no standard dictating whether technical requirements will be updated and negotiations ensue between agencies about whether the requirements will be updated and whether CSCSP or other agency funding will fund the updates. Some of the other agency points of contact are familiar with the OBO organization and have time and staff to monitor ongoing planning and construction to ensure that their requirements make it from one part of the organization to the next; others do not. The OIG team also found that OBO representatives from different parts of the organization may not have or be up to date on changes provided to another part of the organization.

OBO has taken steps to improve this process. A single point of contact within OBO's planning division has been established for other agencies. OBO has also improved its standard forms to ensure that requirements are incorporated into the RFP package. Also, every month, OBO planners reach out to one other agency to discuss ongoing projects. However, unlike the clear and widely available written guidance and annual briefings on calculating CSCSP charges, written guidance on how, when, and to whom technical requirements should be provided and how and when they are incorporated into the building process is lacking. As discussed in the SED section of the report, OBO needs to formalize and publish its process for obtaining and incorporating other agency requirements into NEC projects.

Agency representatives also raised a number of valid concerns and issues that mirrored those made by regional bureaus, functional bureaus, and embassy staff. OBO was not adequately communicating to agencies when:

- Operational costs in the NECs increased,
- Buildings were redesigned and the agency office space was changed,
- Foreign policy changes affected other agency space requirements,²³ and
- Projects were changed after construction started.

A final concern noted was that the agencies wanted a voice in decisions to descope NECs or when modifying the configuration of office space. Some other agencies had to fund renovations to add what they believe should be standard building features.

²³ between the time NEC budgets are set and construction completed

Finally, the number of positions for which each agency is charged is based on embassy-generated figures. In the past, other agency headquarters elements had to contact their in-country representatives to check the figures and ensure that their in-country representative's vision of the number of required positions was consistent with the agency's headquarters vision. Agencies had to work with PDF files and coordinate with embassy HR staff to correct figures for resubmission. The process was cumbersome and time-consuming. To assist them, in January 2008, OBO informed the other agencies that they would receive electronic access to the embassy-generated figures that would facilitate this process. Near the end of the inspection, other agencies were granted access and given an extension to the deadline for reviewing embassy-generated figures. This access will assist headquarters elements of other agencies immensely.

FEDERAL REAL PROPERTY INITIATIVE - ACCOUNTING AND REPORTING

The President's Management Agenda Initiative²⁴ requires Executive Branch agencies to develop comprehensive asset management plans. With guidance from the Federal Real Property Council and the General Services Administration, agencies are required to submit annual reports of all real property to the Federal Real Property Profile (FRPP). OMB monitors and scores the implementation of the Department's Asset Management Plan through quarterly reports. Various offices within OBO are responsible for collecting and computing the data submitted to the FRPP. The OIG team's principal finding is that OBO's information reporting in the annual FRPP is inaccurate for the current replacement value of its real property inventory, annual operating costs, and facility condition index.

Inefficient Data Collection, Management and Reporting

OBO utilizes a legacy database application, the Real Property Application, to inventory its overseas property portfolio. There are two versions of this software—Headquarters RPA (Hqs RPA) and WebPass RPA (used by overseas posts). The data in WebRPA is periodically uploaded to the Hqs RPA database. The use of duplicative databases to record and manage the Department's overseas real property is inefficient and, on occasion, the transfer of WebPass RPA data to Hqs RPA has been error-prone.

Hqs RPA is used by most operational offices within OBO to link other applications and spreadsheets for real property data and transactions to the Hqs RPA property inventory. In addition to real property application input from posts, OBO issues several annual worldwide cable requests for information (maintenance and repair needs, property utilization, and property disposition) that is entered by OBO staff to the various applications and spreadsheets. Because of the number and duplication of applications and spreadsheets used to manage the Department's overseas property portfolio, comprehensive real property data and transactions entered into Hqs RPA are not transparent to single real property managers at posts overseas.

²⁴ Executive Order 13327, Federal Real Property Asset Management, dated February 4, 2004.

Annually, the Real Property Management Division in the Office of Planning and Real Estate consolidates most of this information into a spreadsheet for the Department's annual report to the FRPP. Though OBO has submitted three annual FRPP reports, it just began to incorporate FRPP data elements into Hqs RPA. (WebPass RPA is not part of the initial effort.) OBO requested assistance from the General Services Administration in this effort. The OIG team believes that the primary responsibility for reporting most FRPP data elements should be assigned to the single real property managers at posts.

Recommendation 30: The Bureau of Overseas Buildings Operations should consolidate systems managing real property data, provide access to all stakeholders, and assign accountability for data reporting to Single Real Property Managers at U.S. overseas missions. (Action: OBO)

Annual Operating Costs

The Department is required to report to the FRPP the annual operating costs for all properties for which the Department is responsible for maintenance and repair. Reportable annual operating costs include the full annual lease costs and operating expenses that are not covered in the lease contract (e.g., recurring maintenance and repair costs, utilities, cleaning or janitorial costs, and grounds maintenance, etc.).²⁵

In its 2007 Assets Management Plan, OBO stated that all annual operating costs are reported to the FRPP. Several OBO officials stated that the accuracy and timeliness of posts information has been problematic (some posts provide more complete data than others). The OIG team compared the annual operating costs for a number of long-term leased properties reported in the 2007 FRPP, to real property application post-specific property book reports and noted that the annual operating costs for some properties appeared incomplete, i.e., lease costs and possibly other expenses were not calculated into the annual operating costs.²⁶

Recommendation 31: The Bureau of Overseas Buildings Operations should reiterate to overseas missions that they provide the Bureau of Overseas Buildings Operations with a complete accounting of all annual operating expenses to include all lease costs and building operating expenses for long-term leased and government-owned properties for inclusion in the annual Federal Real Property Profile. (Action: OBO)

²⁵ See the 2007 Guidance for Real Property Inventory Reporting, dated June 8, 2007; page 11.

²⁶ The OIG team reviewed 2007 annual operating cost data for over 5,100 owned and leased properties (see OBO/PD/CMD data file-DOS_FRPP_Computation Data_Dec07.xls) and compared the data to the 2007 FRPP annual report data.

Computation, Reporting and Use of Condition Index

In its 2007 Joint Asset Management Plan, OBO reported the condition index (CI) of approximately 5,000 Department properties at 93.95 percent.²⁷ OBO also reported in the plan that it has “\$132 million in deferred, unfunded maintenance and repair needs for prior fiscal years” and at least “\$100 million in annual major rehabilitation projects.” There is general agreement within OBO that there are significant unmet maintenance and repair needs. OBO’s reporting of such a high CI would seem to be at odds with the realities on the ground, and certainly conveys the wrong impression to OMB.

The CI is a general measure of a constructed asset’s condition at a specific point in time and is reported as a percent on a scale of zero to 100 percent.²⁸ The plant replacement value (PRV) is defined as the cost of replacing an existing asset at today’s standard. Repair needs costs are defined as the amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. While the Department is required to report the PRV and the CI for all of its owned and long-term leased properties, the figure for repair needs costs used to calculate the CI is not a reportable data element in the FRPP, is not transparent to all stakeholders, and receives no independent scrutiny.

The OIG team found that the repair costs OBO used to calculate the CI rating far exceeded the PRVs for 16 of the 39 major rehabilitation projects scheduled in the 2008 LROBP.²⁹ Additionally, 14 of those 16 projects had project costs that far exceeded the computed PRVs. Either the PRVs are grossly undervalued or, if correct, OBO should consider other real estate alternatives.

For example, the Helsinki project cost is \$50.1 million, and the OIG team found that the combined PRV for the properties described in the project descriptions

²⁷ See the Department of State and USAID 2007 Joint Asset Management Plan, page 5: “An analysis of all Department of State and USAID properties resulted in individual Condition Indices of 93.95% and 96.56%, respectively, and an overall Condition Index of 94.04%.”

²⁸ See the 2007 Guidance for Real Property Inventory Reporting, dated June 8, 2007.

²⁹ See OBO/PRE/PD/CMD data file-DOS_FRPP_Computation Data_Dec07.xls. The 2008 major rehabilitation projects are Nassau, Minsk, Brasilia (CMR), Chengdu, Hong Kong, Copenhagen, Helsinki, Tegucigalpa, Reykjavik, Jerusalem, Tokyo, Vilnius, Ulaanbaatar, Apia, Stockholm, and Abu Dhabi.

totaled \$27.2 million.³⁰ For the Nassau project the total PRV for two properties is \$13.7 million, yet the project costs are \$29.7 million. The combined PRV for all the Hong Kong properties is \$9.1 million and the project costs are \$12.7 million. Additionally, for two of the 16 projects (Nassau and Hong Kong) in the CI formula, the total projects' repair needs for more than one property (numerator) was divided by the PRV of only one of the properties (denominator) described in the project narratives. This resulted in a CI rating of zero percent for that one property (reported in the 2007 FRPP and the 2008 LROBP).³¹ Twenty-two of the 39 projects had project costs that exceed the repair needs costs used to calculate the CI rating for the properties described in the projects narratives.³²

OBO has acknowledged that data used to compute the CI has presented certain challenges. One of the challenges OBO noted was the inconsistencies in the type of information reported by posts for maintenance and repair projects. It is generally accepted that the information on maintenance needs reported by costs is neither complete nor accurate. OBO has recognized that it requires a better method of assessing the CI of its facilities. However, it remains unclear why repair needs costs and project costs far exceed the plant replacement values that OBO computed for the properties identified for major rehabilitation projects in the 2008 LROBP.

On April 30, 2008, OBO awarded a contract to develop and implement a facility index tool. The objective is the development of a CI model that uses building systems and component data and compares this data to industry standards in order to determine a CI for the total structure. The scope of work calls for the collection of data from posts using electronic and telephonic communication. The contractor is to provide a CI for each government-owned and long-term leased building as well as for each building system and component.

Recommendation 32: The Bureau of Overseas Buildings Operations should review those major rehabilitation projects where the project costs or repair needs costs far exceed the plant replacement values to determine if the repair needs costs and plant replacement values are accurate. If so, OBO should determine what alternatives to major rehabilitation projects (property disposal, build, and purchase or lease new property) should be implemented. (Action: OBO)

³⁰ Four examples: Nassau (project costs are \$29,782,000 vs. PRV of \$13,523,912; Minsk (combined project costs for FY 2008/2009 are \$22,420,000 vs. PRV of \$9,884,587); Helsinki (project costs are \$50,183,000 and combined PRV of described properties is \$112,437,274); and Tokyo (combined project costs for FY 2011, 2012, and 2013 are \$139,146,000 vs. PRV of \$112,437,274. See 2008 LROBP, OBO/PRE/PD/CMD data file-DOS_FRPP_Computation Data_Dec07.xls.

³¹ Twelve of the 39 projects have more than one property described in the LROBP project narratives; however, the reported CI ratings were attributed to only one of the properties for each project.

³² Repair needs costs should closely correlate with LROBP project costs. It would appear that either the repair needs or the project costs were poorly captured.

Recommendation 33: The Bureau of Overseas Buildings Operations should establish clear and concise data collection and reporting criteria for the plant replacement value and the condition index elements. (Action: OBO)

REAL ESTATE

Residential Lease Waivers

The Foreign Service Buildings Act of 1926, as amended (22 U.S.C. 301), requires the Secretary to approve waiver submissions for office or residential leases that exceed space standards and are over \$50,000 in annual lease costs. This authority has been delegated to the OBO Director.

OBO imposed a stricter requirement, requiring a waiver for residential leases in excess of \$25,000. The result, over the past few years, has been a sharp increase in the number of waiver submissions processed annually (over 2,600 waiver requests were processed in 2007 alone). This would suggest that the \$25,000 rental ceiling is not practical in most overseas rental markets. To address the volume of requests, OBO requires that the review process be completed in approximately seven working days. This internal suspense does not take into account the time needed to forward waiver decision memoranda through OBO's multilayered clearance and approval process. Further, approval of lease waivers should be an exception and not routine. OBO approves more than 85 percent of all lease waiver requests. The OIG team questions the value of a lengthy lease waiver review and clearance process when less than 15 percent of all waiver requests are denied. In some cases, the lack of timeliness of the process for waivers that are ultimately approved has resulted in the loss of lease opportunities. OBO has implemented the Rental Benchmarking Initiative (RBI), which may eliminate waiver requests for leases under \$50,000 (this initiative is described in the following section).

In the OIG OBO survey, 92 posts expressed concerns about the efficiency and effectiveness of the lease waiver process.³³ Over 50 percent of the 92 respondents stated that the process was effective but cumbersome. Most stated that the processing time for lease waivers often had a negative impact on posts' ability to obtain housing that meet the Department's standards. Twenty-five percent of the 92 respondents found the lease waiver process to be inefficient and the telegram request format cumbersome. Disaffected respondents cited the following concerns:

- The Department's imposed rental ceiling of \$25,000 is arbitrary and impractical.

³³ If post has used the waiver process either for size or cost, is it working efficiently and effectively for post? Are there any problems or issues post has raised with OBO regarding housing; how satisfied is post with the resolution?

- The legislated \$50,000 ceiling is outdated in today's volatile overseas housing market and needs to be revisited with Congress.
- Posts competing for limited housing that meet Department standards are frustrated by the lack of a timely response from OBO that diminishes posts' prospects.

Recommendation 34: The Bureau of Overseas Buildings Operations should raise the rental ceiling from \$25,000 to the legal maximum of \$50,000 in order to significantly reduce the percentage of waivers requests. (Action: OBO)

Recommendation 35: The Bureau of Overseas Buildings Operations should streamline its lease waiver clearance and approval process to provide posts with timely decisions on lease waiver requests. (Action: OBO)

Rental Benchmark Initiative

OBO recently developed the RBI to provide more oversight for residential leases; reduce waiver request submissions for leases under \$50,000, and to realize cost savings by establishing post-specific rental ranges.³⁴ OBO believes the inherent value of RBI would be to provide robust oversight of the Department's leased residential assets through continuous and rigorous analyses of lease costs and the containment of lease costs at posts for a set period.

OBO contracted with a private firm to conduct local market surveys of residential lease costs at overseas missions that are under consideration for participation in RBI. The firm gathers information from various sources and conducts an on-site survey on lease costs for all neighborhoods at a given post. The surveys do not take into consideration Department housing and security standards that may preclude U.S. missions from leasing residences in certain neighborhoods.

The survey results provide an average of lease costs, in local currency, for standard, mid-level and executive-sized housing at a post and are shared with posts for review and discussion of post-specific factors that may affect posts' ability to lease residences within the suggested rental ranges. Once rental ranges have been agreed to, selected posts must participate in the initiative for a minimum of two years. As RBI participants, posts are authorized to lease properties for a one-year period during which they will be scored on their lease performance.

³⁴ Lease waivers are still required for all functional facilities regardless of size or cost.

OBO reviews and rates posts' performance on a quarterly basis and provides an annual performance rating to determine posts' continued participation in the initiative. The mechanism used to determine quarterly and annual scores are not transparent. The OIG team's review of quarterly performance cables indicates that posts have been graded on criteria other than the established performance measures. Scores were based on findings such as property addresses or lease terms entered incorrectly into the real property application database. The OIG team could not determine whether the ratings are issued for each lease transaction or the sum of the entire lease transactions for a quarter.

Remedial performance plans are crucial to the long-term success of the RBI program.

For example, Posts that receive yellow or red scores for two or more quarters, as well as posts that receive a red score for an entire year and have had their RBI lease authority rescinded, could be provided with remedial performance plans.

The OIG team reviewed the comments of 102 respondents related to RBI.³⁵ Thirty-one of the 102 OIG survey respondents currently participate in RBI:

- Most RBI participants stated that the initiative made it easier to acquire leases and reduced the number of waiver requests submitted annually.
- One post stated that OBO should coordinate with posts prior to conducting market surveys to identify neighborhoods where posts are not allowed to lease residences due to security reasons.
- Several posts expressed concerns that the current ceilings would quickly become outdated due to ever increasing lease costs, and one stated its rental ceilings would be outdated within six months.
- At locations where all residential leases exceed \$50,000, posts complained of the increased paperwork required for lease waiver submissions and concurrent RBI benchmark negotiations of rental ceilings.
- Another post reported that the rental ceilings were appropriate for standard single-sized housing but too low for standard and mid-level three- to four-person-sized housing. The same post also stated that the market survey compared the housing of nonofficial Americans living in-country who do not have to abide by Department housing and security standards, and as such is considerably more expensive, scarce, and in high demand.

³⁵ Is post a participant in the Rental Benchmarking Initiative? If yes, is this process more efficient than the waiver process? Has this initiative reduced the number of waiver requests submitted by post? Do the rental ceilings, determined by OBO local market surveys, realistically address local rental costs?

Five of the 102 posts appeared to have been benchmarked as potential candidates for RBI participation. Three posts of the five stated that by the time market surveys were received the information was not reflective of the current lease market. One post, whose entire lease holdings exceed \$50,000, stated that when post proposed rental ceilings other than what were presented in the market survey, OBO counteroffered with rental benchmarks far lower than what post had requested in its lease waiver requests for those same properties.

Recommendation 36: The Bureau of Overseas Buildings Operations should score Rental Benchmarking Initiative performance in accordance with agreed upon standards. (Action: OBO)

Recommendation 37: The Bureau of Overseas Buildings Operations should implement remedial plans of action for posts that do not perform well under the Rental Benchmarking Initiative. (Action: OBO)

Build-to-Lease Program

The build-to-lease (BTL) program presents a viable, attractive option to meet OBO's requirements for new properties when OBO is unable to acquire functional or residential properties overseas that meet the Department's requirements through purchase or lease; complies with OMB Circular No. A-11 operational lease requirements; and, provides secure renewal and termination rights. Oftentimes, there is a shortage of available properties, particularly when U.S. missions must relocate to new national capitals. With the exception of program budget costs for initial planning visits, a BTL project is a lease transaction funded from the leasehold account (7400). Posts normally have 24 to 36 months from the approval of a BTL project to plan for lease costs. Since 2005, there have been 39 proposed BTL projects of which 35 were rejected due to costs or other considerations; one is currently pending review; and, three were completed:

- A chief of mission residence in La Paz that was completed in 2005.
- A housing compound in Belmopan that included 16 staff residences, a chief of mission residence, and a deputy chief of mission residence that was completed in 2006.
- A Radio Free Europe office building in Prague that was completed in 2007.

There are several advantages to the BTL program. It is financially attractive because it leverages private sector capital. It delivers services faster by outsourcing to the developer the land acquisition, design, and construction function. It reduces the risk for the Department because the developer assumes the risk of land acquisition, construction quality, and property ownership. Additionally, the Department does not need to accept or lease the project until it is completed and OBO has determined that the property meets the Department's requirements.

The OIG team identified several potential drawbacks to successful BTL project implementation.³⁶ One of the drawbacks is that OBO provides little oversight to ensure that the intended outcome will indeed meet posts' stated needs and to preclude unnecessary project specifications and changes that could result in delays or cost overruns that impact lease costs. Though the developer bears the costs (and risk) of land acquisition and construction, proactive oversight of these projects if other real estate options are not viable is the Department's responsibility. Another drawback noted was that it may be unclear to posts what the full annual operating expenses will be (for the full term of the lease) and whether post or OBO is responsible for certain expenses (routine maintenance and repair, taxes, grounds maintenance, fees, insurance, etc.). While 15 FAM 633 describes responsibility for lease costs for normal long- and short-term leases, the nature of the BTL program can confuse posts in that it has some similarities to OBO renovation and construction projects.

Recommendation 38: The Bureau of Overseas Buildings Operations should provide closer oversight of Build-to-Lease projects to ensure that the intended outcomes meet posts' stated needs and to preclude escalation of lease costs due to unnecessary project specifications or changes. (Action: OBO)

Recommendation 39: The Bureau of Overseas Buildings Operations should provide posts with a clear accounting of the total lease costs (for the life of the lease) that posts are responsible for that include the base lease costs, fees, taxes, maintenance and other annual operating expenses for properties acquired under the Build-to-Lease Program. (Action: OBO)

³⁶ See OIG report of the limited-scope inspection of Embassy Belmopan (report number ISP-I-08-13, dated March 2008). While an A&E firm was contracted by OBO to oversee the BTL housing project, due to FAR provisions the firm could not act on behalf of the government to address construction issues but did issue reports to OBO on the status of the project. Since the BTL project is not funded by OBO, a project manager was not assigned. However, Embassy Belmopan felt that more frequent visits by OBO to address construction issues would have resulted in a better product.

INFORMATION MANAGEMENT AND INFORMATION SECURITY

OBO's new management has begun the arduous task of addressing numerous problems within the Information Management (IM) division, which is emerging from a seven-year period during which the prior division management exhibited a failure to carry out the duties that support OBO's mission, as well as a disregard for customer service. Senior management allowed the behavior to persist and flourish, and all aspects of IM operations suffered as a result.

To begin to unravel IM's problems, OBO's Director Ad Interim began seeking assistance and input from all Department elements. For example, DS provided assistance in sorting out the security ramifications of some unapproved IT security tools, hardware, and software that had been in use. To address the IT irregularities, the Director Ad Interim established an independent internal security element to review IM internal policies and activities. The Department's Bureau of Information Resource Management (IRM) appointed an individual to serve as interim director of the IM division, and efforts are underway to complete consolidation of network operations with IRM. In addition to these ongoing efforts, OBO has organized a variety of advisory groups to assess the condition of IT services, determine requirements, and plan a path forward for meeting those needs. A significant achievement has already been made in improving cooperation and communication with customers as evidenced by the widespread participation in committees to improve IT services and capabilities.

Information Management Division

IM has gone through numerous changes in management, organizational structure, and responsibilities during the last six months. The OBO/IM division is authorized for 44 positions according to its staffing pattern; however, the current staff includes 10 full-time employees, 7 PSC contractors, and 28 vacancies (including GS and PSC positions).

OBO staff described morale as low and the working environment as extremely difficult under the previous IM management. The previous IM director enjoyed a unique position in OBO, reporting directly to the OBO Director—an oddity among IT professionals. This reporting relationship, coupled with the previous Director's esteem for the previous IM director, gave the opportunity for acting without oversight. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

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Staff members were closely monitored and open communication and collaboration across disciplines was effectively stifled. The previous IM director did not interact with or attend Department management meetings, nor was information shared on IT projects and contracts, resulting in few individuals fully understanding the IM operations.

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(b) (2) The Department and OBO used the opportunity to improve IM operations and address areas requiring attention. As stopgap measures, IRM detailed an information management officer to OBO for 120 days as acting IM director. During the inspection, this officer eventually departed and was replaced by another person detailed to OBO from IRM. The vacancy announcement for the IM director position was in OBO/HR for processing at the time of this report. The arrival of new management has resulted in increased coordination and communication with all OBO elements. Whereas previously IM favored meeting the needs of executive management over others, users are now able to request needed assistance and share their concerns regarding the capabilities of applications being used within their respective business units. IM started attending meetings and discussing with OBO management their action items and progress updates.

Recommendation 41: The Bureau of Overseas Buildings Operations should consolidate all information technology resources for applications development and support into one budget within the Information Management division for their management and oversight. (Action: OBO)

Applications

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Notable OBO-specific applications among the list (b) (2)(b) (2)(b) (2)(b) (2) include The Museum System, Information Resource Management Systems (IRMS), Digital Media Library System, Primavera, and AutoCAD. BMIS and Project Information Database (PID) are other applications being used, which will be discussed separately. The Museum System is one example of a commercial off-the-shelf product successfully integrated into OBO operations. More common are applications such as IRMS, a legacy application within OBO built on obsolete programming code, but still very much necessary for mission critical functions. IRMS consists of some thirty modules built in a version of PowerBuilder no longer supported and in need

However, BMIS is generally regarded as an expensive application that failed thus far to achieve those goals of software integration to assist OBO to fulfill its mission. There are small groups that have found it useful, such as security staff who can get a project number issued to order doors, or PE staff that have found certain scheduling functions to be useful. However, many groups continue to use IRMS and other legacy applications or more specialized applications such as Primavera for functions that BMIS promised to provide. OBO's Information Technology Advisory Committee (ITAC) wrote in its preliminary findings presentation on May 30, 2008, that:

The implementation and deployment of [BMIS] has lagged far behind expectations...most OBO offices are not using the tool and are not being served...there is no clear guidance on what BMIS is to do...BMIS became "the system" with no definition of what "the system" is, or was supposed to do.

BMIS has design flaws which often render it unusable. For example, the OIG team observed OBO staff having considerable difficulty navigating a user interface that is not very intuitive. New menu screens of different sizes litter the user's desktop, rather than sequential menus that can be shuttled through. Relatively simple functions often require excessive clicks to perform. Reporting functions in BMIS do not allow users to define their own parameters—they can only view reports generated from uniform parameters. If new report parameters are required, BMIS contractors must be tasked to create them. Since BMIS implementation does not extend to posts, any data from posts must be either uploaded through a feeder system such as WebRPA or input manually. However, WebRPA has some data entry fields that are incompatible with BMIS, so there is wasted effort and potential data integrity issues. In addition to data integrity issues raised through compatibility problems, it is also a concern from the perspective of access control. For a system that can route authorizations for action items and payment of funds, some OBO employees were surprised to learn that users from different organizational units can delete files from BMIS without any audit history of that action being taken.

One of the causes of BMIS's failure is the lack of a defined process for IT project management. BMIS was conceptualized during the previous management regime and was pushed upon the users without properly gathering business requirements or identifying potential alternatives within the Department or industry. Divisions were given one week to map their business processes to user requirements and provide them to IM management. Many divisions found the request to be unclear and so provided incomplete submissions. Additionally, the bidding process for BMIS was flawed.

The BMIS contract was supposed to be renewed at the end of May 2008. The
OIG team reviewed documentation associated with the contracting of the BMIS
system and found some striking irregularities. The purpose of the project is poorly
defined in the statement of work and does not differentiate the intent of the system
from other project management software in use within OBO. (b) (2)(b) (2)(b) (2)
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Some discussions took place regarding the future of the application and its usage
within the organization. For example, ITAC concluded that OBO should prepare a
detailed scope of work and solicit for bids—mainly because the current implementa-
tion lagged and did not meet expectations. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)
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team concurs with these recommendations.

recent organizational changes presented an opportunity, OBO was moved up in the Department consolidation schedule.

With IT consolidation, IRM will be responsible for desktop support to OBO to include, at a minimum, unclassified and classified desktop computers, office automation products; e-mail for all domestic users; common network infrastructures supporting desktop operations; and the Helpdesk function. OBO will maintain responsibility for the operations and maintenance support of their respective bureau-specific applications. OBO management hopes that the consolidation will resolve one of the main complaints from users, which is the lack of customer service and support from the Helpdesk.

The consolidation was tentatively scheduled to be completed by the beginning of June 2008, for which OBO has completed the Discovery Report and Gap Analysis. However, the milestones are constantly changing due to issues requiring further discussion. This includes the organizational structure of IM and staff placement. The staff is allocated between network operations management and applications support management branches. The acting IM director had developed a vision for the placement of IM staff, and it shows two employees being transferred to IRM and a potential reduction in the number of PSC contractors. IRM, however, has not agreed with any proposed staffing structure, but the IT consolidation team recommended the transfer of 19 positions to IRM. The deputies within OBO are concerned that the new IM division will not have adequate staffing or resources to advance OBO's mission.

Another area requiring further discussions between OBO and IRM for IT consolidation efforts is the use of existing and surplus equipment. The OIG team was informed that OBO obtained more than \$2 million in new IT equipment under the previous IM management. The majority of the equipment has never been used and remains in its original packaging. OBO and IRM representatives are working with Global IT Modernization to determine whether the equipment could be incorporated into OBO's Global IT Modernization refresh lifecycle, which would eventually save OBO funding. Once the MOA is signed between Global IT Modernization and OBO, they will review their inventory list to determine what equipment is available and can be integrated into a life cycle plan. Specialized needs for OBO will be determined on a case by case basis.

Information Technology Advisory Committee

Responding to a dysfunctional IM office, managers from numerous OBO offices formed an informal working group to address business needs. After the arrival of the Director Ad Interim, the working group was formalized as ITAC, and its functions were expanded to include the rationalization of all OBO software applications. Eventually the committee formed subcommittees to deal with applications, systems of record, and records management. The primary objective of this committee and its subcommittees was to determine what OBO's requirements were regarding systems that would support business functions, what was currently in place, and what changes needed to be made to bring IM functionality in line with business requirements. An additional committee made up of the deputy directors of each OBO division oversaw these efforts. An additional effort underway is led by a retired Assistant Secretary, with the focus of determining BMIS's and other applications' association with the Post Administrative Software Suite.

In general, the various groups represent a considerable step forward for a bureau that did not have open communication for some time—the simple act of allowing a free exchange of ideas and collaboration signals a marked shift in the right direction. However, the OIG team attended many of the committee meetings and found overlaps in responsibilities. In some cases the committees dealt with subjects of a technical nature that were beyond the sphere of knowledge of those present. As a result, the OIG team suggested that the IM division be included in more of the proceedings. The OIG team is also concerned that OBO is creating new forums to handle issues that could be addressed through already established Department mechanisms such as the local CCB.

Initially, the intended result of ITAC was a report with details submitted by the three subcommittees featuring formal recommendations on how to move forward. When it became clear that ITAC was imposing an unnecessarily short deadline on their activities in order to match the deadline of the IT consolidation efforts, the OIG team advised them to take the necessary time to deliberate and do the job right, rather than rush to match the schedule of an operation that is transparent to ITAC's efforts. As a result, the ITAC backed off from their original plan for more formal recommendations and instead presented their findings in a more informal forum, which resulted in positive discussions that revealed interconnections between the subcommittees that will need additional consideration. Another outcome of the proceedings was the suggestion to create a permanent body such as an IT steering committee to continue to provide a forum for fostering communication between the IM division and business units even after the business of the ITAC is concluded.

Records Management

Records management was identified long ago as an area that needs improvement within OBO, and a subcommittee was established for the purpose of addressing it as part of the ITAC. The subcommittee conducted an assessment of OBO's current records, records management practices, and technical requirements and has developed recommendations for a path forward. The records management subcommittee quickly realized that there are multiple facets to any discussion of records management. The traditional role involves the determination of what records are official and what schedules are to be followed for retention and retirement of those records. However, the role is expanded when electronic media are introduced. Such issues include debates over whether or which forms of electronic media can be considered official records, such as e-mails. Also, it is debated whether the records management function includes the rationalization of the means of storage.

OBO had little success implementing IT solutions designed to manage the voluminous data required to meet OBO's mission. Several solutions were tried unsuccessfully, including regular network drives with hierarchical folders, NetApp files, OBOLink, and OBO DataStor. Of these, OBOLink was most favored but was inexplicably shut down by previous IM management in favor of OBO DataStor, which has been widely criticized. None of the solutions adequately provided for data access or version control, minimized duplication of records or corruption of data, or were sufficiently economical with regards to storage space and other resources. In general, OBO's data has been poorly managed, so much so that many employees turned to saving files on local drives—almost as much as network drives according to the records management subcommittee survey—or in some cases attaching files to emails via Outlook so that they can sort and query among their files. Files are stored in multiple locations and, as such, individuals are not aware of the latest versions of documents. Locating a particular file for a construction project, for example, can be extremely difficult if not impossible. The OIG team confirmed this reality in conducting its case studies, located in Appendix C of this report.

OBO lacks well-defined models for business process workflows and the data generated by them. OBO does not know if all files stored in a shared network drive should be considered official records or if an enterprise content management system is needed to manage version control and other metadata associated with electronic files. Additionally, OBO must assess whether records management extends to determining business process workflows for the organization. An attempt was once made by a consultant under contract to capture such information, but that information is apparently lost or retained by the contractor. There is no comprehensive, or even high-level model of the workflows of the business processes within OBO. Such a

model would serve to identify the collection points of information and how data is transferred among bureau entities. There is no comprehensive entity-relationship diagram to serve as a basis for database work done within the bureau. Once such a diagram is established, IT solutions could be considered for the purposes of either data storage (in the case of NetApp filers) or enterprise content management (in the case of OBOLink, OBO DataStor, or the oft-mentioned SharePoint server).

Recommendation 44: The Bureau of Overseas Buildings Operations should develop workflow documentation of their business processes and build all associated data models and entity relationship diagrams to support further expenditures on software solutions for managing bureau data. (Action: OBO)

Content Management of Web Sites

Content management of OBO Web sites is another area in need of improvement. Each OBO division has an assigned content manager who handles the updating of relevant web site content and coordination with IM as needed. The majority of content managers mentioned that the process for updating content is tedious and inefficient. The process entails transferring data from the network to a standalone workstation to make any necessary changes using web editing software, saving the changes to a CD, opening a trouble ticket with the Helpdesk, and providing the CD to the IM point of contact for uploading. The process can take as long as a week to be completed, diminishing the accuracy of Web site content for significant periods. Content managers also experience problems with incorrect information posted due to compatibility issues and limited capabilities in their Web sites. In the past year, OBO was in the process of procuring software to allow for Web content management; however, that purchase was cancelled due to its cost and potential alternatives, so the process has remained the same.

Recommendation 45: The Bureau of Overseas Buildings Operations should evaluate options and implement a Web site content management system. (Action: OBO)

FORMAL RECOMMENDATIONS

- Recommendation 1:** The Bureau of Overseas Buildings Operations should establish a mission statement and formal operating procedures for the conduct of Internal Review and Operations Research activities. (Action: OBO)
- Recommendation 2:** The Bureau of Overseas Buildings Operations should provide Internal Review and Operations office personnel with the requisite training to perform its oversight function. (Action: OBO)
- Recommendation 3:** The Bureau of Overseas Buildings Operations should consolidate the office facilities interior design personnel now in the Planning, Development, and Real Estate Directorate into the Design and Engineering Division of the Project Execution Directorate. (Action: OBO)
- Recommendation 4:** The Bureau of Overseas Buildings Operations should integrate the project-specific planning, development, and design functions for capital construction and major renovation projects under the Office of Project Execution. (Action: OBO).
- Recommendation 5:** The Bureau of Overseas Buildings Operations should establish an office of project coordinators to oversee each major construction project. These coordinators should have project management expertise and be given the authority, responsibility, and administrative resources to oversee each project from planning to commissioning. (Action: OBO)
- Recommendation 6:** The Bureau of Overseas Buildings Operations should conduct a top-to-bottom review of the RFP process for capital projects with the goal of producing direct accountability for a streamlined, less complicated and time consuming planning stage that results in a timely design-build RFP document that contains clear, realistic and nonconflicting guidance to prospective bidders. (Action: OBO)
- Recommendation 7:** The Bureau of Overseas Building Operations, in coordination with the Bureau of Diplomatic Security, should document and include the security best practices into the infrastructure of the embassy of the future. (Action: OBO in coordination with DS)

Recommendation 8: The Bureau of Overseas Buildings Operations, in coordination with the Bureau of Diplomatic Security, should validate the environmental protection requirements for new embassy compounds and then codify them into the Overseas Security Policy Board security standards. (Action: OBO in coordination with DS)

Recommendation 9: The Bureau of Overseas Buildings Operations should streamline the number of internal and external working groups under a single unified coordinating office to address current and future construction issues. (Action: OBO)

Recommendation 10: The Bureau of Overseas Buildings Operations should establish a nimble, time-sensitive process which solicits comments from agencies, bureaus, and posts; documents short- and long-term suggestions; and expeditiously incorporates those comments and suggestions into changes and improvements to the overall Capital Security Construction Program. (Action: OBO)

Recommendation 11: The Bureau of Overseas Buildings Operations should establish a comprehensive Washington-based program to coordinate, monitor, and document commissioning activities for all trades and activities associated with a construction project. (Action: OBO)

Recommendation 12: The Bureau of Overseas Buildings Operations should establish and enforce a project documentation database that provides essential information from planning to commissioning in a readily retrievable format. This information should be made accessible to personnel within the Bureau of Overseas Buildings Operations and other State Department entities that require the information in a read-only format. Key documentation presently maintained only by the PD in the field should also be archived to this database. (Action: OBO)

Recommendation 13: The Bureau of Overseas Buildings Operations should establish a mandatory outline for a comprehensive Project Director's project completion report with an appropriate deadline for completing the report. (Action: OBO)

Recommendation 14: The Bureau of Overseas Buildings Operations should update the 15 FAM 812.2 Fire Inspection requirement to include that posts submit an annual report of findings for fire inspection. (Action: OBO)

Recommendation 15: The Bureau of Overseas Buildings Operations should perform fire inspections at overseas posts annually using either appropriately trained post personnel or headquarters staff. (Action: OBO)

Recommendation 16: The Bureau of Overseas Buildings Operations should develop and implement an action plan for how best to provide the training, preventive maintenance, and service support to posts in areas of the world where such support is not available to ensure that the facilities can be operated and maintained as intended, using cost sharing principles to the extent possible. (Action: OBO)

Recommendation 17: The Bureau of Overseas Buildings Operations should develop and implement a system for accurately identifying the costs of operating and maintaining new embassy compounds and legacy properties and then budget accordingly. (Action: OBO)

Recommendation 18: The Bureau of Overseas Buildings Operations should continue working to eliminate Human Resources backlogs of personnel actions. (Action: OBO)

Recommendation 19: The Bureau of Overseas Buildings Operations should continue working to fully staff the Human Resources office and ensure that all staff receives the training and resources to perform their duties. (Action: OBO)

Recommendation 20: The Bureau of Overseas Buildings Operations should develop and begin implementing a plan to review and rewrite for accuracy the position descriptions of direct hire staff. (Action: OBO)

Recommendation 21: The Bureau of Overseas Buildings Operations should put in place procedures to ensure that each direct hire employee has an accurate and current performance appraisal on file. (Action: OBO)

Recommendation 22: The Bureau of Overseas Buildings Operations should conduct a review of its procedures for using personal services contractors to ensure that relevant government policies are scrupulously followed so that the use of personal services contractors does not detract from the career development of direct hire employees. (Action: OBO)

Recommendation 23: The Office of Overseas Buildings Operations should establish a mechanism for verifying that first-line managers ensure travel is necessary and create a system for ensuring that trips are coordinated. (Action: OBO)

Recommendation 24: The Bureau of Overseas Buildings Operations should require that the Construction and Commissioning division add a Value Added Tax item to its monthly Project Director's progress report and that the Project Evaluation and Analysis division report Value Added Tax accomplishments at the monthly program performance review. (Action: OBO)

Recommendation 25: The Under Secretary for Management should establish a formal process to ensure that the Bureau of Administration and the Bureau of Overseas Buildings Operations establish written timelines for the submission of FY 2009 and future technical requirements packages along with target contract award dates; and, adjust contract award dates (into the next fiscal year if necessary) when technical requirements packages are submitted too late to conduct appropriate procurement procedures. (Action: M, in coordination with A and OBO)

Recommendation 26: The Under Secretary for Management should ensure that the Bureau of Administration institutes procedures to monitor the timeliness and completeness of technical requirements packages; and, report back to the Under Secretary for Management and Bureau of Overseas Buildings Operation when packages are late. (Action: M, in coordination with A)

Recommendation 27: The Under Secretary for Management should obtain revised contract award dates for FY 2008 projects from the Bureau of Administration that will allow for a proper acquisition process and then consider deferring appropriate projects into the following fiscal year. (Action: M)

Recommendation 28: The Bureau of Overseas Buildings Operations should review and revise performance measures related to providing the Bureau of Administration request for proposal packages in a timely manner to ensure that the measures use the initial Master Procurement Integration Schedule (or other Acquisition Plan or service level agreement) that is coordinated with the Office of Acquisitions Management as its performance benchmark and have clear thresholds for delinquent reporting. (Action: OBO, in coordination with A)

Recommendation 29: The Bureau of Overseas Buildings Operations should ensure that the work commitments of employees who have responsibilities related to timely request for proposal packages address performance measures for which they are responsible. (Action: OBO)

Recommendation 30: The Bureau of Overseas Buildings Operations should consolidate systems managing real property data, provide access to all stakeholders, and assign accountability for data reporting to Single Real Property Managers at U.S. overseas missions. (Action: OBO)

Recommendation 31: The Bureau of Overseas Buildings Operations should reiterate to overseas missions that they provide the Bureau of Overseas Buildings Operations with a complete accounting of all annual operating expenses to include all lease costs and building operating expenses for long-term leased and government-owned properties for inclusion in the annual Federal Real Property Profile. (Action: OBO)

Recommendation 32: The Bureau of Overseas Buildings Operations should review those major rehabilitation projects where the project costs or repair needs costs far exceed the plant replacement values to determine if the repair needs costs and plant replacement values are accurate. If so, OBO should determine what alternatives to major rehabilitation projects (property disposal, build, and purchase or lease new property) should be implemented. (Action: OBO)

Recommendation 33: The Bureau of Overseas Buildings Operations should establish clear and concise data collection and reporting criteria for the plant replacement value and the condition index elements. (Action: OBO)

Recommendation 34: The Bureau of Overseas Buildings Operations should raise the rental ceiling from \$25,000 to the legal maximum of \$50,000 in order to significantly reduce the percentage of waivers requests. (Action: OBO)

Recommendation 35: The Bureau of Overseas Buildings Operations should streamline its lease waiver clearance and approval process to provide posts with timely decisions on lease waiver requests. (Action: OBO)

Recommendation 36: The Bureau of Overseas Buildings Operations should score Rental Benchmarking Initiative performance in accordance with agreed upon standards. (Action: OBO)

Recommendation 37: The Bureau of Overseas Buildings Operations should implement remedial plans of action for posts that do not perform well under the Rental Benchmarking Initiative. (Action: OBO)

Recommendation 38: The Bureau of Overseas Buildings Operations should provide closer oversight of Build-to-Lease projects to ensure that the intended outcomes meet posts' stated needs and to preclude escalation of lease costs due to unnecessary project specifications or changes. (Action: OBO)

Recommendation 39: The Bureau of Overseas Buildings Operations should provide posts with a clear accounting of the total lease costs (for the life of the lease) that posts are responsible for that include the base lease costs, fees, taxes, maintenance and other annual operating expenses for properties acquired under the Build-to-Lease Program. (Action: OBO)

Recommendation 40: The Bureau of Overseas Buildings Operations should develop standard operating procedures for its Information Management division to include, at a minimum, information systems security officer responsibilities and local Change Control Board procedures for hardware and software submission and approval. (Action: OBO)

Recommendation 41: The Bureau of Overseas Buildings Operations should consolidate all information technology resources for applications development and support into one budget within the Information Management division for their management and oversight. (Action: OBO)

Recommendation 42: The Bureau of Overseas Buildings Operations should review all existing software development contracts and ensure that requirements are clearly defined, sufficient supporting documentation for invoices and statements of work are present, and that the continuation of the contract is necessary. (Action: OBO)

Recommendation 43: The Bureau of Overseas Buildings Operations should implement and enforce a standard project management methodology to govern the development of software applications within the bureau. (Action: OBO)

Recommendation 44: The Bureau of Overseas Buildings Operations should develop workflow documentation of their business processes and build all associated data models and entity relationship diagrams to support further expenditures on software solutions for managing bureau data. (Action: OBO)

Recommendation 45: The Bureau of Overseas Buildings Operations should evaluate options and implement a Web site content management system. (Action: OBO)

INFORMAL RECOMMENDATIONS

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

Developing a vertical standard embassy design to the level of detail of the present design models is problematic because these projects can be expected to vary widely in zoning requirements, site configuration, mission size, and organization.

Informal Recommendation 1: The Bureau of Overseas Buildings Operations should consider developing only basic requirements for the Vertical Standard Embassy Design using the design-bid-build method of delivery for these unique projects.

OIG heard allegations of irregularities in tracking employee time and attendance. Some of the irregularities may be the result of timekeepers who are not familiar with the electronic tracking system and managers who do not know their roles in time and attendance oversight.

Informal Recommendation 2: The Bureau of Overseas Buildings Operations should ensure that timekeepers are trained on the automated time and attendance system as well as managers who must be familiar with the system and procedures to fulfill their legal oversight responsibilities.

Bureau of Overseas Buildings Operations project executives (located domestically) approve new embassy construction contractor invoices. Project executives are far removed from the contractor's work site and are responsible for coordinating with on-site PDs (who are the contract officer's representatives) to ensure that invoice information is accurate.

Informal Recommendation 3: The Bureau of Overseas Buildings Operations should institute quarterly spot checks to ensure Project Executives have verified invoice information with Project Directors before approving invoices.

The Bureau of Overseas Buildings Operations PDs regularly sign contract modifications (called "field modifications") without first checking with the bureau's Financial

Management Division to ensure that funds are available. Bureau of Overseas Buildings Operations representatives stated that PDs coordinate with the CC division to determine if adequate contingency funds are available for contract modifications.

Informal Recommendation 4: The Bureau of Overseas Buildings Operations should ensure that its process for certifying funds availability for field modifications is consistent with 4 FAM.

Field modifications are not usually recorded promptly in the accounting system nor made part of the contract. 4 FAM 084.4 and 4 FAM 087.2 both require the prompt recording of transactions having an effect on apportionment and funds control.

Informal Recommendation 5: The Bureau of Overseas Buildings Operations should revise its field modification procedures to ensure prompt recording of transactions.

Bureau of Overseas Buildings Operations cost estimators' performance standards related to the major construction contracts are to be within plus or minus 10 percent of the competitive range. However, the section has not actually measured performance against those standards for the FY 2007 construction awards.

Informal Recommendation 6: The Bureau of Overseas Buildings Operations should review performance standards related to the accuracy of Independent Government Estimates and Construction Working Estimates and develop a benchmark timeline for measuring and reporting on those standards.

Bureau of Overseas Buildings Operations cost estimators also lack some of the tools they need to generate accurate estimates including: a staff handbook listing all standard forms and processes CMD staff should use to develop cost estimates; an updated Standard Embassy Design template; and, an enterprise-wide estimating system.

Informal Recommendation 7: The Bureau of Overseas Buildings Operations should develop a staff handbook of all standard forms and processes.

Informal Recommendation 8: The Bureau of Overseas Buildings Operations should update the standard embassy design template for estimating costs.

Informal Recommendation 9: The Bureau of Overseas Buildings Operations should determine whether an enterprise-wide version of a cost estimating system can be cost effectively implemented to meet industry standards.

Since the Bureau of Overseas Buildings Operations' VTA was discontinued, it has become apparent that many contract officer representatives and assistant contract

officer representatives do not fully understand how to approve invoices using the correct line level fund cite.

Informal Recommendation 10: The Bureau of Overseas Buildings Operations should arrange a refresher training session for all contract officer representatives and assistant contract officer representatives on their responsibilities in reviewing and approving contractor invoices.

An individual responsible for overseeing one the Bureau of Overseas Buildings Operations' domestic contractors has not been delegated those responsibilities by AQM. Additionally, that individual has not always certified hours worked on invoices. An individual in a different office without direct knowledge of the contractor's hours has been signing for the hours.

Informal Recommendation 11: The Bureau of Overseas Buildings Operations should identify all designated contract officer representatives located domestically and ensure that they are cognizant of the scope and services that their contractors are performing and are in the best position to oversee these contractors.

Given increased construction costs and the devaluation of the dollar, it is unlikely the Bureau of Overseas Buildings Operations will be able to complete all 150 NECs with \$17.5 billion as originally envisioned. Although the bureau has requested an additional funding for its FY 2008 program, it is unclear whether it has communicated to Congress, OMB, and the other agencies how a more realistic cost escalation rate would affect the NEC program in terms of how many of the 150 NECs are likely to be completed with \$17.5 billion.

Informal Recommendation 12: The Bureau of Overseas Buildings Operations should provide Congress, the Office of Management and Budget, and the tenant agencies a more realistic forecast of how many new embassy compounds are likely to be completed with \$17.5 billion.

Other agencies have not been able to fully fund their CSCSP contributions. OMB instructed the Bureau of Overseas Buildings Operations to make accommodations to those agencies unable to make full CSCSP contributions in FY 2008.

Informal Recommendation 13: The Bureau of Overseas Buildings Operations should ensure that its plan for dealing with other agency funding shortfalls is equitable and transparent.

Headquarters elements of other agencies are involved only tangentially in selecting which facilities will be put on the top 80 list and built with CSCSP funding despite

legislative language that states “the program will include agency involvement in setting priorities.”

Informal Recommendation 14: The Bureau of Overseas Buildings Operations should advise the Office of Policy, Rightsizing, and Innovation and the regional bureaus on how and when headquarters elements of other agencies should be given the opportunity to comment on new nominations to the top 80 list each year.

PRINCIPAL OFFICIALS

Position	Name
Director Ad Interim Internal Review & Operations Research Manager	Richard J. Shinnick Shirley Miles
Planning and Real Estate Managing Director	Jay Hicks
Deputy Director, Planning	Marcus Hebert
Deputy Director, Real Estate	Patrick McNamara
Strategic Planning Division Director	Alex Kurien
Project Development Division Director	David Barr
Project Evaluation & Analysis Division Acting Director	Richard Gausseres
Cost Management Division Director	Kathy Bethany
Planning Integration Division Director, Acting	Nick Retherford
Real Estate Evaluation Division Director	James W. Curtis
Acquisitions & Disposals Division Director	J. Keith Wilkie
Project Execution Managing Director	Joseph W. Toussaint
Deputy Director	William Colston
Construction & Commissioning Division Director	Robert McKinnie

Design and Engineering Division	
Director	William Miner
Security Management Division	
Director	Stephen Klein
Special Projects Coordination Division	
Director	Jaime Salcedo
Facility Management Division	
Director	Santiago Rich
Operations	
Managing Director	Adam Namm
Deputy Director	Vacant
Area Management Division	
Director	Roy Chavera
Safety, Health & Environmental Management	
Director	David Needham
Fire Protection Division	
Director	Bruce Sincox
Art in Embassies Program	
Director	Anne Johnson
Resource Management Office	
Managing Director	Jurg Hochuli
Deputy Director	A. Ramsay Stallman
Financial Management Division	
Director	Jeff Reba
Policy & Programming Division	
Director	Isaias Alba, III
Information Management	
Director	Vacant
Management Support Division	
Director	Roberto Coquis
Human Resources Division	
Director	Carmen Montgomery
External Affairs	
Manager	Vacant

ABBREVIATIONS

A	Bureau of Administration
A/E	architecture and engineering firm
A/LM	Bureau of Administration, Logistics Management
AM	area management
AQM	Office of Acquisitions Management
ART	Art in Embassies program
BMIS	Building Management Information System
BOE	building operating expenses
BTL	build-to-lease program
CAA	controlled access area
CAC	compound access control
CC	Construction and Commissioning Division
CCB	Change Control Board
CI	condition Index
CMD	Cost Management Division
COR	contracting officer's representative
COTR	Contracting Officer's Technical Representative
CSCP	Capital Security Construction Program
CSCSP	Capital Security Cost Sharing Program
CWE	current working estimate
DS	Bureau of Diplomatic Security
DTRI	Diplomatic Tax Relief Initiative
Department	Department of State
FAC	Facilities Management Division
FM	facility manager/Facilities Management Program
FIR	Fire Protection Division

FRPP	Federal real property profile
FS	Foreign Service
GAO	Government Accountability Office
GSO	General Services Office
GFMS	Global Financial Management System
Hqs RPA	Headquarters Real Property Application
HR	human resources
HVAC	veating, ventilation, and air conditioning
ICASS	International Cooperative Administrative Support Services
IGE	independent government estimate
IM	information management
IRM	Bureau of Information Resource Management
IROR	Office of Internal Review and Operations Research
ISSO	information system security officer
IT	information technology
ITAC	Information Technology Advisory Committee
LROBP	Long-Range Overseas Buildings Plan
M/MED	Office of Medical Services
MSD	Management Support Division
M/PRI	Bureau of Management, Office of Management Policy, Rightsizing, and Innovation
M&R	maintenance and repair
MOU	memorandum of understanding
NEC	new embassy compound
O & M	operations and maintenance
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAP	project analysis package

PEA	project evaluation & analysis
PD	project director
PE	Project Execution Division
PID	project information database
POE	post occupancy evaluation
PRE	Planning and Real Estate Division
PRV	plant replacement value
PSC	personal services contractor
RBI	rental benchmark initiative
RFP	request for proposal
SCR	standards change request
SED	standard embassy design
SHEM	Safety, Health, and Environmental Management
SOP	standard operating procedure
USAID	U.S. Agency for International Development
VAT	value-added tax
VSED	vertical standard embassy design
VTA	voucher tracking system
Web RPA	Real Property Application
WebWOW	Work Orders for Windows

APPENDIX A: FUNDING AVAILABLE TO OBO IN
FY 2007 FOR EMBASSY SECURITY CONSTRUCTION
AND MAINTENANCE

Funding Description	Selected Details	Total
Worldwide Security Upgrades		\$1,330,906
Worldwide Security Capital, CSCSP Funding		\$1,175,036
Operations, Leaseholds and Functional Programs		\$800,727
<i>Functional Programs</i>		
Planning & Development Division (PD)	\$12,991	
Real Estate Division (RE)	\$6,667	
Project Execution Division (PE)		
Construction & Commissioning	\$64,150	
Design & Engineering	\$28,990	
Security Management	\$17,458	
Historic Preservation Portfolio Program	\$465	
Special Projects Coordination Division	\$7,764	
<i>Operations & Maintenance (OM)</i>		
Area Management		
Major Rehabilitation Program	\$80,454	
Leasehold Program	\$353,816	
M&R - Post Routine Maintenance & Repair	\$31,533	
M&R - Special Maintenance Projects	\$24,448	
M&R - Staff Salaries & Support	\$6,447	
M&R - Program Management	\$10,537	
Art in Embassies	\$2,225	
Facilities Management	\$66,542	
Fire Protection	\$7,945	
Post Communication	\$9,258	
Safety, Health & Environmental Management	\$3,810	
<i>Information Management & Support (IMS)</i>		
Information Management	\$12,879	
Management Support	\$18,680	
Representation	\$25	
<i>Headquarters</i>	\$10,302	
<i>Domestic Renovations</i>	\$23,341	
<i>Operations, Leaseholds and Functional Subtotal:</i>	<i>\$800,727</i>	

~~**SENSITIVE BUT UNCLASSIFIED**~~

Funding Description	Selected Details	Total
Asset Management, Real Property Acquisitions		\$594,475
Supplemental Appropriations - Emergency Supplemental		\$73,153
Strategic Capital		\$32,994
Kosovo Supplemental		\$652
Kosovo Supplemental		\$651
Headquarters		\$520
No Point Account		\$10
Total Available Funding		\$4,009,124*

APPENDIX B: OIG CUSTOMER SATISFACTION SURVEY

On March 6, 2008, State 23375 was transmitted to All Diplomatic and Consular Posts (ALDAC). The Director Ad Interim requested that chiefs of mission reply by March 21, 2008, to 17 open-ended questions concerning three areas of OBO programs and services (NECs and newly acquired buildings; housing; maintenance and repair) and general questions (OBO-specific software; quality of communication between post and OBO; general comments). One Washington office, replying on behalf of its field-based services, and a total of 122 posts from all six regional bureaus responded by the deadline. The respondents included large missions with constituent posts; medium and small missions; and posts with current and completed major construction projects. Some of the respondents included observations from prior postings, as well as the current post. Responses were thoughtful, with concrete examples; many offered constructive suggestions for process improvements.

The numbers of the questions correspond to the paragraphs of the ALDAC cable.

New Embassy Compounds and Newly Acquired Buildings (questions 5 - 7b)

Twenty-five posts plus M/MED answered Question 5:

If you are currently occupying one of the 53 capital projects completed since 2001, please describe your level of satisfaction with the new facility, including suitability of space and functionality of mechanical systems. Please address the positive attributes of the new facilities and areas that could be, or should have been, improved.

Posts praised the design and beauty of the new buildings. Compared to previous facilities, many noted the NECs were well laid out, comfortable, well-equipped, more efficient, and technically advanced. Some posts limited their descriptions to adequate, functional, and solid. Six respondents mentioned safety, with statements ranging from “safer” to “vastly improved in security.”

Many respondents commented on unanticipated space issues in the NECs: lack of space in the medical unit; insufficient parking; inappropriate outdoor consular waiting areas; no area for large town hall meetings; no bathrooms in controlled access areas (CAA); small quarters for the Marine security guards; and insufficient or nonexistent warehouse and motor pool spaces. Tbilisi and Zagreb noted that the

new location was considered to be too far from the center of town which created problems for staff and contacts.

Two posts, Luanda and Rangoon, noted there were no service double doors for bringing large-sized items into the building. Rangoon also noted several ergonomic concerns, including placement of door handles, mailboxes, windows, and bathroom water drainage. In Panama, where there are many retired American citizens with limited mobility, the distance from the compound access control entrance to the compound buildings was long and dangerous to those using wheelchairs, walkers, and canes. Several posts wished there was more attention paid to energy conservation in planning and design.

Five posts stated that advanced mechanical systems posed too great a maintenance challenge. Several stressed the need to create regional maintenance centers to assist local staff. Several posts noted that the infrastructure and mechanical systems caused “endless problems,” citing in particular air conditioning chillers and inadequate cooling and wiring for computers. Belmopan stated that it spent six months without an adequately functioning air conditioning system “as a result of an accelerated [construction] schedule.”

There were numerous comments on the commissioning process, including the fire suppression and building automation systems not being ready at move-in. Managua suggested the commissioning be overseen by a third party and not the PD. Mexico-Merida recommended that facilities managers be assigned from start to finish.

Forty-five posts plus M/MED answered Question 6:

If you have a current capital construction project underway, please describe your experiences in dealing with OBO during planning and design, site acquisition (if applicable), and construction and commissioning (if applicable). Please comment on the quality of communication between post and OBO. If current mission staff do not have personal knowledge of the project or do not have documents in post files to consult, please note that in your response.

Planning and Design

Posts generally saw a need for more input in planning and incorporation of its suggestions in the final plan. Posts commented that communications with OBO were generally professional, but varied widely in quality and responsiveness as the project moved through different phases.

Six commented specifically on communications with OBO during planning. Dubai said that the site visits were well planned, but it was on its third planning manager in two years. Nouakchott felt that OBO listened to post input on layout and design. Kabul found planning open and honest. Manila had mixed feelings about communication during planning: post concerns were addressed but many queries went unanswered, requiring phone calls to prompt a response. Berlin noted that its project was not a SED and not part of the Capital Security Program; while it expected the finished building to be impressive, it expressed concern about a lack of consultation with post or the Bureau of European Affairs when, in response to a Congressional budget cut, OBO conducted a quick redesign, which post felt had defects in logistics and maintenance.

Seven respondents expressed concerns with design and space changes. Kampala believed it needed a larger safe haven. Dubai noted difficulties in pressing for common-sense changes to the plan. Surabaya and Taipei stated that their respective warehouses were eliminated without post knowledge. Suva felt that OBO showed lack of flexibility in considering future growth. Rome reported that its project for an enhanced perimeter security fence and visitors entrance failed to include HVAC.

M/MED said that although its recommendations were accepted in the early planning stages, during nearly every design meeting it discovered OBO did not use M/MED's recommendations.

Site Acquisition

Twelve posts were pleased with communications about site acquisition. Santo Domingo said that OBO was actively involved at all stages. Bandar Seri Begawan felt that "communication could not have been better." Other posts commented on Real Estate's timely and professional advice, high level of communications, flexibility, and superlative work. Five posts were dissatisfied with the site acquisition process. One post expressed concern over missed chances and communication breakdowns. Another wished that land offered could have been bought when it was still inexpensive. Vientiane said that it had worked with OBO on a land exchange with the Government of Laos for over a decade. Valletta recommended that negotiations for purchase should be well-planned and that all pertinent negotiating details should be shared with post, with a strategy agreed to prior to negotiations.

Construction and Commissioning

Four posts commented on construction and commissioning. One called the process generally positive. Another said that it was not informed about construction tasks and problems. Port-au-Prince suggested that there should be a mechanism for post and OBO to work together to make small adjustments during construction. Ma-

nama did not want to commence a multi-million dollar chem/bio HVAC filtration project without an experienced facilities manager on the ground.

Eight posts commented on the role of the PD. Kingston praised its PD as a true professional, communicating at every step, and coordinating with all relevant mission components. Skopje, Jeddah, Johannesburg, and Bern, described the PD as doing an excellent job of disseminating information, coordinating the technical design, being customer-oriented, keeping the post updated, and being available for questions. Some posts liked their PD but saw problems with the system. One recommended that the reporting relationship of the PD should be clearly established with the PD integrated into the post personnel structure. Kampala said that the design-build system left a significant number of revisions for the PD and contractor. Kampala felt that OBO often did not respond to questions from the PD and that blueprint inconsistencies caused delays. Berlin recommended that OBO establish an intranet site for quick answers with links to basic information about the building and its operation, i.e., technical manuals, furnishings (copies of purchase orders, photos of items, etc.), and art.

Five posts commented on project delays. Surabaya was three months behind schedule after the U.S. contractor was sold. Libreville said that its contractor, on site 11 months, had been unable to complete temporary facilities and was struggling through the rainy season. Khartoum was two years behind schedule because of the local political climate, and expressed concern that the current size of the project may be too small. Khartoum also felt that OBO should be more forthcoming with post on changing timelines so post could better plan for contingencies. Abuja reported that due to contractor performance issues, its annex building to house USAID might not be completed in the next two years and would not be large enough. Italy reported a two-year “ordeal” with its first contractor. It recommended that American contractors that were awarded complex overseas contracts must be large enough and familiar with local conditions to do the job.

Although Question 6 did not ask about maintenance, Kampala said that ceilings of lobbies and atriums were too high to change light bulbs and that the air conditioning in one wing was non-functional for three to four weeks. Bamako said that training on building systems is imperative prior to turnover and after.

Thirty-seven posts plus M/MED answered Question 7A:

If post is scheduled for a capital construction project for which the contract has not yet been let, was post given the opportunity to contribute input to the design and layout of space in the building(s)? If yes, did post provide that input?

Eighteen posts said that they had the opportunity to contribute to site selection and the design phase. Eleven posts said they had not yet contributed as it was too early in the process. Seven posts either had no or limited opportunity to contribute input. Among these seven posts, Harare observed a lack of transparency and consultation between post and OBO (notwithstanding the risks of operating in the current political climate in Zimbabwe); Montenegro expressed doubts about the decisionmaking process leading to site selection and purchase. M/MED observed that while it is given the opportunity to contribute to layout and design, communication with OBO has been laborious.

Twenty-six posts answered Question 7b:

Has OBO requested post assistance in searching for a new site?

Twenty posts responded in the affirmative. Two posts stated that the U.S. Government already owns property on which construction will occur. Two posts received land from the Government (one was a real estate exchange; the other given by the host government).

HOUSING (questions 8 - 9)

One hundred and two posts answered Question 8:

If post has used the waiver process either for size or cost, is it working efficiently and effectively for post? Are there any problems or issues post has raised with OBO regarding housing; how satisfied is post with the resolution?

Sixty of the respondents stated that the process was effective but cumbersome. The most common issue was the lengthy processing time for lease waivers that had on occasion affected posts' ability to obtain housing that met the Department's standards.

Thirty-two posts found the lease waiver program inefficient and lease waiver cable format cumbersome. Sixteen of the respondents in this group cited the following concerns with the program:

- The Department imposed rental ceiling of \$25,000 is arbitrary and not practical.
- The legislated \$50,000 rental ceiling is outdated in today's volatile housing market.

- OBO is overly bureaucratic and difficult to work with.
- The lack of adequate housing at a number of posts is exacerbated by the lack of timeliness of OBO's lease waiver process; it diminishes posts' prospects in acquiring housing that meets the Department's standards.

Twenty-five posts had no comment and one post stated that its housing funds were provided by another organization.

One hundred and two posts answered Question 9:

Is post a participant in the Rental Benchmarking Initiative? If yes, is this process more efficient than the waiver process? Has this initiative reduced the number of waiver requests submitted by post? Do the rental ceilings, determined by OBO local market surveys, realistically address local rental costs?

Only 31 of 102 posts participate in the Rental Benchmark Initiative. Most posts stated that the new initiative makes it much easier to acquire leases within the rental ceilings and reduced the number of waivers required by the \$25,000 rental ceiling. One post stated that the initiative was excellent in that it cut administrative delays tremendously but thought OBO should contact posts prior to conducting market surveys to identify those neighborhoods prohibited by the RSO for security reasons. A number of posts expressed concerns that the current ceilings will quickly be out of date due to ever increasing lease costs. At least one post stated that its benchmark would be outdated within six to 12 months. Several posts stated that they are benchmarked but still need to apply for a waiver because all housing lease costs exceed the \$50,000 cap set by Congress. These posts believe the legislated \$50,000 lease waiver requirement is outdated and the Department needs to revisit this mandate with Congress. Several posts stated the amount of paperwork has increased because posts must negotiate the benchmark rental ceiling with OBO and submit separate lease waiver justifications.

Seventy-one posts responded that they are not RBI participants. Five of these posts appeared to have been benchmarked but are not yet participants and their comments are:

- By the time post received its market survey, the information was not reflective of the current market.
- Two posts stated that all of their leases exceed \$50,000 and lease waivers are mandatory.

- One post stated that when it proposed rental ceilings other than those presented in the RBI market survey, OBO counter-offered rental benchmarks lower than those post had submitted for recent lease waivers requests for rents exceeding \$50,000.

MAINTENANCE AND REPAIR (questions 10 - 14)

Ninety-eight posts answered Question 10:

Please list the three most critical maintenance and repair requirements, along with post's estimate of the costs, for which post has been unable to secure funding from OBO. In post's opinion, why has the funding not been forthcoming?

Nineteen posts either had no problems with funding for maintenance and repair requirements or OBO fully funded their requirements. Four posts stated that they had identified funding for maintenance and repair requirements, but had not submitted a request to OBO at the time of the survey. Requirements most frequently cited were: HVAC systems (mentioned by almost one quarter of the respondents); electrical, fire, and roof problems (each cited by thirteen percent of respondents); and potable water (cited by ten percent). Fourteen percent of the respondents requested repairs and/or upgrades to residences.

Posts that were on the Top 80 list or were in the construction phase of an NEC believed that maintenance and repair funding was not available to them because they would be moving in three or more years. One post stated that OBO was quite transparent and brutally honest about the lack of funds available to OBO for maintenance and repair. Jakarta stated that inflation alone has caused a 30 percent decrease in spending power over the last three fiscal years; this, combined with the decline of the dollar reduced the effectiveness of the maintenance and repair base.

One hundred and ten posts answered question 11:

Please describe your post's level of satisfaction with the services provided by (and communication with) the Divisions within OBO/OPS: namely Area Management (AM); Facility Management (FAC); Fire Protection (FIR); Safety, Health and Environmental Management (SHEM); and Art in Embassies (ART).

Area Management

Seventy-five posts rated AM services favorably (“satisfied” or “extremely satisfied”); four of these posts singled out specific AM officers for special praise. Many said

that communications with AM were excellent and the support that the office provided was helpful and constructive. Four posts pointed appreciatively to instances when their AM officers advocated on their behalf for much-needed special projects and funding. Seven post posts were critical. One complained that its AM officer dragged his feet on a special project at the deputy chief of mission residence, recommending instead small, less costly and less effective cosmetic repairs. Another criticized its AM officer for being unreachable and unresponsive to e-mail and other queries, and complained that information from that office is sometimes contradictory. Because of constant staffing changes in AM, one post described AM as “totally incompetent.” A hardship post felt strongly that its AM officer constantly questioned its requests and dodged answering its questions. It complained that routine M&R funding was sent late and only after multiple requests. Several posts expressed frustration with AM’s chronic shortage of funding and its inability to fund special projects. Many posts had given up submitting 7902 and 7911 requests because they believed they would not be funded.

Facility Management

Seventy-one posts rated FAC services favorably (“good” to “extremely satisfied”). Posts were generally pleased with the support provided by FAC and felt that the division was responsive to their needs. Eight posts viewed FAC responses as varied. One NEC post (Belmopan) was concerned about the lack of a permanently assigned FM, but praised FAC for resolving major punch list issues with the contractor and CC. Eight posts were not satisfied with FAC services. One post stated that FAC had not been supportive and was quick to point to other OBO offices to find solutions to post issues. Another stated that there seemed to be a general inability to answer or return e-mails sent by post. A hardship post recounted the difficulties in getting timely FAC responses to its generator and uninterruptible power supply needs. Three posts expressed concern about the assignment of FMs, one calling the process opaque. Another described the difficulties in dealing with the FAC office responsible for FM assignments and the long delays in getting responses; post received relief only when the chief of mission threatened to withhold country clearance for OBO personnel assigned to work on another project at post.

Fire Protection

Seventy-eight posts were satisfied with the services and support provided by FIR. They described the division as helpful, responsive, and service-oriented. Many expressed appreciation for the training programs and funding for equipment. One post complained about the delay in receiving fire extinguishers, noting that it took more than a year to ship them to post. Another post stated that it had good communications with FIR but noted that budget shortfalls created unfunded mandates,

such as fire extinguishers that have passed the hydrostatic test date but no money is available to get them recertified, and shipped for testing or replacement. Another post observed that an International Maintenance Assistance Program fire alarm team sent to post barely communicated with the post, provided no schedule, and did not produce a final report on work done.

Safety, Health, and Environmental Management

Eighty-four posts rated SHEM services favorably (“satisfied” or “extremely satisfied”); many of the respondents characterized SHEM personnel as responsive, helpful, and knowledgeable on their visits to posts. Posts expressed appreciation for SHEM’s training programs; one post suggested that training times at post be shortened from a week to two days to reduce costs. One small post found SHEM requirements “somewhat onerous.” A few posts noted that while SHEM requires fencing for pools, it fails to provide funding. One post expressed concern that it could not get training for its Post Occupational Safety and Health Officer assistant.

Art in Embassies

Sixty-three posts rated ART services favorably (“satisfied” or “extremely satisfied”); with many respondents characterizing it as professional, responsive, and helpful. Three NEC posts, however, commented that ART had not consulted with post on the types and styles of work selected for the NEC collection. One of these posts stated that one of the pieces selected by ART is insensitive to the host nation’s culture.

Fifty-five posts answered question 12:

Are there any outstanding issues that post has been unable to resolve with OBO divisions?

Twenty-one respondents listed 7902 projects as the main outstanding issue. The majority of posts complained about disagreements among OBO offices over responsibility for action and of a serious lack of funding. As one post stated:

“Present budgetary constraints have resulted in both 7901 and 7902 funding only becoming available in either small increments during the year [7901] or later in the year [7902] which makes it difficult to plan ahead and complete projects and works in the most efficient and timely manner....Post’s 7901 account has been cut 38% since 2001 not considering inflation or dollar devaluations. With these included, the 7901 account is about 40% of the FY-2001 level. We did get an increase last year, but estimated needs are about \$1,100,000.”

Nine posts put problems with NECs at the top of their lists. The main issue raised was maintenance:

“OBO/PE/CC division gives promises to resolve the problems but in reality not much is done, e.g. Building Automation Systems, boilers, crumbling asphalt, cracking stucco, power monitoring system, safety railing in the atrium, leaking roofs, cracked windows, and many more problems.”

One post added furniture and growth space to the maintenance litany of frustrations:

“Not all occupied office space was furnished by OBO, requiring the use of mismatched furnishings and furniture recycled from the old facilities that created a non-uniform look in the new facility. Space within the NEC buildings is inadequate for growth. Sophisticated systems are used where simple, less expensive, and easier to maintain systems would have sufficed. For example, automatic flush mechanisms on toilets are about 4 times as expensive as manual valves and are difficult to maintain. There were separate contractors for the NEC and the unclassified office annex. Some critical interfacing systems were not properly designed or built; e.g. the secondary chill water system, and the fiber optic cable for the fire alarm. The pump motors for this system keep burning out. Without a functioning secondary chill water pump the compound has no air conditioning. OBO has been unable to provide answers, suggestions, or solutions on this problem. The fiber optic cable conduit was used by both contractors and when a cable became inoperative a finger pointing game began. This issue is still not resolved.... Adequate parking was never included in the original compound design. The Construction and Commissioning Division of OBO needs to play a more active role in resolving problems and intervening with the contractor on Post’s behalf.”

Two NEC posts highlighted their frustrations in dealings with OBO and the difficulty in getting divisions of OBO to take responsibility for post-occupancy projects or funding.

“Our Chancery HVAC system has failed in each of the last 3 years. Repeated requests to OBO for assistance fell on deaf ears. Only after a front channel threat that the mission might be required to close during our 120 plus degree summers, did OBO finally move to address the issue. Unfortunately, bureaucratic infighting and a failure of OBO to create single ownership for this project has lead

to delay after delay and we are now faced with another summer where our overworked maintenance crew must pull off yet another miracle to keep us up and running. Post wishes that OBO would have seized upon the urgency of this project when it first came to light. Instead, there have been countless days lost to deciding who will pay and who will be in charge and which OBO office will be in charge of which part of the project. At one point in the fall of 2007, this OBO infighting meant that OBO was literally going to break up the project to replace the HVAC in one building into multiple independent projects with separate contractors and separate timelines. This would have meant that duct work would have literally been left unfinished from one contractor to the next! In the end, post's management section had to devote significant time to playing mediator for OBO's internal debate."

"Overall, OBO management of the entire project was shockingly inadequate. OBO Real Estate was closely involved initially in organizing this project but has since washed their hands of any responsibilities for how the project outcome was handled, and OBO Real Estate has said in so many words that dealing with the landlord is now totally Post's responsibility. But when Post has attempted to have the landlord correct deficiencies, the landlord has gone to OBO and been told that the problems we brought up were not the landlord's responsibilities. This does not strike us as OBO having responsibility for the operation of the lease and dealings with the landlord. Eventually these problems may be resolved but the lack of assistance we have gotten from OBO in addressing the issues with this compound has left an extremely bad impression of OBO and has gone a long way toward off-setting the good impression that the NEC compound, in general, conveyed."

Several posts detailed problems with chancery construction projects or staff housing. Several posts referred to problems with fire and life support systems, generators and voltage regulators. One post listed problems with leaking fuel tanks.

A total of 26 posts answered all or some of the four parts of Question 13:

If post has taken occupancy of a NEC within the last three years, please evaluate the effectiveness of planning for operating and maintaining the new facility.

Several of the respondents technically occupy non-NEC properties (annexes, BTL, major rehabilitations). Some took occupancy earlier than CY 2005 and some had not yet taken occupancy. Seventeen of the 26 respondent posts took occupancy after January 2005.

Twenty-two posts (which includes 12 of the 17 that took occupancy after January 2005) answered Question 13 A:

Were estimates of building operating expenses (BOE) provided and if so, were they accurate?

Twelve of the 17 responses stated that either no estimates were provided or if they were, the estimates were not accurate. Two posts scheduled for occupancy in spring 2008 reported that no estimates were received.

Twenty-five posts answered Question 13 B:

Was planning for maintenance staffing (numbers of persons required and skill levels) sufficient to meet post's needs?

The response was evenly divided. Some posts reported sufficient advance notification and time to hire the proper numbers and skill levels; others reported that they did not. Some posts noted that required skills were difficult to find in country. Kabul's requirements are being met by an O&M contract with a U.S. firm.

Twenty-four posts answered Question 13 C:

Did post hire the required maintenance staff? If not, please explain why.

Sixty percent of the respondents hired the required maintenance staff. Almost all of these respondents expressed concern at their inability to find technically qualified applicants locally: some are still looking for better qualified staff; others are trying to learn on the job. Almost thirty percent did not hire the required maintenance staff for budgetary reasons. Tashkent discovered that it did not need all of the staff that was hired.

Twenty-six posts answered Question 13 D:

Were the contract-specified O&M products and services (training on new building systems; operations manuals; as-built drawings; diagnostic test equipment, spare parts and specialized tools; and maintenance plans) provided?

The majority of posts reported that the contractor failed to deliver some or all of these products and services. The biggest complaint was the lack of contractor-provided training. Other complaints included incomplete or nonexistent spare parts lists, no as-built drawings, and no computerized maintenance plans.

Thirty-two posts answered Question 14:

Are there any other issues that have complicated or impeded post's occupancy of the NEC from an operations and maintenance point of view, ICASS funding issues or concerns, functionality of building systems, difficulties in finding qualified staff in country, etc.?

Responses ranged from the lack of locally available qualified staff to maintain complex technical equipment to lack of warranty contracts for preventive and reactive maintenance. Some posts noted the impact of ICASS budget reductions on the NEC staffing needs.

Posts in Africa, the Near East, South and Central Asia, and the Western Hemisphere expressed concern about the lack of technically qualified staff, to hire or retain on contract, with the required skills to address the new, complex NEC systems.

Kabul has an operation and maintenance contract, which relieves it of the burden of finding technically qualified staff. Port-au-Prince identified and justified the need for an operation and maintenance contract for the first two years of occupancy while local staff learned the systems; neither OBO nor WHA agreed to provide funding for the contract. Managua is concerned that the reduced warranty period from one year to eight months will complicate operation and maintenance for post and increase operational costs. One post stated that all contracts for warranty and preventive and reactive maintenance should be in place prior to issuing the Certificate of Occupancy.

A number of posts expressed concern that ICASS budgets did not keep pace with the increased staff and utility costs in NECs and unclassified office annexes. The level and quality of maintenance services for both office and residential space appears to be determined by available ICASS funds rather than need.

GENERAL QUESTIONS (questions 15 - 17)

Ninety-six posts answered Question 15:

How satisfied or dissatisfied is post with OBO-specific software applications?

In general, post responses focused on their use of WebWOW and WebRPA. Over half of the respondents rated themselves as generally satisfied with the performance of OBO-specific applications, while almost one quarter was dissatisfied. The remainder was neither satisfied nor dissatisfied with the applications. However, among those who rated themselves as satisfied, they generally qualified their comments as "overall," yet offered various criticisms, while those who were dissatisfied were quite vehement about it. The one comment repeated throughout the survey responses was the need for more training in the use of WebWOW, whether via user manuals or online courses.

Eighty-seven posts, plus M/MED answered Question 16:

Please comment on the type, quality, and frequency of communication with OBO offices and on their understanding of authority responsibilities at post.

The majority of the respondents viewed communications with OBO favorably. Forty-three posts rated it as very positive, very good, or excellent. Twenty-three posts regarded it as satisfactory. Eight felt that it ranged from “outstanding to nearly hopeless.” Eight posts viewed their communications as poor or nonresponsive. M/MED, while pleased with communications about the design of health units, felt overwhelmed by the time and detail needed to maintain the level of communications with its small committee. Three posts expressed concern that OBO offices did not appear to understand the realities of the field. One post, experiencing post-occupancy NEC systems problems, observed occasional finger pointing and blame-shifting among OBO offices. Several posts expressed concern about transparency in communications from OBO, commonly not informing post of decisions made in Washington or doling out information only as needed by post.

Twenty posts commented on OBO understanding of authority responsibilities at post. For the majority of posts, it was clear. Three posts cited instances of OBO personnel (two PDs and a FM) appearing ignorant of chief of mission authority, answering instead only to the previous OBO Director. One African post stated that post management would not allow the FM to travel in fulfillment of regional duties.

Sixty-one posts plus M/MED answered Question 17:

Please feel free to share any other comments or observations about OBO with OIG.

Several posts included multiple topics in their comments or observations. The majority expanded on their responses to earlier questions. Several expressed appreciation for the opportunity to share their experiences. Twenty-three respondents commented on capital and non-capital construction projects, with observations ranging from initial planning and real estate acquisition through post-occupancy traffic flow, use, and maintenance issues. (Fifteen of the 23 respondents were NEC posts.) Sixteen expressed appreciation for the work of different divisions of OBO (Facilities Maintenance, Real Estate, Area Management, specialists in Operations). Fifteen respondents raised concerns about funding, including the availability of 7902 funds. Thirteen commented on real property (primarily housing – lease vs. purchase). Eight commented on communications between post and OBO, and internal communications within OBO. Seven raised staffing concerns, including training, career development and diplomatic status for facilities maintenance officers.

Capital and non-capital construction projects

“We love our new buildings. But we are also gravely worried by them. If our problems were limited to questions of style or finish then we would learn to live with them. If the problems were minor then we would work around them. But we frequently discover significant defects that reduce productivity or raise operating costs, and occasionally run into problems that put our staff and buildings at risk.”

Eight of the 23 construction project respondents commented that better input from post and from non-Department tenant agencies might have prevented costly fixes after occupancy. Five posts suggested that the Washington-based design process should be more sensitive to local conditions and not impose first world schedules and technologies on non-first world posts. Issues cited included the skills of local labor; difficulties in locating and procuring spare and replacement parts for new operating systems; and traffic access from the main road. Three of the respondents suggested standardization of: all NEC mechanical and control equipment; Building Automated System software; and procurement of replacement materials meeting U.S. specifications. Two of the five commented that greater efforts should be made to incorporate money-saving locally-appropriate energy efficient technologies into the design and building systems. Two of the five stated that there appeared to be little coordination between OBO and IRM and other agencies during the design phase. With few exceptions, there appeared to be no provision for non-Department agency communications and local area network requirements, including climate control for server rooms. Design changes were made despite post- and agency-specific requirements. Desks were positioned without access to power, phone, and data connections.

“Sometimes it is necessary to spend more funds upfront during the design and construction phases of the NEC in order to save money later on maintenance, to maximize work efficiency, and to improve staff morale.”

Seven of the eight respondents commented on the need for 7902 projects after occupying new buildings. Two of the seven stated that the contractor rushed the project to meet the construction deadline, pressuring the PD to declare substantial completion.

Two posts expressed concern that their Building Automation Systems did not function on occupancy, and, months after occupancy, were still not fully integrated with all building systems

Five respondents commented on the site acquisition process. Three had positive experiences; two summarized their experiences as “penny wise and pound fool-

ish”. Both expressed concern with the slow pace of the process, which ultimately increased costs to the U.S. Government and resulted in losing more desirable properties. One of the respondent posts shared observations of a currently assigned American who had experience in prior postings with the land acquisition process for major construction projects; four specific examples were given, along with the statement, “although the site acquisition personnel themselves have generally been very professional, in my opinion, OBO’s methodology and decisionmaking process is seriously, seriously flawed.”

Funding

In addition to the concerns expressed about costs to the U.S. Government resulting from capital and non-capital construction projects noted above, five of the 15 respondents raised concerns about availability of 7902 funds for non-NEC posts. Two respondents explicitly expressed concern that the resources allocated on NEC construction had a negative impact on maintenance funding for older buildings; this sentiment was implicit in the responses of three other posts. Two posts suggested that OBO take the lead in creating a funding matrix for maintenance which clearly distinguishes items funded by OBO, DS, and post. One post expressed concern that, during a time of funding constraints, OBO was intent on spending over \$500,000 for a project that post believed it did not need; post believed that money could have been better spent on additional seismically sound residential housing or an ICASS service provider annex. One post observed that the OBO policy of treating no-year funding as single-year funding was seriously affecting maintenance and repair of aged buildings, citing an example where failure to sign a contract for a maintenance project by September 30, resulted in a six-month delay of needed repairs because of a continuing resolution (which, actually, was not applicable to the project).

Real Property

Of the 13 posts that mentioned real property, four dealt with non-residential buildings (two of which were NECs); and nine commented on housing. Two large missions, with constituent posts, suggested the U.S. Government would achieve greater cost savings in less than five years by purchasing housing units in the capital and constituent post cities; in addition to the mid-or long-term savings, the units could be brought to U.S. safety standards. Two small posts participating in the RBI commented that high rents made the benchmarks insufficient. One post managing approximately 100 short term residential leases, suggested that OBO create a comprehensive long range housing plan to deal with worldwide increased lease and make-ready costs. One post suggested that OBO create a short-term leased housing maintenance fund to ease the burden of negotiating with landlords on minor maintenance and repair issues costing less than \$300.

Communications

Three posts observed that offices in OBO appeared to not communicate with each other. Two of the three stated that two or three different offices ask for the same data; one stated that different OBO offices were planning projects at post, apparently unaware of each other's simultaneous projects. The third post was given contradictory and confusing information on a project by two offices in OBO.

Two posts praised the customer-service oriented responses of OBO.

Two posts in the capital and non-capital construction projects section above commented on poor coordination among OBO, IRM and non-Department agencies during the design phase.

Two posts experienced slow response times to requests for action: one front channel cable on a lease produced action six months later; another post has received no information on a FY 2008 security upgrade

Staffing

Three respondents raised issues specific to FMs: lack of diplomatic status for incumbents; increased career development opportunities in Washington; and greater efforts to establish mechanisms for FMs to share concerns, lessons learned, improve mentoring and team cohesion.

Two posts emphasized the importance of FMs being in place well in advance of completion of a NEC, either when the building is topped off or 18 months prior to completion.

Two posts commented on the need for training. One post observed that small posts may not have the expertise to manage construction projects (creating statements of work, ordering materials, letting bids, and supervising the projects). It suggested that OBO set minimum standards for different types of projects and provide hands-on assistance to ensure successful completion of the projects. The other posts suggested that OBO create a structured continuing education training program for local employed staff so that they are current on the latest technologies needed to run and maintain new buildings.

APPENDIX C: CASE STUDIES OF NEW EMBASSY COMPOUNDS

Project Case Study – NEC Abidjan (2002 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): February 5, 2002
Post occupancy: June 24, 2005
Total project estimated cost from CWE: \$86,524,000
Total cost at completion (PPR): \$77,834,767
Contract modifications/costs: 8 Mods, \$2,155,784



Project Description

This project consists of design and construction of a new office building, GSO, and MSGQ on the 8.6 acre Riviera site. The project will be accomplished through the design/build method of delivery, using OBO's SED approach through full and open competition.

The new office building is a seven-story reinforced concrete building that includes two walkout basement levels, four main levels, and a mechanical penthouse at the roof level. The MSGQ is a two-story reinforced concrete building.

No PAP was provided by OBO for this project.

Issues and Lessons Learned

Project issues were taken from the OIG worldwide survey, an OIG Inspection report dated March 2008, and the POE. The most significant and systemic issues are summarized as follows.

- **Planning/Design Issue:** The mechanical system has gone through several phases of reconfiguration. There has been a complete redo of the heat exchanger, the water pump was replaced, the water tank was repaired and redone, and larger sections of the roof were repaired or redone.

OBO Comment: The contractor worked on pending problems at the water tank and roofing in accordance with the contract requirements and in response to their warranty responsibilities.

- **Maintenance Issue:** Post has no local technical expertise in country to maintain and repair the HVAC system – the chiller system. The building is uninhabitable without the cooling system, so it is a risky situation when half of the system goes down. Post has closed the building for half a day due to a problem with the water supply to the cooling system.

OBO Comment: The NEC chillers are water cooled. This parallels the local commercial buildings which also have chilled water systems (airport, hotels). There appears to be some in-country skilled labor available to service this equipment. Service and maintenance contracts are the responsibility of post per 15FAM162.1

- Post recommends that OBO develop regional maintenance centers to provide training and technical assistance to local staff for the new technologically advanced infrastructures that are being built in third world countries. The skill level available locally for maintenance staffing does not match the needs of the new technology. This year OBO contributed funds to the ICASS target to train maintenance staff. This is rather expensive since such training is not available locally. Post hired maintenance staff available in the local market.
- Estimates of building operating expenses were not provided.
- OBO states the goals of the POE process are: “Decrease NEC costs without sacrificing performance, and improve functionality while remaining cost-neutral.” The extended period between occupancy and POE goes far beyond normal adjustment to a new building. The projected cost savings accrued to the Capital Construction Program could have been realized sooner, perhaps as early as the FY 2008 SED.

- Ten preliminary SCRs were produced for inclusion in the annual SCR update to the SED process. One was suggested by the management officer and nine were suggested by the FM in their replies to ePOE surveys.
 1. Rightsize fitness room — more space may be necessary.
 2. Provide more visual screening for privacy at restrooms.
 3. CACs — use durable materials in high traffic areas; design service CAC sally port to clear height of mobile cranes and emergency vehicles.
 4. Vehicular traffic — provide for pedestrian safety with speed signage; traffic lights; protect hydrants w/bollards; pavement, sidewalks and curbs to minimize catchments from soil erosion.
 5. Improve seating and shading to consular clients waiting outside the compound perimeter wall.
 6. Increase capacity of electric conduit risers to anticipate future expansion.
 7. Standardize maintenance and safety design for exterior window cleaning.
 8. Atrium/gallery — provide for safe maintenance to lighting and sensor devices.
 9. Install irrigation pipe markers to alert ground crews.
 10. Provide shading to protect fuel pumps.

Contract Issues

The contract file shows no significant design/build changes in the pre-award phase of the contract. The eight contract modifications included administrative actions, a time extension of 109 calendar days for time lost for civil unrest, and funding for changes to security mitigation, mail screening, isolation, etc,

Customer Satisfaction

The spaces are generous and more than adequate. The facility is beautiful; it is state of art and provides an excellent working environment for the employees. However, it is an overwhelming maintenance challenge for the maintenance crews who have not been trained to work on the building systems.

Operations and maintenance products and services were provided. The contractors provided familiarization to building system training and showed the embassy staff how to operate the building system. They also provided operations manuals and as-built drawings. However, the embassy staff is not properly trained to maintain and repair the building systems.

No diagnostic test equipment was received but some spare parts and specialized tools were provided.

Commissioning

No commissioning information could be found in OBO files with regard to the commissioning effort of this project.

OBO Comment: Commissioning was completed in accordance with contract requirements. All documents and deliverables were handed over to the FM.

Project Case Study – NEC Abuja (2002 project)

Delivery method: Design-Bid-Build
Construction start date (LNTP): November 14, 2002
Post occupancy: July 22, 2005
Total project estimated cost from CWE: \$69,514,000
Total cost at completion (PPR): \$74,535,898
Contract modifications/costs: 38 Mods, \$4,229,089



Project Description

The NEC in Abuja, Nigeria is a 9-acre lot located at 1075, Diplomatic Drive, Central District, in the diplomatic section of the city. China and Ghana, among others, have already constructed missions in this area. The British government purchased the adjacent plot to the west of the NEC, but has not started construction. The Syrian Government owns a plot on the west side of the NEC, but has not started construction. The site gently slopes to the west. Along its northern boundary, the site also slopes rather steeply northward. The north boundary is the main east thoroughfare leading out of the City of Abuja. The south boundary is Diplomatic Drive. This is a suitable site for a United States Embassy.

No PAP was provided by OBO for this project.

Issues and Lessons Learned

Project issues were taken from the OIG worldwide survey, the PD's completion report, an OIG inspection report dated March 2008, and the POE. The most significant and systemic issues are summarized as follows.

- This is a design-bid-build project that was bid twice. The contract for the first design was 40 percent higher per square foot than the construction cost of the Abu Dhabi NEC. The contract amount exceeded the construction funding available. An attempt was made to negotiate a cost reduction by reducing the project's scope. However, this attempt was not successful, and the contract was terminated for the convenience of the government. To award the contract before September 30, 2002, a decision was made to redesign the project with a significantly reduced scope using the original architect. The consulate and public affairs sections' wing, one of the two CAC facilities, the building's stone cladding, and the perimeter wall around the east half of the project site were deleted. The west half of the third floor was left unfinished. The descoping resulted in a \$15,000,000 cost reduction. This amount was sufficient to award the project.

OBO Comment: The Abuja annex project was funded in FY 06. This project included completion of the third floor tenant fit-out space in the existing chancery. The annex building contained a cafeteria and incorporated all of the requirements of the rightsizing program.

- **Planning and Design Issues:** The short redesign and review timelines caused problems throughout the construction phase. Indicators of the magnitude of these problems were the 608 requests for information that were received by OBO. Two hundred and forty-four potential changes orders were also received of which 184 became contract modifications. There were three problems that significantly affected the project:
 1. The differing site conditions associated with the foundation design. This situation was not a result of the short redesign period.
 2. Some offices required specialized construction personnel to finish the work. This oversight cannot be attributed to the short redesign period.
- There were also numerous design and omission errors associated with the HVAC duct system, including the omission of HVAC ductwork secu-

rity details. This oversight was not discovered until the second accreditation team visit, which was too late to economically correct this error. Numerous return air ducts were omitted. Additional HVAC ducts, security bars, and security grills were continuously being added throughout the finishing phase of the project. The design did not include auxiliary cooling for the first floor telephone room and the second floor unclassified computer room. In the event of a chiller failure, temperatures within these rooms, especially during the dry season, could become too hot to operate the equipment and the Embassy could be without telephone and computer service.

- **Maintenance Issues:** A number of security doors lack lock cores. Service and utilities have not been upgraded. The post has to operate on generators 24 hours a day because of poor quality power within the Republic of Nigeria. The mission had problems with the air conditioning chiller and vehicle barriers. In addition, there was no operational imminent danger notification system for nearly two years. The stairwells do not have lock cores on day gates that are installed between controlled access area and non-controlled access area floors. Chillers haven't worked for two years. The generators were not much better, but there are three of them so there is enough backup to continue operations. Elevators are a problem and the roof is waterlogged.

OBO Comment: Post recently switched to commercial power in an attempt to test the reliability of the city electrical service. The chillers have had issues, chiller #1 was retrofitted by the manufacturer in response to defective parts and was covered under warranty. Chiller #2 suffered significant damage to the condenser tubes as a result of rapid refrigerant loss caused during maintenance at post. After a study by the chiller manufacturer and OBO in response to the systemic chiller issues, it was determined that an air cooled chiller was more suitable for the Abuja environment. This air cooled chiller was incorporated into the annex project. We are unaware of any documented issues or problems with the elevators. The roof was under warranty and the NEC contractor has made the contractual repairs. Roofing problems were addressed by the manufacturer and the contractor in recognition of poor workmanship and in response to its obligations under the extended warranty program. CC and the Bureau of African Affairs are not aware of generator problems.

Contract Issues

The rush to bid this project before the end of the fiscal year caused considerable problems with the project. A total of 38 contract modifications consisting of 244 requests for equitable adjustments and 156 requests for proposals were recorded.

This resulted in an increased cost to the government of \$4,229,089 and a contract extension of 71 days.

Customer Satisfaction

In 2005, Embassy Abuja moved to an 8.55-acre NEC. The NEC offers a modern and functional working environment but is too small to accommodate all personnel.

In general, this facility provides a relatively modern and pleasant working environment, but one which has a number of serious problems. At the time of occupancy, the third floor was not completed, there was no cafeteria, and several management sections had to be housed outside in containers because there was no space inside the building. The third floor is currently under construction and once completed, should alleviate some of the overcrowding in certain management sections, but post will still need to utilize containers for office space and the cafeteria.

Since completion of the NEC, post had repeated problems with poor construction techniques affecting both infrastructure (leaky roof, leaky fresh air ducts, unsuitable air filters, and rusty doors) and mechanical systems (inadequate fuel system, chillers, water treatment and chill water systems, and air conditioning system pressure). The Embassy has experienced repeated problems with the chillers, generators, and roof. Post has been unable to resolve these problems either on its own or through OBO.

USAID is anxious to see OBO become more flexible in the face of changing requirements such as the President's Emergency Plan for AIDS Relief which is doubling in size. Offices being built like Abuja do not have enough space for the required staff.

Commissioning

No commissioning information was available in OBO files or the PD's report.

OBO Comment: Commissioning was completed in accordance with contract requirements. Tools, diagnostic equipment, and spare parts appeared adequate. Details on preventative maintenance and warranties are included in the O&M Library left at post.

Project Case Study – NEC Phnom Penh (2002 project)

Delivery method: Design/build SED based design
Construction start date (FNTF): July 31, 2003
Post occupancy: December 12, 2005
Total project estimated cost from PAP: \$68,823,000
Total cost at completion (PPR): \$71,590,502
Contract modifications/costs: 17 Mods, \$1,271,965



Project Description

This project consists of the design and construction of a NEC, to include an office building, a general services office support annex, an unclassified annex building for USAID (to be implemented in the future), a Marine security guard residence, CAC facilities and site perimeter security facilities. The project will be accomplished through the design/build method of delivery, using OBO's SED approach through full-and-open competition. A design/build RFP will be issued in June 2002, with contract award to an American design/build-contractor in September 2002. Using the SED approach, the project design adaptation period is approximately six months, to include a value-engineering study. The construction period is approximately 28 months. Funding for the project was obtained in FY 02 as part of the Security Capital Program. Funding is comprehensive for all proposed facilities except the USAID annex. The USAID annex is proposed for funding in FY 03.

Issues and Lessons Learned

Project issues were gleaned from the PD's completion report, an OIG inspection report dated August 2007, OIG interviews, and the post's lessons learned telegram. The most significant and systemic issues are summarized as follows.

- There was a delay in receiving certification for the new office building. It caused a delay in the beginning of construction but a claim was not filed.

OBO Comment: Reasons for the delay were never given but certification was not received until late July or early August 2003, about 1 month after the contractor was ready to start driving piles. There was an approximate one month idle period while awaiting receipt of certification. The contractor never submitted a claim.

- **Planning/Design Issue:** Several visits were conducted by tenant agencies during the latter stages of the project. Agency representatives prepared punch lists for corrective action that needed to be made to certify the space for their use. Most of the items presented were not in the contract. However, change orders were issued to cover the tenant needs. Some agency representatives indicated that they were not afforded the opportunity to make comments during the project's design stages.
- **Planning/Design Issue:** A request was made by IRM for relocation of the lower roof antennas about one year into construction because the antenna pads as installed were too close to the south wall of the roof maintenance shed and would not allow aiming of the antennas to the necessary azimuths. Modifications to antenna pads, ladders, and conduits were made. Not only was this a financial burden, but the antennas, enclosures, and some of the conduits are visible from ground level and unsightly. Problems with installation of the large antenna and safety railing continue to plague post in concluding the installation effort.
- **Planning/Design Issue:** Two posts requested changes that were implemented on this project. The first was to add two bathrooms in the CAA. The second change was to expand two separate conference rooms in the unclassified area into a single large conference room. These changes were implemented after referral to the highest levels of OBO.

OBO Comment: The Ambassador raised the issue of installing two bathrooms on the second floor CAA with General Williams. The change was approved and implemented as a contract modification. The same is true for the consolidation of two conference rooms into one. This comment was originally developed from lessons learned on the Tunis NEC.

- Planning/Design Issue: Review of plans and communication with post during planning stages is neither systematized nor sufficient in frequency. The 35 percent design review at post was also not particularly helpful as the contractor could only describe in detail the exterior and landscape plans. During this phase, post never had the impression that they were customers. OBO did its work without reference to the ultimate consumer of its products.
- Planning/Design Issue: The maintenance office is half the size necessary due to substantial hiring of 14 staff. While post management is directed to submit space planning several years in advance of construction, predicting future maintenance needs without an understanding of the new building systems is simply not possible.
- Planning/Design Issue: Post was very happy with the number of conference rooms designed into the NEC; however, outside of the multipurpose, not a single unclassified conference room seated over 16 people. Post was able to resolve the issue with OBO during construction by combining two conference rooms into a single room seating 30-40 people.
- Planning/Design Issue: Post and OBO agreed to purchase a six-acre site for its NEC. Although the site is in a prestigious location, post personnel would have been better served in the long run if the standard ten-acre site was chosen. Post would have received a maintenance/motor pool/warehouse and recreation center all on one compound.
- Planning/Design Issue: Covered parking. Post possesses ten armored vehicles worth more than \$750,000 but lacks covered parking. Carports to protect armored vehicles from destructive and intense sunshine in tropical countries are needed.
- Planning/Design issue: All outlets in the NEC are three-pronged American style. This requires Post to purchase unattractive and potentially hazardous adapters for all outlets. Telephones should be installed outside of CAA access door for use by locally employed staff and visitors to gain entry into the space. The pillar in the middle of the front office is large, much larger than the building plans show, and it disrupts the flow of the office.

OBO Comment: OBO believes that post has now changed all plugs to fit the U.S. standard NEMA receptacle. OBO does not believe that the strip receptacles were dangerous or ever caused a problem.

- Planning/Design Issue: The doors into the CAA are hazardous. People stand in front of the doors to enter their code or put away their phones and can be hit by someone exiting. The cell phone storage space and keypad should be further from the door or there should be a window in the door so people can see if someone is standing there.
- Maintenance/Installation Issue: Post continues to be plagued by hardline door problems. Although staff from engineering services centers in both Bangkok and New Delhi repeatedly visited the embassy to repair, realign, and adjust the doors, door closures, and hinges, the doors still do not function properly. Based on information from OIG's compliance section, OBO has finally conceded to replace these doors.
- Planning/Design Issue: There is a one-year moratorium on NEC changes, but the Office of the Legal Attache had to do some modifications to its area to correct a design that did not meet specifications.

Contract Issues

A review of the design-build construction contract files was hampered by a lack of pertinent files available for review; only a small portion of files were found. A price negotiation memorandum and a determination of responsibility determination were not found in the contract files. Nevertheless, the contract award process does not indicate any substantial scope changes were necessary from the original PAP scope. The awarded contract scope of work substantially matched the intended scope of the PAP. The scope and magnitude of the construction contract modifications during the course of the construction were numerous, but generally were reflective of ordinary types of design and construction changes necessary to complete the facilities in accordance with the customer's requirements, code compliance, and OBO standards. Although the nature of the many changes indicated that a variety of interior layout changes were necessary to meet customers requirements during construction, many were not of a substantial nature and could be considered as normal organizational refinements.

Customer Satisfaction

The entire mission, except for the Peace Corps and the warehouse, has moved into the new compound. This modern facility is a welcome change from the jumble of houses occupied previously. In a city with embassies shuttered behind high imposing walls, this NEC is surrounded on most sides by a three meter anti-climb fence that is secure yet open and inviting to our many guests.

The Bureau of East Asian and Pacific Affairs complained to the OIG team that the bureau was surprised to learn that electric bills rose by over \$1 million per year, and some agencies expressed dissatisfaction about higher overall ICASS costs. Some of those costs were inevitable because there was an almost doubling of floor space and there was additional security lighting on a larger compound. OBO advised the Bureau of East Asian and Pacific Affairs and other agencies in general terms of the likely additional costs in moving to a new compound. However, there still appears to have been confusion and miscommunication with some agencies.

OBO Comment: Electrical bills increased to about \$1 million per year after occupying the NEC. This was with use of commercial power. Post is now operating generators on a 24/7 basis. Annual costs at the old embassy were between \$300,000-400,000. Thus cost increase by \$600,000-700,000, not \$1 million.

Commissioning

The PD completion report states the commissioning activities were conducted according to the commissioning schedule developed by OBO and incorporated into the contractor's detailed project schedule. This proved to be a very effective tool in coordinating the numerous commissioning requirements. All training has been conducted and closeout documents have been received. The facilities maintenance officer would like to see more attention given to the training process conducted by the contractor. While the contract requirements have been met, the facilities maintenance officer believes that most of the training will take place through hands-on operation of the building systems. Spare parts and as-built drawings were handed over according to the requirements of the contract.

The WebWOW system has been populated although it is still not user-friendly. The facilities maintenance officer indicated that he would prefer to populate the software program with his own in-house forces after receiving data from the contractor.

No commissioning information was available from OBO files. The PD's report did contain some commissioning information.

Project Case Study – NEC Astana (2003 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): November 5, 2003
Post occupancy: September 29, 2006
Total project estimated cost from PAP: \$89,872,000
Total cost at completion (PPR): \$80,255,165
Contract modifications/costs: 38 Mods



Project Description

This project consists of the design and construction of a new embassy complex, including a new office building, support annex, warehouse, MSGQ, ambassador's residence, and CAC facilities. The Government of Kazakhstan moved its capital from Almaty to Astana and created a master plan for the development of the new capital city. The U.S. Embassy was located in Almaty with over 200 U.S. Government employees housed in poorly constructed Soviet-era buildings in an extremely high seismic risk zone. The entire capital city section of Astana is not developed and has no supporting infrastructure such as paved roads and utilities. However, the Government of Kazakhstan gave written assurances that the utility infrastructure will be in place to support the NEC project and that the utility and infrastructure will be provided at no cost to the U.S. Government.

Issues and Lessons Learned

Project issues were gleaned from the PD's project completion report, an OIG post inspection report, and OIG interviews. The most significant and systemic issues are summarized as follows.

- **Planning and Design issues:** A major oversight in the Space Requirements Program was not including a heated garage in the original planning documents. A recreation center was planned but not built with the original contract. Car parking for the consular CAC was neither included in the design nor has been constructed. The carport for the MSGQ was not a good design for the harsh weather in Astana. A drivers' room was not identified or planned for at the new office building. Several other features were not included, such as a special room in the Consular CAC, the CAC vestibules, the Television Receive-Only antenna, and the door bell and the breezeway for the chief of mission residence.

OBO Comments: Consular parking—The city provides buses and bus stops near the consular CAC. A drop off lane was provided for easy access. Parking is available near the consular entrance across the street or along the road. The heated garage is funded and in the construction phase now. The open MSGQ car park was to be addressed as a post follow-on project or rectified as soon as the heated garage is completed.

- **Washington Support:** One of the problems with Washington support was that there were two project executives over the life of the project with little or no overlap. The project executives did a very good job but were overworked and had too many projects to support. Personnel get reassigned and leave the job for various reasons, such as higher priority tasks or better positions elsewhere. More well-defined job descriptions might alleviate some of this discontinuity.
- **OBO reviews in Washington took too long.** Sometimes OBO Astana waited over five months to receive a submittal answer back from Washington.

OBO Comment: No delayed submittals, if any, impacted the critical path of construction.

- **Planning Issue:** The contractor wanted the utilities and streets in place for his use during construction, but this did not happen. The contract stated that the contractor would work with local authorities to accomplish this work. It is recommended that items of this nature and importance be more firmly established prior to the commencement of construction.

OBO Comment: OBO Astana went to great lengths to work with local authorities and the contractor to coordinate utilities and roads. In the end, this did not delay the contractor because Fluor was not ready for connections when the utilities were not in place.

- **Permits, zoning issues:** The location of the perimeter wall was an issue. Normally the outer edge of the footings projects beyond the outer face of wall; however, this edge has to be within the property line unless the adjacent property owner permits the foundation to be built beyond the property line. The design drawings show the depth of footing at one meter below grade. More importantly, however, the specification was to comply with the International Building Code which stated that, with the exception of a permafrost condition, the footings should be below the frost line. In Astana the site information stated that this was a depth of two meters, though some installations in the city construct to a depth of three meters.
- **Construction Issues:** The specification was poorly executed for the pavement. The pavement specification had the option to use AASHTO or local authority standard. The design is based on AASHTO, but the materials that the contractor proposed to use were local materials that did not meet AASHTO standards. OBO directed the contractor to use a local standard design with local standard material. As of now there is no design submitted based on local standard, but the work is done with local standard material. OBO has not accepted this work at this point in the project.
- **Construction Issues:** Originally the pilings were supposed to be precast concrete, which was the contractor's design. Local pile manufacturers are said to be using Russian-made steel in the precast piles which was not acceptable to OBO. The contractor changed this to steel piles. The change affected the progress of work. The pilings were eventually changed to steel.
- **Construction Issues:** The initial submittal for rebar was rejected by an OBO reviewer. The specification was not readable, and the material was suspect. Eventually another reviewer yielded and approved the use of local Russian rebar. The rebar installation was successful. OBO made a comment about use of Russian-made steel in foundations directly below CAAs. Turkish steel was used to start with, but Russian steel was subsequently used in the project.

- Forced Entry/Ballistic Resistant Doors: The stainless steel cladding on the doors is part of accepted design, but it gives operational problems that could have serious security implications. Cladding is coming loose and preventing the door from closing after opening.

OBO Comment: The cladding on the doors was rectified in the field. A problem was found later that the contractor installed the closers wrong and the doors worked properly once this was corrected. However, cladding on the doors is difficult to manage in the construction process and operationally in the future.

- Design Issue: The aluminum cladding on the exterior security windows was not detailed well in the design drawings. The set screws for changing glazing were not specified for Muntin frame windows and could not be enforced.

OBO Comment: The aluminum cladding on the first level became an anti-climb issue and this was rectified in the field by angling the cladding down at the bottom of the window. Set screws were given by the contractor at a later time.

- Planning Issue: Sub-grade preparation data for footings was missed in the contract (design) geotech report. This caused delays in construction of the perimeter wall.
- Planning and Design issues: The quantity of air that was specified for all the server rooms was inadequate. This happened on other NECs. Some of the rooms were designed without heating coils in the variable air volumes, which resulted in lower temperatures than was called for in the design of those rooms. The original design did not call for the standby boiler to be rated to be rated for 100 percent capacity for the heating of the buildings. The design was modified to correct this omission. The original design did not include the electrical panels in the CACs that were required to support the technical security system installation in the NEC. The design was modified to correct this omission. The original design of electrical panels did not have enough breakers that were required to support the technical security system installation the NEC. The design was modified to correct this omission. The lighting fixtures that were selected for the atrium are outdoor mounted lights and look horrible in the atrium.

OBO Comment: An additional stand alone unit was provided in the unclassified server room for cooling. Variable air volumes with reheat coils were provided by the contractor in the end. The light fixtures in the atrium submittal meet the specification and are technically acceptable but not the proper application for an interior space. They possibly could be painted the same color of the wall and look better.

- There is a one year moratorium on NEC changes, but the Office of the Legal Attache had to make some security modifications in order to meet its specifications.

Contract Issues

The Astana project's pre-award changes were minimal. However, the project report notes that a planned recreation center was not built. The report's lessons learned section also describes a number of other necessary items missing from the original planning including a heated garage, a car park, and special room for the Consular CAC, CAC vestibules, a door bell and breezeway for the chief of mission residence, a drivers' (motor pool) room, and surrounding walls for the MSGQ's parking area.

Customer Satisfaction

The U.S. Embassy was among the first foreign missions to relocate from Almaty to Astana. The U.S. Embassy took advantage of the unique opportunity to project a positive external image of the United States through the "Transparent Design of the Atrium" and "Decorative Kazakh Stone Detailing" that blends well with the local architecture. The proximity of the NEC to the new government center and other embassies enables this image to be read throughout the City of Astana.

The NEC offers a pleasant, modern, and functional working environment for mission employees and visitors. The compound includes a new office building, chief of mission residence, Marine house, warehouse and general services annex, and a utility building. Plans are underway to build a \$750,000 heated garage and a \$750,000 recreational facility on site.

A two-year maintenance service agreement was included as part of the new embassy construction contract. A private firm, at a cost of \$1 million per year, provides this service. The FM is the COR on this contract. The maintenance agreement was modified recently to include snow removal. There are no contractor performance issues.

The Embassy has a highly qualified maintenance staff, and virtually all identified post-construction problems have been corrected. With OBO's support and funding, the embassy completed a landscaping/dust abatement project for the grounds. OBO continues to provide support and funding to improve the compound and quality of life.

Commissioning

No commissioning information was available in OBO files or the PD's report provided to OIG. OBO advised that a more complete report is now available that contains the commissioning documentation.

Project Case Study – NEC Bamako (2003 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): December 7, 2003
Post occupancy: November 17, 2006
Total project estimated cost from PAP: \$71,634,000
Total cost at completion (PPR): \$65,905,675
Contract modifications/costs: 24 Mods, \$2,729,397



Project Description

The project scope is to design and construct a NEC, including a new office building, GSO annex, Marine Security Guard residence, warehouse, and CAC facilities. The scope includes site planning to accommodate a future USAID facility. The completed Embassy compound will accommodate all Department as well as tenant organizations except Peace Corps, Centers for Disease Control, and the National Institutes of Health, which received waivers.

Embassy Bamako operated from three separate locations. All facilities except the warehouse were located in the downtown business district. The old Chancery had limited setback on two sides. All of the facilities were structurally deficient and overcrowded and did not meet current Department security or setback standards. This is especially problematic since the downtown areas are known for their high crime rates.

Issues and Lessons Learned

Information was gleaned from post's lessons learned telegram, the OIG world-wide survey, the PDs' project completion report, and OIG interviews.

- **Planning Issues:** Provide clear and detailed definition of the interface between phases in the RFP, especially for site work and temporary facilities and access. If there is an ongoing construction project on the same compound, make sure that the interface is clearly spelled out in both contracts. The RFP should provide adequate space for temporary facilities and construction activities around the new office annex on existing compounds. Any scope transfers between contractors on the same site should be done formally through contract modifications to both contracts immediately upon conclusion of negotiations.

OBO Comment: The Bamako Follow-on Project was to address the specific statement of work that was incorporated into the master plan, but purposely was left out so that the phased construction work of the NEC and new office annex could be completed first.

- **Planning Issues:** OBO technical people need to perform a detailed review of bid pricing to ensure that they are making the right comparisons, and major pieces of equipment (such as chillers) cannot be claimed to be left out of the proposal.
- **Planning and Design Issues:** Accurate existing equipment heat load for the server rooms are required so that air conditioning can be properly designed. More air conditioning for the security electrical closet was needed.
- **Maintenance Issues:** Post lacks sufficient competent mechanical maintenance staff to maintain the technical systems of this compound. During training several trainers reported that the level of technical competence was not high. Post needs to provide additional training to their staff to bring them to the journeyman level. Post does not have adequate after-hours maintenance staff on the compound. Alarms are routinely ignored. Several failures of the site security lighting system were unknown to the maintenance staff because they had no one who was competent on duty after hours to observe and report these problems.
- **Design Reviews:** The Fire Protection Engineering branch must do a better job reviewing the main fire and life safety elements of design, such as egress paths and the fire water riser. The SED HVAC smoke control sequence of operations needs to be corrected. It contains some important errors and ambiguities.

- Design Issue: Travertine was used as the flooring material in the lobby. This is a soft stone that is prone to damage and staining. The stone needs to be sealed yearly. The health unit lacks two laboratory spaces. Any medical facility that performs laboratory testing on bodily fluids must have both a wet and a clean lab. Post had to retrofit an office, in an ad hoc manner, to provide sufficient separation. The NEC and new office annex do not have enough bathrooms.

OBO Comment: The health unit was designed per the Space Requirements Program and therefore through the approved rightsizing program. Further, M/ MED was afforded the review during the OBO Integrated Design Review. Bathrooms were adequately designed per the International Building Code to meet the number of building occupants.

- Planning and Design Issues: Post II is not useful. The back door of the chancery was designed without sufficient audio and video connections to allow control of the doors from Post I. Making the back door useful to the GSO and utility areas in back of the chancery is a technical fix beyond post's ability.
- Planning and Design Issues: No eyewash or shower stations were included in the facilities shop areas. No purpose-built weapons of mass destruction decontamination area exists. The reception desk was not wired for systems or telephone. The plumbing shop was built without plumbing. No welding shop was included in the plan, despite a clear, previously stated need; however, it will be added by OBO this year. No storage for dangerous stock (paints, solvents, etc.) was provided. No area for storage of dangerous disposals (motor oil, solvents, batteries, etc.) was provided. Desk space for facilities shop foremen was provided in the chancery, far from the shops and shop workers.

OBO Comment: The original NEC Space Requirements Program did not include the items listed in this bullet. As the need was identified and the process followed for right sizing, OBO is providing these items in the follow on work project.

- Planning and Design Issues: The high arcade in front of the chancery and annex is attractive but functionally useless and difficult to maintain. Post has pointed out to visiting value engineers that the expense of the arcade would have been better spent on kitchens, multipurpose room, bathrooms, or a solar power project.

OBO Comment: The point is noted, and canopies serve a purpose. The future challenge will be determining a canopy that meets the requirements from protection of elements, security and budget.

- **Maintenance Issues:** The CAC gates were poorly designed and installed. The massive anti-ram gates are difficult to maintain in good working order even when they are perfectly installed. Post's were installed with significant defects. The Potable Water System was installed improperly and leaked profusely and continuously for over a year. The water main connection in the utility building blew open, causing massive flooding. Post found that the pipe used by the contractor was a local non-sanitary type of material and not up to specification. Post continues to discover faults with the Building Automation System. Part of the chancery is still lacking complete control over the air handling system. Building Automation Systems from different providers are installed in the NEC and new office annex. Attempts to make them talk to one another will be difficult and time-consuming.

OBO Comment: This was a systemic program issue that OBO recognizes. The gates are to be replaced in the already awarded follow-on project. The leaks and the failure on the on the potable water system pipes were a contractor installation problem which the contractor addressed under warranty. The Building Automation System was installed per contract requirements; it requires extensive training to operate. This issue appears to have been resolved. Further, software upgrades have been installed

- **Operations and Maintenance Issues:** Estimates of building operating expenses were woefully low. Post's electricity bill is enormous and growing. Planning for maintenance staffing was insufficient at first, but post has since hired the required maintenance staff. Contractor-provided training was completely insufficient. It was performed in accordance with a delivery schedule that did not change even when NEC occupancy was delayed by six months. Training was cursory and superficial. Spare parts were barely adequate and are swiftly being drawn down. Provided diagnostic test equipment is insufficient. Maintenance equipment was largely missing and had to be improvised by Post. With few or no qualified employees in technical fields available in Mali, training should have been a top priority. Post accurately predicted the NEC and new office annex utility costs and budgeted for them. Post knew their increased staff costs and budgeted for those too. But post's ICASS budget was cut, making it difficult to do anything but pay the staff and the utility bills. It has put post in a terrible financial bind.

OBO Comment: A staffing study was conducted to determine the number of operations and maintenance personnel necessary to operate the NEC. The NEC contractor did conduct training in accordance with contract requirements. The issue lies with finding suitable qualified local employees.

Contract Issues

This project involved a number of significant design/build changes which occurred in the last weeks before contract award. The proposed costs by four contractors for both design and build portion of the contract were well above the independent government estimate, which is listed as \$51,934,229 for the design build portion of the contract, and \$56,347,500 for design-build with all options. After reviewing a variety of cost reduction options by OBO (e.g. elimination of the warehouse, GSO annex, landscaping, and cuts in the new office building size), other significant steps must be taken to reduce costs and improve the chances of awarding these projects within the IGE. Accepted cost reduction steps were sent to the bidders on 9/26/2003. The revisions included:

1. Reduce the size of the proposed chancery building from 8736 m² to the SED medium size of 6400 m² without reducing the programmed population.
2. Increase the period of performance from 24 to 28 months.
3. On 09/29/2003 a fax acknowledging the amendments and awarding the contract in the amount of \$49,700,000.

Customer Satisfaction

Post loves their new buildings. But post is also gravely worried by them. If post's problems were limited to questions of style or finish, then they would learn to live with them. If the problems were minor, then they would work around them. But post frequently discovers significant defects that reduce productivity or raise operating costs and occasionally run into problems that put the staff and buildings at risk.

Post's level of satisfaction with the NEC and new office annex is mixed. Generally speaking, the office and other functional spaces are reasonably suitable but there are glaring omissions. Post is unsatisfied with the functionality of mechanical systems.

The NEC and new office annex are beautifully situated, striking buildings that stand out all the more among the generally poorly-designed and constructed buildings in Bamako, including the old, ugly, and unsafe former quarters. Office spaces are adequate and well-furnished. Initial doubts by many employees about cubicles

were quickly overcome by the cubicles' improved functionality and by post's training and efforts to assist the adaptation process. Lighting and electrical power supply is very good. Systems connections are abundant and generally well planned. The physical relationship between offices and utility and common areas was well-planned. The consular section is particularly well-adapted to post's uses.

Descoping issues: Post understands that a large multipurpose room, accessible from the outer lobby of the chancery, was part of the original plan, but it was unilaterally dropped for budgetary reasons. Had post been asked, they might have suggested alternatives for cutting rather than eliminating the only large interior meeting space (in a country with difficult outdoor conditions for ten of twelve months a year).

Descoping issues: The NEC kitchen was also cut down to save money. Post was told not to worry because a kitchen would be added to the then-unfinished new office annex. No such additional kitchen was built. There are insufficient alternatives to eating on the compound and the over-stretched cafeteria kitchen is heading toward customer service and hygienic disaster with several hundred customers daily served from a space that should not feed more than a hundred.

Descoping issues: The recreation center was removed from the plans at some point to save money. Post was allowed to keep the old MSGQ as a recreation center in lieu of a NEC facility. But making the old Marine house into a recreation center is an expensive and time-consuming proposition. Renovation of the old Marine house may save OBO a little money but in the long run will cost the U.S. Government plenty.

Commissioning

No commissioning information was available in OBO files and the OIG was not provided a PD's report for the NEC project.

OBO Comment: Commissioning was completed in accordance with contract requirements. All documents and deliverables were handed over to the FM.

Project Case Study – NEC Freetown (2003 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): January 6, 2006
post occupancy: December 4, 2006
Total project estimated cost from CWE: \$ 61,957,000
Total cost at completion (PPR): 58,063,858
Contract modifications/costs: 3 Mods, No cost



Project Description

This project consists of the design and construction of a NEC, including a new office building, general services office annex, warehouse, and CAC facilities. The project also provides space for a future annex building for USAID and a MSGQ. The project execution schedule is 730 days, including time for design-build acquisition, with six months for design and 21 months for construction, and is planned for completion in FY 05. The project is funded at \$60.2 million.

The new embassy site occupies about 20 acres and is located adjacent to Leicester Peak, south of Freetown, Sierra Leone, in the area known as the South Ridge Hill Station. Leicester Peak, at an elevation of 595 meters, and three small rural villages are the primary landmarks and settlements in the immediate area of the NEC.

Issues and Lessons Learned

Project issues were gleaned from the PD's project completion report, an OIG inspection report, and OIG interviews. The most significant and systemic issues are summarized as follows.

- The lack of a reliable water source to support the NEC's daily demand for 9,000 gallons is a major operational problem which requires a long-term solution. Of this amount, about 6,000 gallons are required just for the water-cooled chillers of the air conditioning system.

OBO Comment: The original geotechnical reports alluded to groundwater being available by drilling a deep water well into an aquifer. After the contract was awarded and construction began, the NEC contractor drilled to the depth identified in the geotechnical report. Unfortunately, groundwater was not found. A change order was issued to drill deeper, but proved unsuccessful. A solution was found through the assistance of post and the international community, where water is trucked to facilities around the area that have this similar issue.

- Planning/design issue: OBO needs to replace the water-cooled chillers with air-cooled units to save water and improve reliability.

OBO Comment: Due to both the systemic chiller problems and water shortages, OBO initiated a worldwide initiative to replace certain water-cooled chillers with air-cooled chillers. Freetown was identified as a recipient. The two existing water-cooled chillers were augmented with an air-cooled chiller. Installation is currently underway.

- The FM and General Services Officer must consistently deal with issues — big or small — to keep the building operating. It seems post is always not too far away from a disaster.

OBO Comment: The operations and maintenance of a NEC is a serious and challenging issue. OBO has recognized the complexities of the systems being installed and the limited availability of trained quality maintenance personnel. FMs are now more involved in the NEC and commission process to ensure at least a 6-month handoff period occurs before post occupies the facility.

- Maintenance costs are higher in the new NECs. The Department of Defense was shocked. It would have been nice if OBO had alerted it that its ICASS bill would increase substantially. It is now increasing its ICASS budget request if a new NEC is being built.

OBO Comment: NEC maintenance costs have been well identified as an issue that needs to be addressed. During the Integrated Design Review process, tenants, to include the Department of Defense, were notified of their increased costs and were billed for furniture orders 8 months prior to move in.

Contract Issues

Descoping on Freetown was discussed in the September 24, 2003, memorandum from the Designing and Engineering Division to OBO's Director. At that time, the Design and Engineering Division suggested that a planned recreational facility for Freetown be eliminated from the ultimate construction plan; however, the solicitation was not amended to reflect this, though it was amended to add four months (from 24 to 28) to the performance period and a reduction of the building size per the new space requirement standard. The contract file shows that descoping of the recreational facility was an issue; however, the notice to proceed was delayed, and the contracting officer requested on February 8, 2004, that the contractor provide a cost proposal to omit the recreational facility.

No modifications were made to reflect this change, however, and the contracting officer informed on May 2, 2008, that the recreational facility and a pool were completed for the project. The project finished with a funding surplus of \$1,980,539.

OBO Comment: At one time, the recreational facilities were considered for omission. Post formally objected. OBO responded by keeping the recreational facilities in the NEC package.

Customer Satisfaction

The OIG inspection report of Freetown dated, March 2008, noted that Embassy Freetown is now located in an attractive and functional NEC that provides sufficient office and utility space for all current mission operations.

Post's Comments: Our working environment is much more professional making us more professional. The functionality, layout, and structure of the new facilities have increased the opportunity for more activities and representational functions at the NEC, when compared to the previous facilities. From the GSO standpoint, this is huge. Hosting events here rather than at residences allows us to set up and break down more easily. Sierra Leone doesn't offer facilities for hosting events so we always have to rely on our own resources. The atrium here at the embassy is perfect for events.

The NEC has enhanced the ability to conduct and facilitate consular activities. The collocation of staff has increased the efficiency of the mission and has elevated the overall level of customer service.

We are up the hill, literally. We are no longer in close proximity to government offices, Non-Governmental organizations, and businesses. Without reliable phone service, this is a challenge. The distance is an issue as most staff must take several taxis to get to work each day.

The location, layout, and structure of the NEC have strengthened security in comparison with the previous facility. No doubt we are safer.

Commissioning

It is imperative that the embassy have ready access to trained and qualified personnel who can maintain the critical elements of the HVAC system. OBO guidance on NEC construction requires that the building contractor provide training to post maintenance staff on all new critical building equipment and systems. The staff received some training in basic maintenance of the chillers, but not enough to perform diagnosis and repairs. In the long run, however, the lack of in-house repair capability will require that post bring in a private contractor, which could prove a very expensive proposition.

No commissioning information was available in OBO files or in the PD's report.

OBO Comment: Commissioning reports and spare parts were handed over to post. The issue was that there was no formal handover mechanism as identified by the GAO.

OBO Comment: Commissioning was completed in accordance with contract requirements. All documents and deliverables were handed over to the FM.

Project Case Study – NEC Kingston (2003 project)

Delivery method: Design/build SED based design

Construction start date (LNTP): November 12, 2003

Post occupancy: May 4, 2006

Total project estimated cost from PAP: \$71,896,000

Total cost at completion (PPR): \$64,987,409

Contract modifications/costs: 33 for a credit of \$2,264,488



Project Description

This project consists of the design and construction of a NEC, including a new office building, a marine security guard residence, a utility building, and CAC facilities on the property known as “Bamboo Pen.” The project also provides for a future, but not funded, USAID annex.

The NEC property is 9.2 acres and already incorporates the existing GSO warehouse/motor-pool shops/commissary. The site also includes two former residences that are currently being used by the American school, which will be demolished to make room for the new office building and USAID annex. The new office building will be designed using the SED model on the property per the site utilization study. Present operations are divided between three buildings in the New Kingston area of the city. None of the buildings meets current Department standards.

Issues and Lessons Learned

Project issues were gleaned from the PD's project completion report, the OIG worldwide survey, the OBO/OMB 2007 NEC Survey, and OIG interviews. The most significant and systemic issues are summarized as follows.

- Planning/Design Issue: The building permit was issued by the Jamaican authority with three conditions; no access from Bamboo Avenue shall be allowed until a scheme illustrating and describing the limited and restricted access from Bamboo Avenue is submitted and approved by the planning authority. No occupation of the development shall be allowed until a scheme for parking is submitted to and approved by the planning authority. No occupation of development of the site shall be allowed until a scheme for management and accommodation of traffic generated by this development is submitted and approved by the planning authority.
- Planning/Design Issue: The design for CAC 2 failed to take into account realistic assumptions for moving large numbers of people, i.e. 1,000 or more per day, quickly and efficiently through security screening and into the compound.
- Planning/Design Issue: The failure to provide cover for applicants who are exposed to the elements while waiting outside the CAC has been a public relations disaster that is exploited frequently by critics of the U.S. government who use it as an example of the low regard they say the U.S. government has for Jamaicans. Applicants who have been waiting outdoors frequently arrive for their interviews wet, dehydrated, and disgruntled.
- Planning/Design Issue: The oversized outdoor "consular garden" area and the covered booths are much larger than they need to be and rarely have the large number of applicants than were apparently contemplate. By contrast, the indoor waiting areas are much smaller than needed to hold applicants waiting for the various stages of processing (enrollment, biometrics collection, and interviewing), which reduces efficient movement of persons into the building.
- Planning/Design Issue: The doorway and anteroom where applicants enter the consular section is also poorly designed and reduces efficiency.
- Planning/Design Issue: As designed and constructed, there was no line management system for directing applicant traffic in the waiting area, as is standard at consular sections of this size. Post was obliged to purchase a Q-matic system separately and retrofit it into the existing space.

- Maintenance costs are higher in the new NECs. In Jamaica, ICASS costs tripled. The Department of Defense was shocked. It would have been nice if OBO had alerted the Department of Defense that its ICASS bill would increase substantially. The Department of Defense is now increasing its ICASS budget request if a new NEC is being built.

OBO Comment: The PD did, in fact, inform the ICASS council and the management officer that ICASS costs would increase substantially. The PD also provided cost information to the ICASS council for use in developing ICASS cost projections and the ICASS council presented pro-forma cost information to the council members for planning purposes. The proper venue for notifying individual agencies of increased ICASS costs is the post ICASS council since they have the necessary information at their fingertips while OBO Washington does not.

- Design/Planning Issues with Security features: Closed circuit TV camera coverage is inadequate in areas. Door locking hardware is inappropriate on many security doors. Post One's closed circuit TV monitor and other equipment configurations are inadequate. There is no TG Guard system installed.
- Design/Planning Issues with the MSGQ: No privacy fence is installed. The gym is entirely too small. There are no locks on bedroom doors. There is poor drainage around the MSGQ, and there are dangerous water ponds in the rear of the Marine house with no fence around them to keep children out.

OBO Comment: There are retention ponds in the vicinity of the MSGQ that are supposed to be dry in their normal state and only retain water for a short time during heavy rain. Since they are shallow and should normally be dry, no fence is required for safety reasons. If the ponds are holding water, the FM should clean the drains.

- Design/Planning Issues: Modification 004 deleted the exterior stonework and instructed the contractor to redesign the exterior facade of the new office building, MSGQ, CAC 1, CAC 2, CAC 3, and the utility building. The deletion of the stone required the contractor to decrease the tolerance of the concrete superstructure of the areas where the stone was replaced with stucco.

OBO Comment: OBO believes the PD report on this issue is not correct.

- Design/Planning Issues: The roofing materials were changed to a conventional top membrane system with no formal substitution request. Because the roofing system is designed with the membrane adhered directly to the concrete roof slab and the top membrane system requires the membrane to be placed on top of two layers of rigid insulation, there was a 6” to 8” difference in the position of the membrane. At this point in the construction, the structure was topped out and all scuppers and parapets were installed. This caused many of the roofing details to be redesigned on site with little or no review by OBO.

OBO Comment: OBO believes the PD report on this issue is not correct. A review of the contract roofing specification reveals that no mention is made of the system. The system that the contractor proposed, and eventually installed, was reviewed by FAC and found to be in compliance with the terms of the contract. Since Kingston was a design/build contract, coordination of the roofing details was the responsibility of the contractor. Further, the roof was accepted at completion by the Firestone representative who issued the warranty.

Contract Issues

The contract file does not provide evidence of significant descoping or changes in the design/build prior to award. However, a number of documents in the file are discussed below to impart a sense of the timeline involved in this solicitation and award.

09/08/2003: Correspondence from one contractor (representative of correspondence from other bidders) including its submission of bid proposal. This includes an amendment to the solicitation (number 6) but nothing indicates large changes in the scope of the project.

09/12/2003: Determinations and findings, signed by contracting officers, noting award to the contractor mentioned above, based on the lowest bid received. This document lists all bids and compares them with the IGE. Of the six bids received, all were above the IGE; two bidders were discovered to have mistakenly added VAT costs in the project. When eliminated, and after more discussion with the four remaining vendors (those in the competitive range) the contract was awarded.

Customer Satisfaction

Overall, the facility provides an excellent office atmosphere. It is functional and provides the employees with a modern, secure environment. Its systems work and respond well. The consular section’s level of satisfaction with the consular elements

of the NEC, however, is generally low. The space designed for consular operations is deficient in many respects and is far less suitable than it should be for the operations post conducts.

The Post has been dealing with the PD for the Kingston new office annex. He has been a true professional and communicates every step prior to initiating it. He has been great to work with and ensures post is informed of every action being taken. He has also demonstrated a greater interest in post's needs and a greater flexibility in addressing them than was the case with the NEC project. He actively coordinates with all relevant mission components to ensure a smooth transition to embassy responsibility.

The previous Marine house was far better suited for hosting both internal embassy recreational and representational activities than the current fortress allows. Post lost a facility that was conducive to guests attending and gained a formal site that is not equipped with the same features and is far more restrictive for entry. The new Marine barracks is nothing more than a barracks.

The location of the new facility is not a terrible inconvenience; the location is in a residential part of the city, some distance from the business center (where the old embassy was located) and from government offices.

The location, layout, and structure of the NEC have strengthened security in comparison with the previous facility. The previous facility was a security nightmare. Post has gone from one extreme to the other. Now it has maximum security without the expense of diplomatic image. The old facility was not at all secure.

The NEC is a beautiful building and a vast improvement over the old one. Based on what post sees at the new USAID building, the whole process might be improved through more collaboration between OBO and personnel in the field. It is always good to ground-truth designs with actual end users (even to deal with the fine tuning of small issues during construction).

Commissioning

OIG inspection team comment: The OBO PD's project completion report was extremely well done. It contained all of the relevant information for the project including scanned copies of all commissioning and accreditation activities and all project contract modifications.

Case Study – NEC Accra (2004 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): October 22, 2004
Post occupancy: June 6, 2007
Total project estimated cost from PAP: \$92,409,610
Total actual project cost (PPR): \$78,131,421
Change Orders/Cost: 5 modifications, \$1,981,208



Project Description

This project consists of the design and construction of a NEC, including a new office building, GSO annex, warehouse, Marine security guard residence, USAID annex, and CAC facilities. The project execution schedule is 1,354 calendar days, including time for design-build acquisition, and 30 months for design and construction. The project is planned for completion in December 2006. Funding for the project is anticipated in the FY 04 budget in the amount of \$111.6 million (\$93.4 million for the NEC in OBO's budget and \$18.2 million for the USAID annex in USAID's budget).

Issues and Lessons Learned

Project issues were gleaned from the PD's project completion report, the OIG worldwide survey, and OIG interviews. The most significant and systemic issues are summarized as follows.

- The NEC and USAID projects were funded and awarded at different times and to different contractors. This led to significant issues during construction and for post operations because equipment installed in the two buildings was of different manufacturers and models.
- Significant design and construction issues stemmed from initial planning and RFP shortcomings. Inadequate mechanical space in the building and significant changes in the technical security design resulted in contract modifications of \$1,565,000. Inadequate attention to site conditions also resulted in a number of change orders. Changes in the telephone installation and antenna placement caused significant problems for the PD. A number of post-specific issues that should have been addressed in the planning phase of the project were also identified.
- Design issues with generators, HVAC, and mechanical, electrical, and fire alarm systems have a continual impact on post's operations and maintenance efforts.
- The initial planning survey and RFP did not give appropriate attention to the parking issues for the site (no street parking available) and the building did not provide sufficient growth space.

OBO Comment: Significant attention was given to the parking issue both pre- and post-award. Parking was provided in accordance with standards and was not demonstrated to be inadequate (although post may be correct). Growth space was provided in the Space Requirements Program and in the building. It is possible that Accra is experiencing an unusual amount of growth.

- The MSGQ lacked privacy because there was no privacy fence installed as specified in the 12 FAH-6 H-112.5 (a) on-compound housing standard.
- The Federal Bureau of Investigation felt that there was a lack of communication between the construction team, the OBO design team, and the tenant agencies. Budget-driven changes were not communicated to the tenant, and the tenant then had to renovate the space themselves. The Federal Bureau of Investigation sent a certifying team to post only to learn that the Federal Bureau of Investigations had been displaced and there was no space to certify.

OBO Comment: Ghana and had an internal dispute with the Drug Enforcement Administration about who was getting the space. We looked at it as “DoJ” space and built it as designed.

Contract Issues

OIG conducted a review of OBO’s design-build construction contract files and RFP process. The acquisition process for SED projects has not progressed as efficiently as should be expected. More information is in the contracts section of this OIG report. The Accra project is a prime example of an RFP process that is cumbersome and discourages more construction contractors from competing for OBO work. In this project, which was a 2004 project and in the third year of a SED RFP, the RFP process required five separate major amendments to the contract documents with multiple rescheduling of the contractor bid submission date. The original RFP was issued on 28 May, 2004, and five separate amendments were issued thereafter that changed the bid date from 21 July, 2004 to 28 July, 2004 to 9 August, 2004 and finally to 23 August, 2004. Although amendment #5, which was a major change to the functional relationship diagram for the facilities, was issued on 17 August, 2004, the receipt of bids was not changed but was allowed to remain the same date, 23 August, 2004.

A major amendment like this would normally require added time for contractors to properly analyze before making a final bid proposal. The Federal Acquisition Regulation requires that any major amendment issued requires that contractors be given 14 days before they must submit a bid. In this case, they were given only six days to analyze and prepare a final bid. This gives an unfair advantage to some contractors that are more familiar with OBO work. The amendments included major internal space and square footage changes. The final amendment #5 finally included a changed functional relationship diagram that endeavored to resolve conflicts between the Space Requirements Program and the blocking and stacking drawings.

This process permits such changes, particularly late in the contracting RFP process. There is a systemic flaw in the RFP process that allows these types of major design issues and space allocations to remain undetected right up until six days before bid opening. This could create a great deal of uncertainty with contractors as to the intended scope of the project and adds significant risk to their proposals and probably causes some contractors not to bid future OBO work. The scope and magnitude of the construction contract modifications during the course of the construction for this project were not out of the ordinary; however, major changes again included insufficient space allocation for mechanical and circulation space and required a major \$1 million dollar modification. These types of major changes should not occur in the third year of implementing a standard design project and should have been corrected before the RFP was issued.

Customer Satisfaction

The facility provides vastly improved workspace. Communication between sections has improved due to the relative proximity of office and collocation of all parties on the compound. Air quality has significantly improved. Travel between home and office is reduced both in time and distance.

Commissioning Activities

The former PD, now assigned to OBO in Washington, provided detailed and complete commissioning files for this project. The files reside on the construction administration branch's shared electronic folder. The PD uploaded them from CDs he brought back from the project. The files indicate that commissioning was accomplished according to the plan. Nevertheless, commissioning activities were a significant concern according to post. Better coordination of acceptance and accreditation teams was needed. Post noted that tools and diagnostic equipment, spare parts, and training were deficient. Other problem areas were information on operating expenses, warranties, and funding for spare parts and tools.

OBO Comment: CC policy has been that files for projects without claims are archived in accordance with CC guidebook requirements. Traditionally this made sense due to space constraints at OBO. Policy is currently being revised with the technology now available to maintain electronic archives in a cost effective manner.

OBO believes post commissioning comments are somewhat inaccurate and misleading. Commissioning was completed in accordance with contract requirements. Coordination of acceptance and accreditation teams went as well as possible (difficult process). Tools, diagnostic equipment, spare parts, and training were also provided in accordance with the contract and appeared adequate. Warranties and funding for spare parts and tools were provided.

Project Case Study – NEC Belmopan (2004 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): November 12, 2004
Post occupancy: November 15, 2006
Total project estimated cost (PAP): \$58,108,000
Total cost at completion (PPR): \$57,206,592
Change orders/cost: 3 Mods/2 REAs \$1,313,452



Project Description

The chancery compound is located on a 10-acre plot of land granted by the government of Belize in the new capital city of Belmopan. Belmopan is a small city about 52 miles from the much larger former capital, Belize City. The NEC is located on Floral Park Drive in a mostly residential area. The compound consists of a chancery building, a GSO annex, a utility building, a warehouse, and outdoor recreational facilities. The site has three CAC points and a perimeter wall/fence. The compound design is based on the OBO SED model and it conforms to Overseas Security Policy Board security standards current as of the date of the contract, including the new post communications standard. The chancery building was designed to meet the physical and technical security requirements for a lock-and-leave post because there are no U.S. Marine security guards.

Issues and Lessons Learned

Project issues were gleaned from the PD's project completion report, the OIG worldwide survey, OIG interviews, and an OIG Inspection Report. The most significant and systemic issues are summarized as follows.

- Descoping issues: Because the contract bids came in over the IGE, several things were descoped from the project. Interior space was reduced; the swimming pool and the irrigation system were removed. There is no indication that the changes were fully coordinated with the stakeholders.

OBO Comment: The swimming pool was removed from the project at post's request and OBO concurrence. This decision was vetted through the Bureau and a decision memorandum was signed.

- Inadequate project supervision: A PD with little support was assigned to this major NEC project for the majority of the construction work; for part of the time a PSC Construction Manager was also assigned. This lack of support caused major hardship for the PD and the project suffered from inadequate supervision.

OBO Comment: As a direct result of Belmopan, the Department recognized the shortfall and approved hiring of seven additional FS Construction Engineers.

- Design issues: The consular section has an inadequate and poorly configured waiting room, difficult line of sight for American consular officers, lack of client privacy at teller windows, and inadequate covered space for consular client overflow. The warehouse has only minimal provisions for climate controlled storage. Post felt the atrium space could be better planned; the cafeteria dominates the atrium space and gives the feel of a large lunchroom. The executive suite is undersized, the ambassador's office too small, and his bathroom too large. The CAA conference room is too small for Post.
- HVAC and the Building Automation System were semi-operational and unreliable for a three-to-four month period after move in. Not enough time for commissioning activities resulted in an open punch-list of about 2,500 items. Training of embassy maintenance personnel was considered inadequate.

OBO Comment: The open punch list contained numerous noncontractual items as well as over 1500 patch and repair items.

- Planning issue: OBO should have gotten firm commitments from local governments regarding infrastructure improvements such as paved streets

around the NEC. There was a lack of planning for post housing needs in Belmopan. A costly build-to-lease housing project was initiated for post when the housing problem was finally noted during the NEC ground breaking visit by the OBO Director.

- While the NEC was designed as a lock-and-leave facility, the design was not well coordinated for all disciplines. Fire alarms, certain building alarms and closed circuit television cameras should have been repeated to the CAC which is manned 24 hours a day.
- Planning Issue: Concurrently with the construction of the NEC in Belmopan, and because of the lack of suitable housing in the city, there was an OBO build-lease project for 18 homes on a 14+ acre site about one-half mile north of the NEC. In the initial planning for the NEC, the question of housing for U.S. Embassy employees should have been addressed. A more cost effective solution to the build-lease project may have been found.

Contract Issues

The contract period was extended by two months to reduce cost. Descoping of recreational facilities was also accomplished.

OBO Response: A contract mod from a request for equitable adjustment added time to the contract. This would not reduce. There was no descoping of recreational facilities. In lieu of the swimming pool, a multipurpose court was added.

Customer Satisfaction

The relocation of the mission to an NEC in Belmopan, 50 miles from the old facilities in Belize City, was a vast improvement in security as well as the quality and the amount of space provided. The project gave a huge boost to the status and positive perception of the U.S. Embassy in Belize. The space provided is adequate and leaves room for some growth.

The Art in Embassies program provided art to the NEC with virtually no consultation with post. We would have preferred to be involved in the art selection process from the beginning.

Commissioning

Initially the mechanical systems, especially the HVAC and the Building Automation System that controls the HVAC, left a lot to be desired. The building was oc-

cupied for nearly six months before these systems were functioning to a degree that allowed post to feel comfortable in the environment and develop a degree of confidence that it was likely to have a functioning facility from one day to the next. Post feels that this was a direct result of an accelerated construction schedule without sufficient additional manpower on the part of OBO supervision or the contractor to make the new completion date realistic. As a result post had to endure a three-to-four month period when there was work going on in most parts of the complex by the contractor's people while the mechanical systems were semi-operational and unreliable.

Post initially had severe problems with the general contractor handing over the NEC in a semi-finished state. There was an open punch-list of about 2500 items, together with warranty claims that total, so far, nearly 140 claims.

The training provided by the contractor was minimal. There were no training materials provided to the people who attended the classes, nor was there training material supplied to become a part of the Operations and Maintenance library to facilitate future training efforts.

No commissioning information was available in OBO files or in the PD's report.

OBO Comments: The contractor provided training according to the terms of the contract and Division 1. This is documented in the turnover documents to the Facilities Manager at the time of signoff.

Commissioning information is turned over to the FM and not typically kept at OBO especially if no claim is pending. Commissioning information was made available to the first and subsequent FM. Recommissioning was also done on systems that were deemed by OBO as insufficient in testing and documentation. These commissioning reports were turned over to the FM.

Project Case Study – NEC Managua (2004 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): October 20, 2004
Post occupancy: July 11, 2007
Total project estimate cost from PAP: \$83,589,000
Total cost at completion (PPR): \$77,051,779
Contract modifications/costs: 49 mods, \$7,597,825



Project Description

This project consists of the design and construction of a NEC in Managua, Nicaragua, including a new office building, gso annex, warehouse, marine security guard residence, utility building, and CAC facilities. The project also provides for a future building for the USAID.

The project execution schedule is 1301 days, including time for design-build acquisition, with six months for design and 24 months for construction, and is planned for completion in October 2006. Project funding is anticipated in FY 04 in the amount of \$83.6 million for the NEC. The project was to be accomplished through the design/build method of project delivery, using OBO's SED approach through full-and-open competition.

Issues and Lessons Learned

Project issues were gleaned from the PD's project completion report, the OIG worldwide survey, and OIG interviews. The most significant and systemic issues are summarized as follows.

- Major design changes consisted of changes in staffing of various agencies, particularly a substantial increase in Mil Group presence. Millennium Challenge Cooperation and global affairs were included in the Space Requirements Program. The new office building had used all of its spare capacity. Post suggested moving GSO to the first floor of the annex building; this turned out to be an excellent solution for all, and there is now sufficient growth capacity in both buildings.

OBO Comment: Significant design changes were the result of major staffing changes in the Mil Group and USAID presence in Nicaragua, late in the planning and post-award stages of the project

- Design/Planning Issues: Compound entrances that were not coordinated with the city caused problems with the service CAC. There were issues with inclusion of the existing Casa Grande in the plan. The warehouse is too close to the service CAC. The fourth floor atrium can only be serviced through the CAA. Sun shades are horrible dust collectors and should be eliminated. There are "climbability" criteria problems with ledges wider than DS allows. The warehouse SED doesn't show a controlled receiving area or laundry. The perimeter fence should be set back from the property line to provide a clear zone.

OBO Comment: Warehouse proximity to the S-CAC does present some maneuvering/turning problem for large 40' container trucks. The "climbability" issue was corrected during construction by providing beveled sills at all ground floor windows, and adding anti-climb grills at the NOB and utility building louvers.

- OBO documents need to be better organized and written; this included package B.
- Post's role in design reviews needs to be emphasized more. Post had many issues that it would have liked to incorporate into the project at little or no cost.
- The contractor made several design choices that were impractical and ineffective including utility building location, storm water treatment, and the GSO and warehouse on the same new office building HVAC system instead of on separate units.

OBO Comment: Maintaining a second, separate HVAC system for the GSO and warehouse facility would have a higher life-cycle cost than the needed infrastructure to incorporate these buildings in the single NEC HVAC system.

- The project did not include a large x-ray machine for the inspection of materials. The equipment is important to prevent delays and should be included on all major projects.
- The Ameristar Impasse Aegis II Anti-Climb security fence system was very fast and easy to install even over steep irregular terrain. The system is pre-painted and looks very good as well. However, post notes that the perimeter fence is easily scalable.
- Design Issues: Covered parking was not included in the project scope; at least some covered parking for key positions and some GSO vehicles should have been allowed. The construction of the CACs will make it nearly impossible for post to bring in large equipment. Post feels that not enough parking was provided. It appears the design of the trash transfer facilities was not properly coordinated with local procedures.

OBO Comment: Additional covered parking was provided during construction for key positions and some GSO vehicles. Fire trucks, mobile cranes and other large construction equipment are able to enter through these facilities. On-site parking provided for staff and official vehicles is adequate.

- The “bullpen” style of the space in the political unit and in the political locally employed staff area is not conducive to much of the daily contact work. Many of the meetings are with Nicaraguans who are sensitive about their contact with the U.S. government. The lack of privacy for such conversations in the “bullpen” requires locally employed staff to leave their workspace and go outside the building to have a private conversation via cell phone to schedule meetings. Assistant regional security officers should have private offices; this applies to other sections as well.

OBO Comment: The number of private offices provided meets the SRP requirements. The new office building includes four small conference rooms that are intended for meetings.

- Design/Planning Issues: The consular section lacks a separate waiting/interview space for American citizens which has led to some complaints from dual-national contacts that this creates an uncomfortable situation when they do American citizen-related business at the consulate. Indoor public space in the consular section is inadequate for its needs and work flow is impaired with only one door for exits or entries and inadequate shelter for clients in line outside the CAC.

OBO Comment: The interior consular waiting area does include a separate, enclosed American citizens interview room; however access is through the common waiting area.

- There was no planning for additional classified network capacity. The race tracks cannot handle any more lines and additional requirements already cannot be met until a new racetrack is installed. Not all fiber lines were checked and certified.
- Design/Planning Issues: The space provided for the vehicle repair shop is inadequate for the safe and proper service to a vehicle and to meet post requirements. The warehouse layout, size, and design are inadequate and insufficient.
- The planning of the project focused only in the area occupied by the nine buildings that constitute the NEC and ignored the future development of the remaining 80 percent of the property that contains Casa Grande and Casa Chica (former chief of mission residence and scheduled for renovation in FY 09), the recreation area, and other ancillary buildings. No provisions or plans were made for future projects. This unique condition differs from the standard 10-acre compound found in other projects. A master plan for the entire compound would have resulted in lower costs for future renovations and projects.
- Planning Issue: The fuel station in the area around Casa Grande is owned by Chevron, which limits the procurement of fuel to one vendor and poses the security risk of allowing entry to the fuel tanker inside the compound to refill tanks. The cost and impact of removing and building a new fuel station meeting U.S. and local standards as part of the NEC project would have been lower and less traumatic to post operations if done during construction of the NEC.

Contract Issues

There was one major dispute on the project which was predicated on discrepancies in the bid documents. The Space Requirements Program and the blocking and stacking documents provided in the RFP misrepresented the actual new office building size. OBO Legal conceded the discrepancy and the request for equitable adjustment was settled for \$ 4,349,730 and a 165-day contract extension.

Customer Satisfaction

The NEC in Managua, Nicaragua, adequately meets the operational and functional requirements for the mission. The beautiful facility is a landmark in the city and without doubt the most modern building in the country. The offices and cubicles are ample and, in general, provide a good work environment. In general, work space for the employees is vastly improved; morale has soared among the employees (even those who lost personal offices).

Commissioning

The commissioning plan is very confusing and requires more definition. The goal should be for an independent company to commission the site with only the documentation resulting from the commissioning process.

Mechanical system functionality is inadequate. The lack of a proper commissioning process in this project has resulted in the current issues and requiring post's FM and his staff to spend time and energy troubleshooting, identifying, and correcting design and installation deficiencies that should have been corrected before occupancy.

OBO should be more actively involved when the PD indicates that substantial completion has taken place, in order to ensure that this determination is not influenced by pressure from the contractor due to time constraints or budget. Post should not be expected to move into a NEC until the building is, in fact, ready to be occupied. If post had moved at the time OBO indicated, post would not have been able to continue to function almost immediately as it did by delaying the move by almost two months from the date set by the PD.

OBO Comment: OBO acknowledges that the design/build contractor did not execute the building systems' commissioning processes in a well planned and timely manner. Nevertheless, it is not uncommon for these complex, automated systems to require troubleshooting and adjustments for some time following systems start-up, functional testing/acceptance, and building occupancy.

- Substantial completion was granted 18 July 2007.
- NEC occupancy was indicated on or about mid-September 2007. All building systems were operational at this time, albeit, not all systems were fully commissioned and some architectural and landscaping features remained on the punch list. Also, all DS and Fire Protection Engineering Branch critical punch list items had been completed.

- The new office annex was not ready at this time (as it was awarded later and contract completion for the new office annex was scheduled for mid October 2007. This was a significant factor in Post not wanting to move as a significant part of the GSO section was to occupy the new office annex.

Project Case Study – NEC Panama (2004 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): October 20, 2004
Post occupancy: June 30, 2007
Total project estimated cost from PAP: \$109,470,000
Total cost at completion (PPR): \$83,412,758
Contract modifications/costs: 13 Mods, (\$264,470)



Project Description

This project consists of the design and construction of a NEC, including a new office building, GSO annex, warehouse, Marine security guard residence, utility building, and compound access control facilities. The project execution schedule is 1,211 calendar days, including time for design-build acquisition, and is planned for completion in January 2007.

A site selection team went to post in April 2002. On June 14, 2002, OBO approved a decision memorandum authorizing the Acquisitions and Disposal Division to negotiate and execute a conditional purchase agreement for the site. The site area contains two hills (joined by a saddle) that dominate the property. The ultimate NEC site was carved out of a larger area of 260,000 square meters.

Issues and Lessons Learned

Issues were gleaned from the PD's project completion report, the OIG world-wide survey, and OIG interviews. The most significant and systemic issues are summarized as follows.

- Communication/ Coordination: OBO'S comprehensive guidance, "The NEC process and post's role" (Cable Number 07 State 136139), highlights the importance of open communication between post, OBO, and the geographic and Diplomatic Security bureaus. Post recommends that this be stressed further and perhaps formalized by requiring the establishment of a coordinating group. The planning of Panama's NEC did not take into consideration some office/agency needs which required additional change orders to provide important infrastructure. The building contractor should not make changes to specific requirements and designs without consulting the agencies and offices which would be affected. Unauthorized changes to Panama's NEC required additional costs to correct the deficiencies. Post information resource management staff felt there was little coordination between OBO, IRM, and other agencies during the initial design phase that required considerable effort by post's IRM staff to correct.
- Design/Planning Issues: The Service CAC is the main entrance for vehicles and hundreds of people that access the Armed Services Post Office which is located at an unreasonable distance from the CAC. Some people access the post office with wheel chairs, walkers and canes. The path crosses foot and vehicle traffic no less than three times. This safety feature should have been addressed in the planning stages.
- Design/Planning Issues: There is no access gate to 17 acres of the site. The perimeter is inaccessible by any vehicle in the rear and has been eroding since the day that ground was broken for the new facility. This area cannot be maintained without access.
- Design/Planning Issues: The initial design of the warehouse offered excellent space utilization. However, during installation the plans were unilaterally changed resulting in a configuration of racks that does not permit the warehouse manager to utilize space well.
- Design/Planning Issues: Government-owned vehicle parking for large vehicles has been a challenge. The lot is often filled to overflowing. There seems to have been no plan for parking the larger warehouse and post office vehicles.

OBO Comment: There is plenty of parking for all sizes of government vehicles – 60 spaces. U.S. government official vehicle parking was in accordance with the Space Requirements Program.

- Design/Planning Issues: The demark, main telecommunications service room, radio room, and all switch rooms were provided with unfinished concrete floors instead of static dissipative tiles required by many telecommunications providers. Desks were installed in some areas without access to power outlets, telephone, or data connections.

OBO Comment: Static dissipative tiles were installed in the demark, and main telecommunications service room during execution of the project.

- Design changes were made despite specific requirements. For instance, although the contract called for 60-cycle transformers, 50-cycle units were installed despite post objections. The transformers were later removed by the tenant agency and replaced with the proper transformers.

OBO Comment: Installed transformers are 50/60 cycles. Removal was tenant's preference.

Contract Issues

A review of the design-build contract and the price negotiation memorandum summarizing the contract award process did not indicate any substantial scope changes from the original PAP. The awarded contract scope of work substantially matched the intended scope of the PAP. The scope and magnitude of the construction contract modifications during the course of the construction did not have any major scope changes, but generally were reflective of ordinary types of design and construction changes necessary to complete the facilities in accordance with the customer's requirements, code compliance, and OBO standards.

Customer Satisfaction

Panama is very pleased with its NEC and the opportunity to finally consolidate all offices and agencies at a single location. Space suitability in offices has been greatly improved with the NEC. Most employees have adapted well to their new surroundings and are pleased to be on one compound.

Commissioning

Certificate of occupancy: The certificate of occupancy should not be issued prematurely nor should the physical move of the embassy into the NEC take place prematurely.

Training/Maintenance: Maintaining primary building systems such as HVAC and generator systems is crucial. The difference between the smaller building systems that post's staff is accustomed to and the advanced computer operated automated building systems is enormous. Extensive on-site training should be afforded to facilities management staff in addition to formal training opportunities. Post personnel received familiarization training yet it lacked actual hands on training in some areas. As-built drawings were sent; however, the post engineer noted that they have not been completed. Spare parts, specialized tools, and plans have not been provided. However, post was allotted funding for spare parts and tools and has plans to procure the missing equipment.

No commissioning information was available in OBO files or in the PD's report.

Project Case Study – NEC Rangoon (2004 project)

Delivery method: Design/build SED based design
Construction start date (LNTP): January 10, 2005
Post occupancy: September 23, 2007
Total project estimated cost from PAP: \$85,226,000
Total cost at completion (PPR): \$74,134,573
Contract modifications/costs: 8 Mods, \$1,240,811



Project Description

This project consists of the design and construction of a NEC in Rangoon, Burma including a new office building, GSO annex, warehouse, MSGQ, utility building, CAC facilities, and an on-site sewage treatment facility. The project includes demolition of existing buildings on the site. The site currently contains staff housing, which will be vacated. The project will include the first two years of lease costs of ten housing units, which will subsequently be picked up by the lease-hold account as these are permanent relocations. The temporary relocation of the health unit and MSGQ will be covered by the project, until these functions move back onto the NEC. The contractor will secure, protect and renovate the existing historic Teak House that is on the site.

The U.S. government-owned chancery is a downtown office building that can never fully meet current security requirements because of its proximity to adjacent buildings and the street.

OBO Comment: The service station constructed out of the project funds was off site, two blocks on U.S. government property and not on the NEC. The cost of the gas station was deleted from the contract. The project also include the running of a dedicated power line, by the local government, to supply more reliable power.

Issues and Lessons Learned

Project issues were gleaned from the PD's project completion report, the OIG worldwide survey, an OIG inspection report in draft, and OIG interviews. The most significant and systemic issues are summarized as follows.

- Request for Proposal – Bridging: What is the construction standard, and what is the level of finish for representational, office, and common areas? For the contractor it is hard to know what to bid on so to mitigate risk the bid is high. It is hard to argue what the contractor assumed in his bid. Include additive bid items for key systems.
- Design/Planning Issues: Weather protection like the overhang for the main entrance should provide more coverage to provide weather protection during the monsoon season.

OBO Comment: It is agreed that a better method could have been employed at the VIP drop off in front of the new office building.

- Design/Planning Issues: Get better, more user input. Have specific space requirements for key equipment above the RIP Key for agencies like Defense attaché office. Flexibility: Build in a couple of design blocks that can be added or subtracted right up to the RFP. Include an additive bid item, like operations and maintenance.
- Design/Planning Issues: OBO needs to consider the local police at site to prevent unsightly guard shacks at the site. OBO should provide facilities that match the architectural plan. This is more important for third world countries.
- Design/Planning Issues: OBO installed a Post 2 in the NEC but there are no Marine security guards to man the post.
- Design/Planning Issues: Clearly state proper maintenance access requirements for all equipment. This is a problem when the equipment is raised or installed remotely.
- Out of Date Equipment: Make sure equipment listed is current, such as which model of the Vivid X-ray is the correct one in the.
- OBO architects put too much effort into their concept and limit project potential by forcing the contractor to follow the concept as the only solution.

- Design/Planning Issues: Provide a reasonable area in the CAA for secure support material storage.
- Design Review: A 14-day submittal for OBO review is not reasonable. Submittal reviews not done at site cannot meet the 14 days since they have to go back to Washington. The review for these key items should be changed to 30 days in Division 1 and the contractor should send copies direct to the project executive at the same time as those submitted to site.
- Have 35 and 90 percent design coordination drawings done in 3D for utilities. Require coordination drawings for the 35 percent design submittal since there is no 65 percent design review. It is too late to find out with the 90 percent design that the trees are following the duct bank or electrical and mechanical will not fit at a particular crossing point.
- Value engineering studies to be more effective need to review the generic SED each year and provide detailed comments. The VE team should suggest overall improvements in the SED to make it more useful and effective contractually. It would be more beneficial to have the same VE team review the OBO bridging documents. An example is Rangoon where the OBO team provided a design that shorts post by 84 parking spaces.
- Art: Coordination drawings for artwork at 35 percent design submittal are needed to make sure life safety and other construction features do not interfere with art locations and detract from their value. Also art requirements should be specified in the bridging documents.
- Design/Planning Issues: The bedrooms at the MSGQ are too small, there is almost no storage space, the bathrooms are so small that the Marines must contort themselves to enter the shower stall or close the door, there is almost no space for entertaining, and the workout area is too cramped to accommodate much of the exercise equipment the Marines need to maintain their fitness. The upholstery pattern of camouflage is also an unwelcome choice obviously made without consulting the Marines.
- Atrium: The decorative columns create a narrow, claustrophobic environment that makes it impossible to hold large gatherings in it, wasting that attractive and potentially useful space. Atrium lighting is also insufficient and poorly designed; the ground floor is dim even during daylight hours.
- Rangoon has a six-month rainy season, when heavy rains fall several times a day. The covered walkways for consular visitors and the projection outside the main entrance of the chancery do not extend fully to the CACs or car drop-off zone; visitors are exposed to glaring sun or monsoon rain at several points inside the compound.

- BOE estimates were not accurate. For example, the \$2700 per day generator fuel costs was not in the original BOE budget. OBO called the NEC substantially completed, yet the post had no city power for almost two months of initial operation. ICASS tenants were stunned by the increase in costs that were not factored into BOE pre-move estimates.

OBO Comment: For over two years at post management meetings and country team meetings the ICASS costs increases were. The five generators are prime power and the embassy was designed to run primarily during duty hours on the generators. Furthermore, city power was delayed by the installer of the city power (the local utility power was available to the site just prior to the move in and it did take the contractor several weeks to remobilize). The NEC was substantially complete and fully operational.

- While OBO is responsible for the repair of technical security systems in the embassy for a year or so after the certification, OBO has made no plans to have its own technicians or contractors come to Rangoon for maintenance. OBO seems to want to push off their responsibilities to the ESC engineers and Seabees.

OBO Comment: There is a one year warranty that when a part is identified as bad the contractor has to repair or replace the failed part.

Contract Issues

A review of the design-build construction contract files was hampered by a lack of pertinent files available for review, and only a small portion of files were found. A price negotiation memorandum or a determination of responsibility determination was not found in the contract files. Nevertheless, the contract award process does not indicate any substantial scope changes were necessary from the original PAP scope.

The awarded contract scope of work substantially matched the intended scope of the PAP. The scope and magnitude of the construction contract modifications during the course of the construction were numerous, but generally were reflective of ordinary types of design and construction changes necessary to complete the facilities in accordance with the customer's requirements, code compliance, and OBO standards. However, there still remain a number of changes required after award to resolve space deficiencies and conflicts between the original Space Requirements Program and the final space requirements as laid out in the block & stacking plans and the SED drawings.

OBO Comment: There was 10 percent growth space, and there were spaces for military assistance that did not come. Post hired an additional Avian Flu agricultural

person and put them in the office upstairs, then moved the Foreign Service National from downstairs up to that office. The Information Resources Center was not used as post processed a collocation waiver after construction was started; there is a large AID section (five private offices and a large open floor plan) that was constructed with no AID staff.

Customer Satisfaction

The NEC is a substantially safer facility than its predecessor and is one of the most technically advanced buildings in Burma. The design has been praised by passers-by, visitors, and embassy staff alike. Post appreciates the great efforts of the many who helped provide an on-schedule and modern NEC.

By most accounts, the NEC meets post requirements and is viewed favorably though the MSGQ is inadequate and vehicle maintenance is hindered somewhat by the height of the vehicle garage ceiling.

The new site is some distance from town. It is in a nicer neighborhood away from downtown. A decision was made to be in a safer place. Some say safety is more important; others say the priority is to be close to the people. The project was rushed.

The Art in the Embassy program had limited appeal, some inappropriate art (Buddha Head on a stick) slated for display in the front office, and art that, according to the viewers was childish and inappropriate for the representational areas where they were placed. The colors of the front office did not meet their expectations and they felt like OBO should have more post involvement in the design process.

Post learned firsthand this year that moving into a NEC is a monumental task, requiring extraordinary amounts of work for many months before and after the move. With more open communications and collaboration, the move would have been even smoother, but people have quickly settled in. Post employees are happy in their new home and look forward to working here for a long time to come.

Review of plans and communication between OBO and post need to be more frequent and more methodical during the planning stages. Workflow alterations and changes in staffing arose during the process, but post rarely had the impression that it was the customer; OBO did much of its work without reference to the ultimate consumer of its products.

OBO Comment: The PD advised that he worked with post management on all issues and had weekly DCM meetings until the new conceptual design activity can-

celled all individual agency head and section head meetings with the DCM except the mandatory consular affairs meeting. Additionally there was a weekly country team meeting and a weekly section and agency head meetings where updates were provided and questions answered or researched after the meeting and provided to staff.

OBO must resist the pressure to rush into new buildings. Contracts should be written so the contractor is given an additional 30-45 days to finish his punch list items after substantial completion is reached and before post moves in.

OBO Comment: OBO believes the project was not rushed, it was 30 months duration from the notice to proceed which was issued on 13 January, 2005, and there was no rush to complete the project but it was completed on time. The contractor has 60 days to finish the majority of the punch list items after substantial completion. During the 60 days all of the OBO and various technical installation teams for the various systems set up their systems to support post move in.

This NEC is only eight months old. OBO will not fund annual maintenance contracts and they will not fund generator overhauls, nor will they purchase \$100,000 worth of air filter replacements. It all falls on ICASS to fund this.

Cost analysis for the first five-year period of a NEC should be developed during the planning phase once the facility dimensions are known. New facility five-year life cycle operational or maintenance costs that reflect larger floor space, greater utility consumption, generator fuel consumption, and other country-specific requirements need to be provided to Bureau budget officers for budget out-year planning well in advance of the NEC going operational.

OBO Comment: There is no doubt that the overall maintenance of the NEC should be reviewed, programmed and planned for by all parties.

Commissioning

The Project Director completion report, dated 3 December, 2007, provides commissioning information for the project. It indicates that there is a 200-page punch list, and that post was provided all warranty information, operations and maintenance manuals, spare parts, and as-built drawings. It has received all contractual required training.

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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Report of Inspection

Bureau of Overseas Buildings Operations

Report Number ISP-I-08-34, August 2008

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