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STATE
DEPARTMENT

Management
Weaknesses in the
Security Construction
Program





United States
General Accounting Office
Washington, D.C. 20548

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**National Security and
International Affairs Division**

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November 29, 1991

The Honorable Jim Sasser
Chairman, Committee on the Budget
United States Senate

Dear Mr. Chairman:

In response to your request, we reviewed the factors that have contributed to delays and cost increases in the Diplomatic Security Construction Program. This report addresses (1) the extent of the delays and cost increases and the reasons for them and (2) the adequacy of the State Department's management of the program.

Unless you publicly announce its contents earlier, no further distribution of this report will be made until 30 days from its issue date. At that time, copies will be sent to the Secretary of State; the Director, Office of Management and Budget; and other interested congressional committees. We will also furnish copies to others upon request.

This report was prepared under the direction of Joseph E. Kelley, Director, Security and International Relations Issues. He can be reached on (202) 275-4128, should you or your staff have any questions. Other major contributors are listed in appendix II.

Sincerely yours,

Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

The \$2.1 billion Diplomatic Security Construction Program was initiated in 1986 to build secure new diplomatic facilities at high-threat and serious risk posts around the world. At the request of the Chairman, Senate Committee on the Budget, GAO reviewed this program to determine (1) the extent of schedule delays and cost problems, together with their causes, and (2) the adequacy of the State Department's management of the program. In a briefing report dated February 20, 1991, GAO noted that the State Department had made limited progress in implementing the program and that most building projects had been delayed and costs had increased. This report updates the status of the program and describes how well it has been managed.

Background

Beginning in the 1970s, U.S. diplomatic personnel overseas became increasingly at risk from terrorist attacks and other acts of violence. In response, the Secretary of State established the Advisory Panel on Overseas Security, which recommended in its June 1985 report that the State Department begin a substantial construction program to protect U.S. personnel and diplomatic facilities. Based on that report and the State Department's fiscal year 1986 supplemental budget request, the Congress authorized \$2.1 billion under the Omnibus Diplomatic Security and Antiterrorism Act of 1986 (P.L. 99-399). The Department's Office of Foreign Buildings Operations (FBO), which is responsible for program implementation, estimated that 57 projects could be completed under the authorization. Through fiscal year 1991, funds appropriated for the program totaled about \$1.01 billion.

Audits since the 1960s have revealed significant problems in State's management of construction and other real estate programs and indicated that its system of controls was insufficient to ensure that program objectives were being achieved. Since 1984, the security of U.S. facilities and personnel abroad has been identified by the State Department as a material internal control weakness.

Results in Brief

At the beginning of the program, the State Department took a number of actions aimed at improving its ability to execute the program, including reorganizing FBO and contracting with Sverdrup Corporation for construction support services. Moreover, FBO was authorized to add 133 new staff positions. Nevertheless, to date, the State Department has made only limited progress in implementing the program and still does not have reasonable assurances that its security construction program objectives are being met.

As of September 1991, of 57 projects planned (1) only 7 had been completed; (2) 8 were under construction; (3) 14 were in site acquisition, under design, or out for architectural and engineering selection; and (4) 28 were on hold, deferred, or canceled. Many projects have been delayed for more than 1 year, some for several years, and cost increases have been substantial.

Several factors have contributed to delays and cost increases. They include difficulties in filling authorized FBO staff positions, the division of responsibility between FBO and the Bureau of Diplomatic Security for construction security management, poor program planning, difficulties in site acquisition, changes in security requirements, and inadequate contractor performance. Although funding limitations have also contributed to State's inability to implement as many projects as it originally planned, the scope and magnitude of project delays and cost increases indicate systemic weaknesses in program management. To help improve security construction, State has (1) given FBO full responsibility for implementing security policy and standards during construction, (2) requested additional staff positions for FBO, and (3) initiated other actions to improve construction programs.

Principal Findings

Staffing Problems

FBO was authorized to add staff positions at the beginning of the program. However, it did not fill most of them until 1991. As a result, there were staff shortages in many critical areas, including program planning, project management and monitoring, coordination of construction activities, and cost estimation. To strengthen FBO's management capability and to make up for the resources that will be lost when the contract with Sverdrup Corporation expires, the State Department has requested an additional 159 direct-hire positions for FBO in its fiscal year 1992 budget. Because of project delays, FBO decided to extend Sverdrup's contract until the end of fiscal year 1992.

Planning Weaknesses

From the start of the program, a fundamental weakness has been the lack of a firm plan as to what was needed. As a result, project requirements often had to be revalidated, building designs were delayed until requirements were accurately determined, and costs increased due to inflation and other factors. For example, the design of the new office

building in Pretoria, South Africa, was delayed about 4 years due in part to inadequate coordination between FBO and the overseas post in determining building requirements. Cost increases in the project have totaled \$17 million. The delays also encouraged the expenditures of at least \$170,000 on an interim office building in Pretoria that was never used.

Site Acquisition Problems

State has also had numerous problems acquiring building sites. For example, the projects in Bogota, Colombia, and Tunis, Tunisia, have been delayed for several years because FBO, the overseas posts, and other State Department entities could not agree on sites. Several million dollars in inflationary cost increases have resulted from these delays. Other factors contributing to site acquisition delays included host country policies and the Persian Gulf war.

Changes in Security Requirements

Changes in security requirements also contributed to increased costs. For example, logistics and transit security procedures for the storage and shipment of material used in construction were first incorporated in construction contracts in 1988. That increased the cost of several projects, including more than \$1 million total for the projects in Amman, Jordan, and Sanaa, Yemen. Other security-related cost increases included about \$1 million to add a metal liner to better protect the new office building in South Africa against technical penetration.

Inadequate Contractor Performance

Some contractors have failed to perform as expected. Projects that have had significant contractor performance problems include the ones in Santiago, Chile; Georgetown, Guyana; Nicosia, Cyprus; and Pretoria, South Africa. Although contractor performance has been a problem, FBO has not followed its policy requiring that contractors working 12 or more months on a Department project be evaluated at least annually. For example, FBO has not written any performance evaluations of the 1986 Sverdrup contract (for 3 years plus 2 additional option years totaling about \$69 million), even though most Sverdrup-supported projects have encountered delays.

State Department Initiatives to Improve Operations

The State Department has begun several initiatives, including a 5-year operations plan, a post master planning policy, a value engineering program, a configuration management system, the use of pre-engineered office buildings, and the development of security standards based on

threat categories. These initiatives are steps in the right direction; however, some problems in implementation have occurred. For example, the pre-engineered building program has been delayed since 1988 due to cost growth. In addition, the Department's planning initiatives have the following weaknesses:

- The criteria for project priorities have not been clearly defined. FBO has not stated the importance of current security threats in determining construction priorities, and as a result, it is unclear whether security remains the major focus of the building program. Many of the capital construction projects in the 5-year plan are at posts that face only a low or medium threat from terrorism and technical penetration.
- FBO's master planning policy for individual posts has not been fully implemented. FBO adopted its master planning policy in April 1990 to ensure that the most cost-effective options for meeting real property requirements were considered. However, as of June 1991, no master plans had been completed consistent with that policy.
- The impact of new security standards on project costs has not been documented. These standards represent a major policy change, and their costs will materially affect program plans and budgets.

Recommendations

GAO recommends that the Secretary of State take the following actions to improve the planning and execution of overseas construction programs:

- Develop a system that ensures (1) contractor performance appraisals are conducted by FBO consistent with its current policy and (2) performance appraisals are considered as a part of contractor responsibility determinations.
- Revise FBO's 5-year plan to identify (1) the criteria used for establishing construction project priorities, (2) how security threats affect priorities, and (3) any adjustments in construction budget requirements that may result from the adoption of new security standards based on threat. The master planning process should also be accelerated to ensure that the most cost-effective options for meeting post needs are considered as part of the Department's long-range plans.

Agency Comments

As requested, GAO did not obtain written agency comments on this report. However, GAO did discuss the contents of the report with State Department program officials and included their comments where appropriate.

Contents

Executive Summary		2
Chapter 1		8
Introduction	Report of the Advisory Panel on Overseas Security	8
	Fiscal Year 1986 Supplemental	8
	Legislative Framework for the Program	9
	Office of Foreign Buildings Operations	9
	Program Funding History	10
	Objectives, Scope, and Methodology	11
Chapter 2		13
Project Delays and Cost Increases	Schedule Delays	13
	Cost Increases	14
	Original Program Objectives Will Not Be Met	15
	Overseas Security Remains High Risk	16
Chapter 3		17
Factors Contributing to Project Delays and Cost Increases	Limited FBO Staffing	17
	Division in Responsibility for Construction Security	18
	Program Planning Weaknesses	19
	Site Acquisition Problems	21
	Changes in Security Requirements	22
	Contractor Performance Problems	24
	Conclusions	28
	Recommendation	28
	Agency Comments	28
Chapter 4		30
State Department Initiatives to Improve Program Management	FBO's 5-Year Plan	30
	Lack of Master Planning	31
	Engineering and Technical Program Improvements	32
	Pre-engineered Buildings	33
	Security Standards Based on Threat	33
	Conclusions	35
	Recommendations	35
	Agency Comments	35
Appendixes	Appendix I: Location of Projects and Their Status as of September 1991	38
	Appendix II: Major Contributors to This Report	39

Tables

Table 1.1: Status of Authorizations, Appropriations, and Obligations	11
Table 2.1: Security Construction Projects With Delays of 12 or More Months	14
Table 2.2: Security Construction Projects With Estimated Cost Increases Over 20 Percent	15
Table 3.1: FBO Authorized and Filled Direct-Hire Positions for Selected Dates Beginning in 1987	17

Figures

Figure 3.1: Design for the New Office Building Under Construction in Pretoria, South Africa	20
Figure 3.2: The New Office Building Under Construction in Nicosia, Cyprus	25
Figure 3.3: The Completed New Office Building in Georgetown, Guyana	26

Abbreviations

A&E	Architectural & Engineering
FBO	Foreign Buildings Operations
GAO	General Accounting Office

Introduction

The \$2.1 billion Diplomatic Security Construction Program was authorized under the Omnibus Diplomatic Security and Antiterrorism Act of 1986 (P.L. 99-399). The program was designed to build secure new office buildings and other diplomatic facilities at high-threat and serious security risk posts around the world. The construction of new embassies became an integral part of the State Department's strategy to reduce the vulnerability of U.S. facilities and personnel abroad to terrorism and hostile intelligence attacks.

Report of the Advisory Panel on Overseas Security

The Diplomatic Security Construction Program evolved from numerous recommendations by the Secretary of State's Advisory Panel on Overseas Security. In its June 1985 report, the panel found that (1) nearly half of U.S. embassy facilities overseas did not meet minimum physical standards and other security characteristics and (2) the risk of technical penetration of U.S. diplomatic facilities was significant. As a result, it recommended a substantial construction program to enhance the security of U.S. diplomatic facilities. The panel also made several other recommendations. They included giving responsibility for the construction program to the State Department's Office of Foreign Buildings Operations (FBO) and developing priorities for new construction projects based on such criteria as threat levels, existing building condition and location, and comparative costs.

Fiscal Year 1986 Supplemental

State's plans for implementing this program were presented in its fiscal year 1986 security supplemental budget request. Estimating that acquisition, development, and construction costs would total nearly \$3 billion and, taking into consideration the proceeds from anticipated property sales, the Department requested \$2.65 billion. Most of the requested funding was for 70 capital construction projects, security improvement projects at 6 posts, and 2 land purchase projects. Although the supplemental did not categorize projects by security threat, State had prioritized the projects based on security criteria in its initial planning for the program. State's fiscal year 1986 budget request generally followed those priorities for the 78 projects listed in the supplemental. The priorities were

- high-threat posts where projects were already underway or partially funded in prior budgets;
- projects where the highest physical/technical security threats existed or new construction was mandated by political considerations;
- projects where serious physical/technical security threats existed;

- projects where critical space requirements mandated new construction; and
- relocation or renovation at posts where serious physical/technical security threats existed.

Legislative Framework for the Program

Congress authorized \$2.1 billion for the construction program under the Omnibus Diplomatic Security and Antiterrorism Act of 1986. FBO estimated that, at that level of authorization, 57 new office buildings and other capital projects could be completed. Key security provisions of the act included (1) establishment of the Bureau of Diplomatic Security within the Department of State to develop and implement physical and technical security programs and (2) a preference for U.S. contractors and strengthened security procedures for both contractors and subcontractors.

Several other State Department security initiatives also resulted from the act, including enhanced site security, the use of American contractors with security clearances for design and construction, changes in building shielding requirements to protect embassies against technical penetration, and the use of cleared American surveillance technicians to monitor contractors and subcontractors. These new security procedures were in addition to security requirements that had been adopted by the Department prior to the program. The procedures included

- a collocation policy established in 1985 generally requiring all U.S. government personnel to be located in the same chancery or chancery compound to (1) avoid exposing "soft" official targets when embassies were hardened and (2) concentrate limited resources in one office site, and
- requirements that all new buildings be a minimum of 100 feet from the perimeter of the property to better protect buildings and U.S. personnel from terrorist assaults and bomb blasts.

Office of Foreign Buildings Operations

The construction program represented a major challenge for FBO, which had experienced a continuing pattern of problems in managing overseas construction projects and other real property programs. Beginning in the 1960s, our reports and those of the State Department Inspector General had documented several problems in construction management, including inadequate project planning and monitoring, schedule delays and cost overruns, and the lack of technically qualified staff. For

example, our April 1987 report¹ on the U.S. embassy complex in Moscow showed that serious weaknesses continued in FBO's management of construction projects. In October 1987,² we reported that the scope of the Diplomatic Security Construction Program, combined with FBO's history of construction management problems, raised serious questions about FBO's ability to execute the program effectively. The State Department acknowledged FBO's long-standing problems but believed that several actions underway would enable FBO to accomplish the program's objectives. The actions included (1) reorganizing FBO to improve its planning, management, and execution of construction projects and (2) contracting with the Embassy Task Group of Sverdrup Corporation to provide critical construction management and support services. FBO also was authorized to hire an additional 133 new staff.

In 1986, under competitive procurement procedures, FBO selected Sverdrup to provide construction management and other support services. The basic term of the contract was 3 years at an estimated cost of approximately \$34 million, with two additional 1-year options estimated to cost nearly \$12 million per year. In the first year of the contract, FBO delegated assignments to Sverdrup for 26 projects, most of which were diplomatic security construction projects. Sverdrup has since provided management support in Washington, D.C., as well as at some overseas sites. Sverdrup's professional staff consisted of approximately 116 people.

Program Funding History

Through fiscal year 1991, about \$1.01 billion had been appropriated for the security construction program. Table 1.1 provides authorization, appropriation, and obligation data. At the time of our review, FBO was closing its accounts for the end of fiscal year 1991 and could not provide current data on the status of obligated and unobligated funds.

¹Overseas Construction: Design and Construction of U.S. Embassy Complex in Moscow (GAO/NSIAD-87-125BR, Apr. 10, 1987).

²Overseas Construction: State Initiates Corrective Actions, But Improvements Still Needed (GAO/NSIAD-88-27, Oct. 30, 1987).

Table 1.1: Status of Authorizations, Appropriations, and Obligations (as of Sept. 30, 1990)

Dollars in millions	
Status of funds	Amount
Authorized	\$2,112
Appropriated	1,013 ^a
Obligated	539
Unobligated	474
Unused program authorization	1,189 ^b

^aFBO data indicates that \$687 million was appropriated under the diplomatic security construction authorization, and \$326 million was appropriated or reprogrammed under the Department's regular biennial authorization.

^bFBO calculation based on the original program authorization, less (1) \$687 million in funds appropriated under the authorization and (2) the expiration of authority for \$236 million in fiscal years 1986 and 1987

Of the 57 projects that FBO had planned for the program, 24 had been funded through construction as of September 30, 1990. FBO also had applied appropriations received for two other projects— an embassy annex project in Bogota, Colombia, and a pre-engineered office building in Port Moresby, Papua New Guinea—to the program authorization. Appendix I provides a listing of completed and active projects as of September 1991.

Objectives, Scope, and Methodology

At the request of the Chairman of the Senate Budget Committee, we reviewed the Department of State's implementation of the Diplomatic Security Construction Program. Our interim briefing report,³ issued in February 1991, addressed program funding and project status issues. In this report, we update the status of the program and address how the State Department has managed the program.

We reviewed State Department files and interviewed Department program officials and contractor personnel in Washington, D.C. To develop detailed information on factors delaying construction and increasing the costs of specific projects, we also visited construction project sites in Nicosia, Cyprus; Pretoria, South Africa; and Georgetown, Guyana. We also conducted a detailed case study of planning issues affecting the project in Bangkok, Thailand, which is still under design and potentially one of the program's most expensive projects.

Our review was conducted between July 1990 and August 1991 in accordance with generally accepted auditing standards. As requested, we did

³State Department: Status of the Diplomatic Security Construction Program (GAO/NSIAD-91-143BR, Feb. 20, 1991).

Chapter 1
Introduction

not obtain agency comments on a draft of this report. However, we discussed the matters addressed in this report with Department program officials and incorporated their comments as appropriate.

Project Delays and Cost Increases

Because the majority of projects have had significant schedule delays and cost increases, the original objectives of completing this program within 7 years from the date of initial funding will not be met. Of 57 projects FBO planned, as of September 1991,

- only 7 had been completed, most of which had been funded or initiated prior to the authorizing legislation;
- 8 were in the construction phase;
- 14 were under design, out for architectural and engineering (A&E) selection, or in site acquisition; and
- 28 were on hold, deferred, or canceled.

Our analysis of the completed and active projects in the program indicates that many have been delayed more than 1 year and, in many cases, the delays directly contributed to actual or estimated cost increases. Projects with significant delays and cost increases include (1) a 60-percent cost increase and delays exceeding 21 months or more for the projects in Nicosia, Cyprus, and La Paz, Bolivia; (2) a 50-percent cost increase and delays of over 4 years in executing the project in Pretoria, South Africa; and (3) cost increases of about one-third and schedule delays of 21 months or more for the projects in Bogota, Colombia, and Bangkok, Thailand.

Schedule Delays

Many projects have been delayed for more than 1 year, some for several years. Table 2.1 provides an overview of the completed and active projects delayed more than 1 year.

Chapter 2
Project Delays and Cost Increases

Table 2.1: Security Construction Projects With Delays of 12 or More Months (as of Nov. 1990)

Project location	Current phase	Completion schedule		Increase in months
		Initial	Current	
Doha	Design	Sept. 1991	Mar. 1996	54
La Paz	Under construction	June 1991	June 1994	36
Bangkok	Design	May 1993	Sept. 1995	28
Nicosia	Under construction	Mar. 1990	Jan. 1992	22
Mogadishu	Completed	Sept. 1987	July 1989	22
Bogota	A&E selection	Jan. 1993	Oct. 1994	21
Cairo	Under construction	June 1992	Mar. 1994	21
Lima	Design	June 1992	Jan. 1994	19
Caracas	Under construction	Apr. 1992	Aug. 1993	16
Amman	Under construction	Nov. 1989	Mar. 1991	16
Manama	Completed	May 1989	July 1990	14

Source: GAO analysis of FBO data.

FBO did not establish an implementation or completion schedule for the program until 1988. Therefore, the project delays indicated in table 2.1 are significantly understated in some cases. For example, FBO baseline data for measuring program progress does not identify significant delays for the project in Pretoria, South Africa. However, our examination of documents in project files indicates delays of 52 months for that project. Other projects have unknown dates for completion of construction and delays of more than 1 year are apparent.

Cost Increases

We compared the initial project cost estimates contained in the State Department's fiscal year 1986 supplemental budget request with FBO's latest working estimates of November 1990. We found that the majority of projects have had significant increases in estimated or actual costs. Table 2.2 provides an overview of the completed or active projects that have had cost increases of over 20 percent.

Chapter 2
Project Delays and Cost Increases

Table 2.2: Security Construction Projects With Estimated Cost Increases Over 20 Percent (as of Nov. 1990)

Dollars in millions

Project location	Current phase	Cost estimate		Percent increase
		Initial	Current	
Djibouti	Under construction	\$2.6	\$6.8	161.5
Seoul	Site acquisition	50.1	83.8	67.3
Manama	Completed	16.5	27.2	64.8
Nicosia	Under construction	18.7	30.2	61.5
La Paz	Under construction	39.3	63.3	61.1
Tunis	Site acquisition	33.3	50.8	52.6
Pretoria	Under construction	34.1	51.5	51.0
Abu Dhabi	Site acquisition/A&E selection	29.1	43.6	49.8
Budapest	Site acquisition/A&E selection	51.9	76.0	46.4
Algiers	Design	39.3	54.5	38.7
Bogota	A&E selection	57.6	77.4	34.4
Bangkok	Design	61.2	80.6	31.7
Sofia	Site acquisition/A&E selection	38.0	46.1	21.3
Sanaa	Completed	31.2	37.6	20.5
Doha	Design	17.6	21.2	20.5

Source: GAO analysis based on FBO data.

Original Program Objectives Will Not Be Met

FBO's initial plans indicated that the building program could be finished within 7 years of the date of initial funding. However, because the majority of the funded projects have encountered significant delays in implementation, that objective will not be met. In fact, FBO has completed an average of less than two projects per year since the program began. At that rate, at least 20 years would be required to complete the original 57 projects. Moreover, an FBO internal assessment of the program in March 1991 indicated that the program's original objectives would not be achieved. That assessment concluded that, based on anticipated funding levels for fiscal years 1992-96, only two or three new projects would be started each year. At that rate of implementation, FBO estimated it would take at least 15 years to complete many of the projects originally included in the program. FBO's study also concluded that the original project lists for the program have been overtaken by events to such a degree that it is no longer meaningful to use the details of the original program as a baseline.

Overseas Security Remains High Risk

As part of the Federal Manager's Financial Integrity Act review process, the State Department first identified overseas security as a material internal control weakness in 1984. Department assessments concluded that personnel and facilities abroad are being aggressively targeted for terrorism and hostile intelligence attacks worldwide by foreign governments dedicated to countering the foreign policy objectives of the United States and intercepting vital national security information. The embassy construction program, along with physical security upgrades, counter-intelligence, and other security programs, was an integral part of the Department's strategy to address the problem.

In 1990, the Department acknowledged that although various programs had been initiated, it was unclear whether adequate controls existed to manage costs and assure that objectives were effectively met within established time frames. The Department also acknowledged a parallel concern that corrective actions would take so long to complete that they would become outdated. The Department's inability to achieve the security construction program's objectives within the established time frames and to effectively control its costs indicates that the Department's overseas security program continues to be a material internal control weakness.

Factors Contributing to Project Delays and Cost Increases

The major reasons for project delays and cost increases in the program include (1) FBO's difficulties in filling its authorized staff positions, (2) the division of responsibility between FBO and the Bureau of Diplomatic Security for construction security, (3) poor program planning, (4) problems getting sites, (5) changes in security requirements, and (6) inadequate contractor performance. Many of these problems are not new to FBO. FBO has had numerous problems implementing its overseas construction programs, including inadequate long-range planning, poor cost estimates, cost overruns and delays, and insufficient numbers of technical staff. Although some problems in implementation are beyond FBO's control, the scope and frequency of project delays and cost increases indicates systemic weaknesses in the program's management.

This chapter describes the various factors contributing to the project delays and cost increases. The next chapter indicates the extent of State Department efforts to address such factors. FBO officials often stated during the course of our review that the lack of appropriations was a major factor limiting their ability to successfully implement the program. They noted that \$889 million, or nearly 90 percent of the program's total funding, had been provided prior to fiscal year 1988. Although funding levels in recent years may have limited FBO's ability to initiate a greater number of projects, our analysis shows that FBO has had significant difficulties in effectively using the funds that had been appropriated. Nearly half of the funds appropriated for the program remained unobligated at the end of fiscal year 1990, reflecting delays in entering into the construction phase of projects.

Limited FBO Staffing

Although FBO received authorization for substantial staff increases in 1986, it has had difficulty filling the positions. Reasons cited by FBO include its reorganization in 1987, the need to develop new position classifications, and the time it takes to obtain security clearances for new employees. Table 3.1 illustrates these difficulties.

Table 3.1: FBO Authorized and Filled Direct-Hire Positions for Selected Dates Beginning in 1987

Date	Authorized direct-hire positions	Filled direct-hire positions	Vacant
May 1987	298	137	161
June 1988	298	164	134
June 1989	298	201	97
June 1990	298	227	71
March 1991	314	277	37

Source: FBO data.

Part of the gap between authorized and filled positions was met through the use of personal services contractors. As a result, the number of personal services contractors increased from 59 in September 1986 to 175 in March 1991. Nevertheless, FBO had continuing staffing shortfalls in critical management areas. According to FBO, staff shortages in program planning, project management, construction monitoring, and cost estimation have directly contributed to program delays and cost increases. FBO has also concluded that direct-hire shortages in the construction area created the undesirable condition of too small a ratio of direct-hire to contract employees. According to FBO's analysis of the situation in 1989, only 15 percent of construction personnel overseas were direct-hire staff supervising contractors.

In its fiscal year 1992 budget request, the State Department has requested a staffing increase of 159 direct-hire positions for FBO to (1) meet its current deficiencies in management and technical expertise and (2) fill the gap in resources once the Sverdrup contract expires. Because of delays in implementing the Diplomatic Security Construction Program, FBO has decided to extend the Sverdrup contract until the end of fiscal year 1992. In its justification for the extension, FBO stated that all 26 projects supported by Sverdrup, most of them Diplomatic Security Construction projects, have been delayed in implementation.

Although it concluded that additional support by Sverdrup was needed in the short term to avoid further project delays, FBO believes that it must concentrate its long-range efforts on building up a strong in-house capability to sustain current programs and meet future requirements. In particular, FBO believes it needs a stable core of professionals to manage increasingly complex construction projects.

Division in Responsibility for Construction Security

During the first 3 years of the program, the security-related aspects of construction management were the responsibility of the Bureau of Diplomatic Security. FBO believed that this organizational structure (1) made it difficult for site project directors to be fully responsive to security concerns, (2) delayed the design development stage, and (3) delayed the process for certifying¹ the adequacy of security procedures. Responsibility for construction security management was transferred from the Diplomatic Security Bureau to FBO in July 1990. FBO

¹Section 160 of Public Law 100-204 requires that before undertaking a new construction project intended for the storage of classified materials or the conduct of classified activities, the Secretary of State shall certify that adequate steps have been taken to ensure the adequacy of construction security.

believes that it can now more effectively manage overseas projects by having responsibility for all construction management functions.

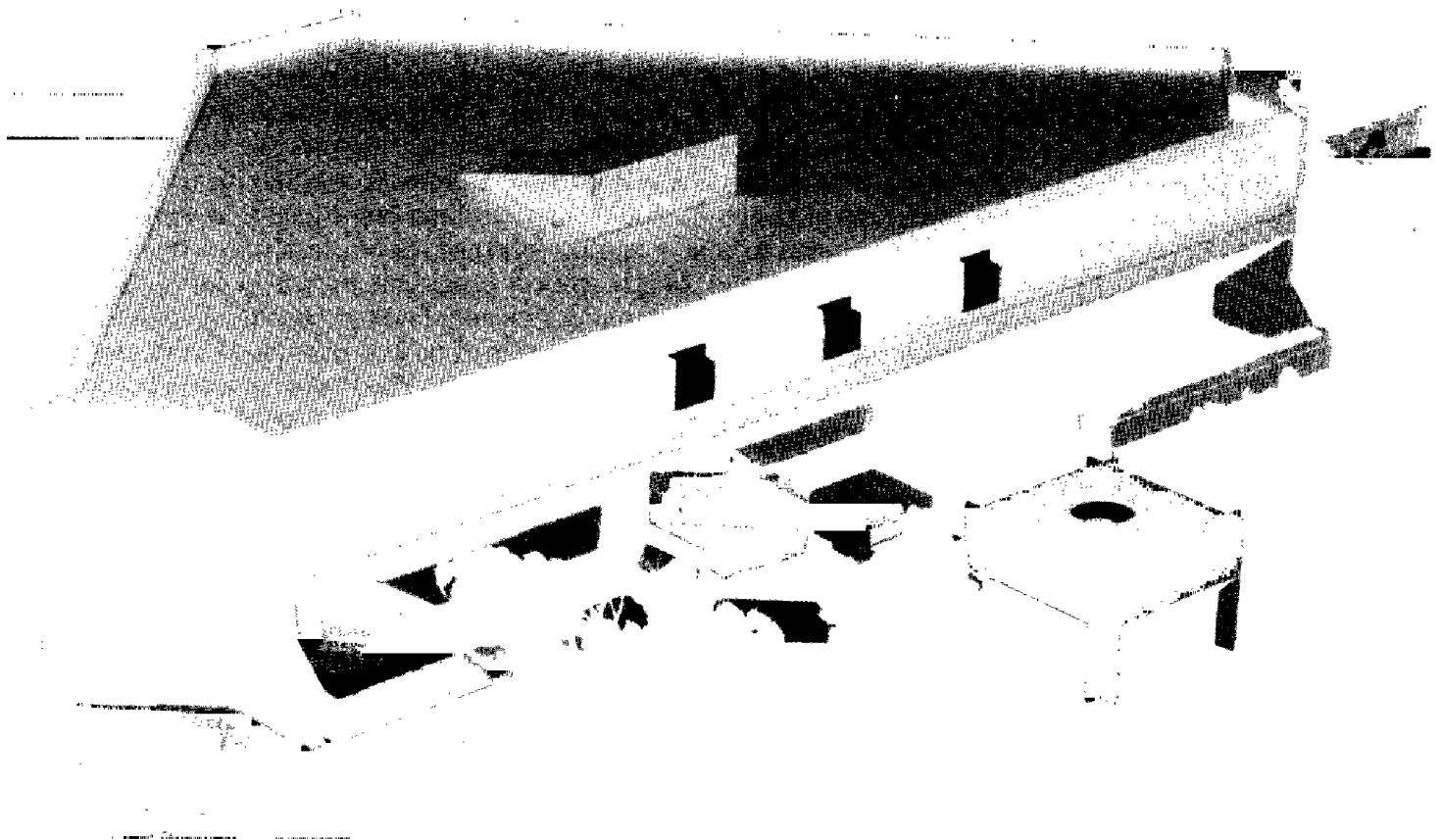
Program Planning Weaknesses

A major planning weakness in the program was the inaccurate project requirement estimates in the State Department's fiscal year 1986 budget request. In our 1987 report, Overseas Construction: State Initiates Corrective Actions, But Improvements Still Needed (GAO/NSIAD-88-27, Oct. 30, 1987), we found that the State Department lacked documentation to support its original cost estimates. Moreover, a 1988 internal FBO analysis of the costs of embassy buildings concluded that one of the major causes of cost overruns was the lack of coordinated planning of post requirements prior to project programming and budgeting. The study found that preplanning typically had not been done to establish project scopes based on an analysis of post mission needs and projected workloads over the short and long term. The study concluded that as a result, meaningful planning began only after project budgets had been authorized and appropriations were received; as real needs were determined, changes in scope and increases in cost followed.

Our analysis of individual projects found many instances where building size and cost requirements were poorly defined. For example, over 4 years lapsed between the contract award for design and the award of the construction contract for the new office building in Pretoria, South Africa. A major factor for this delay and the subsequent project cost increases was the lack of coordination between FBO and the post in establishing building size requirements. The project was initially defined in the fiscal year 1986 budget supplemental as a 65,000 square foot building housing 130 personnel at a cost of \$34.1 million. However, a subsequent analysis of requirements for the project concluded that there was no verifiable basis for the figures in the budget supplemental. In fact, requirements for the project changed several times after the budget proposal, growing to 95,000 square feet for 166 people by May 1986. By December 1986, security changes and staff growth again increased building size requirements this time to 103,000 square feet. Cost increases associated with these changes totaled \$17 million, including \$4.4 million in inflationary costs resulting from the delays.

The triangular design for the new office building in Pretoria represents one of the most unusual building designs in the program. FBO officials said that although original plans called for a rectangular design, the increases in building size requirements dictated a triangular design to remain in compliance with 100-foot setback standards.

Figure 3.1: Design for the New Office Building Under Construction in Pretoria, South Africa



Delays Contribute to Waste of Funds in Pretoria

Because of the delays in planning and designing the new office building, the growing concerns about increased terrorist activity throughout South Africa, and the existing embassy's location in the same building with the headquarters of the South African police, the post and FBO initiated another project in late 1987 to temporarily move the embassy into a more secure interim building. However, project commitments were made prior to receiving congressional approval for reprogramming funds. The Congress did not approve the reprogramming request, and the resources committed to the project were essentially wasted because the interim building was never used by the embassy. Resources wasted there included (1) costs associated with the use of 22 State Department

and other agency employees in Pretoria to help plan the project; (2) payments of \$170,000 to a South African construction contractor for security modifications to an office building under construction in Pretoria; and (3) the deployment of American guards and State Department personnel to the construction site as security.

Other Planning Weaknesses

As the following examples show, other projects have also had significant weaknesses in their original requirements estimates:

- FBO officials told us that very little reliable planning went into the development of initial requirements for the new office building project in Bangkok, Thailand. Cost estimates for the project in the State Department's fiscal year 1986 supplemental were \$61 million for a new building to accommodate 777 personnel. FBO officials said that the cost estimate was (1) based only on a conceptual design and (2) understated by \$25 million to reduce total cost estimates for the Diplomatic Security Construction Program. Current cost estimates are \$80.6 million for a project that will meet the requirements for substantially fewer personnel, estimated to total 523 as of January 1991.
- FBO's 1989 authorizing document for the project in Nicosia, Cyprus, indicated that the most up-to-date space plan for that project was a one-page plan dated November 1986. Their plan was unsigned and unclear as to the footage requirements for the ambassador's residence and other facilities to be constructed. Revisions in the space requirements contributed to cost increases totaling over \$11 million.

Site Acquisition Problems

In its initial planning for the Diplomatic Security Program, FBO recognized that one of its first objectives would be to locate and acquire appropriate building sites. FBO believed that the site selection and acquisition process for most posts could be completed within 6 months after funds were authorized. However, the process took much longer than expected, often years instead of months. In some cases, the lack of coordination within the State Department delayed the process; in other cases factors beyond FBO's control made site acquisition difficult, if not impossible. Examples of major site acquisition problems that have delayed the program and increased costs include the following:

- In Bogota, Colombia, disagreements between FBO and the post over the location of the site for a new office building resulted in delays of over 1 year. The site originally selected by FBO and other State Department

offices was rejected by the post because it was considered too far away from local government offices. The site eventually selected was closer to local government offices, but a number of questions were raised internally within the State Department about its security, including (1) its proximity to a major university, increasing the potential for exposure of staff to student demonstrations and (2) the significant commuting time for employees, increasing their exposure to dangerous situations. The delays in site acquisition have contributed to the \$20 million increase in estimated project costs.

- In Tunis, Tunisia, delays of nearly 4 years in obtaining a site were due to the inability of FBO, the Diplomatic Security Bureau, and other State Department offices to agree on a site that would satisfy security and communications requirements. Original cost estimates for the project were \$33.3 million; recent estimates are \$50.8 million. The cost increase is largely due to inflation associated with the delays.
- In Caracas, Venezuela, unexpected site development costs have been estimated to total several million dollars. The additional costs resulted from site deficiencies, including poor foundation rock and extensive landfill.

Delays in site acquisition have also resulted from situations beyond the control of the State Department. For example, in Istanbul, Turkey, FBO encountered project delays totaling 6 years, largely due to site acquisition problems. The project has been canceled because of the acquisition problem. In Kuwait, the State Department was consulting with the Congress on the acquisition of a site when Iraq invaded Kuwait. The project is undergoing a reassessment of requirements in the aftermath of the Gulf war.

Changes in Security Requirements

Changing security requirements have increased costs at some projects. For example, over \$1 million in additional costs were incurred in the Sanaa, Yemen, project, to incorporate more stringent site and perimeter security requirements and nearly \$2 million in additional costs to clear American workers for construction in classified work areas. In 1988, secure logistics and transit procedures for shipment of material and equipment used in construction were incorporated in all construction contracts. These procedures increased the costs of many projects—including more than \$1 million total for the ones in Sanaa and Amman, Jordan.

FBO has identified additional security-related cost increases, including the following:

- Additional reconfiguration costs of \$750,000 for the building annex project in Tegucigalpa, Honduras. An embassy annex was already under construction in that country when a collocation security waiver was approved by the State Department for the Agency for International Development, allowing it to remain in its existing facility. The State Department's decision to approve the waiver is questionable because the completed annex has since been underused.
- An increase in the security threat in South Africa. The threat revision, which occurred in 1988, required the use of a metal liner to shield against technical penetration (both incoming and outgoing electronic, electromagnetic, and other signals). FBO estimated the additional costs to include \$43,000 for design and \$1 million for construction of the liner. FBO did not include full shielding in the Pretoria design until 1988, even though the State Department had adopted a full shielding policy at the beginning of the program. FBO's delay in including full shielding in the design represented another planning weakness in the Pretoria project.

One of the most complex issues facing the program is the requirement to shield new embassies against technical penetration. At the beginning of the program, a full building shielding policy was adopted by the State Department to protect the major portion of new office buildings against technical penetration. In two program projects, full building shielding was used by FBO. However, because of the cost, in 1988, FBO subsequently adopted an "inner core" and "treated conference room" shielding policy designed to shield smaller portions of embassies for classified activities. Cost savings in some projects have been substantial, including over \$3 million for the redesigned project in Santiago, Chile.

Although shielding smaller areas of embassies reduced costs, there was substantial confusion within FBO over shielding requirements, adding to the complexity of project design. The basis for the confusion included the lack of specific departmental guidance about whether building shielding requirements were the same for all threat² categories. State Department officials told us that additional guidance has been prepared to clear up the confusion about shielding.

² In 1989, the State Department revised overseas security standards to specifically address four major threat categories: terrorism, human intelligence, technical penetration, and crime. These standards were further tailored to apply to specific threat levels at individual posts (low, medium, high, and critical).

Contractor Performance Problems

Some contractors have failed to perform as expected and, as a result, projects have been delayed and costs increased. For example, the State Department has identified several violations of the contract's security provisions by the contractor building the new office building in Pretoria, South Africa. The violations, which increased the complexities of on-site management and contributed to project delays, included the following:

- Arrival of contractor personnel on-site without the required security clearances, delaying their access to work areas.
- Shipment of core area³ materials on South African railways without an approved shipping plan and using unprotected bulk shipping procedures.
- The phased delivery of materials in violation of the one time, cash-and-carry basis for the purchase of core materials.
- The refusal of contractor personnel on-site to abide by the contractual definition of core area, contributing to problems with the shipment of material and construction.

In Santiago, Chile, where a new office building project is in the initial stages of construction, FBO identified a number of contractor deficiencies, including the firm's failure to make adequate progress and keep the site secure. According to FBO, the project in Nicosia, Cyprus, has been delayed because of unsatisfactory contractor performance in several areas, including not having adequate numbers of workers, poor workmanship, and inadequate supervision of subcontractors.

³Core areas were defined as any location where classified information would be stored, discussed, or processed, or where unescorted access would be limited to cleared American personnel. It was further defined as including spaces within the shielding envelope.

**Chapter 3
Factors Contributing to Project Delays and
Cost Increases**

Figure 3.2: The New Office Building Under Construction in Nicosia, Cyprus

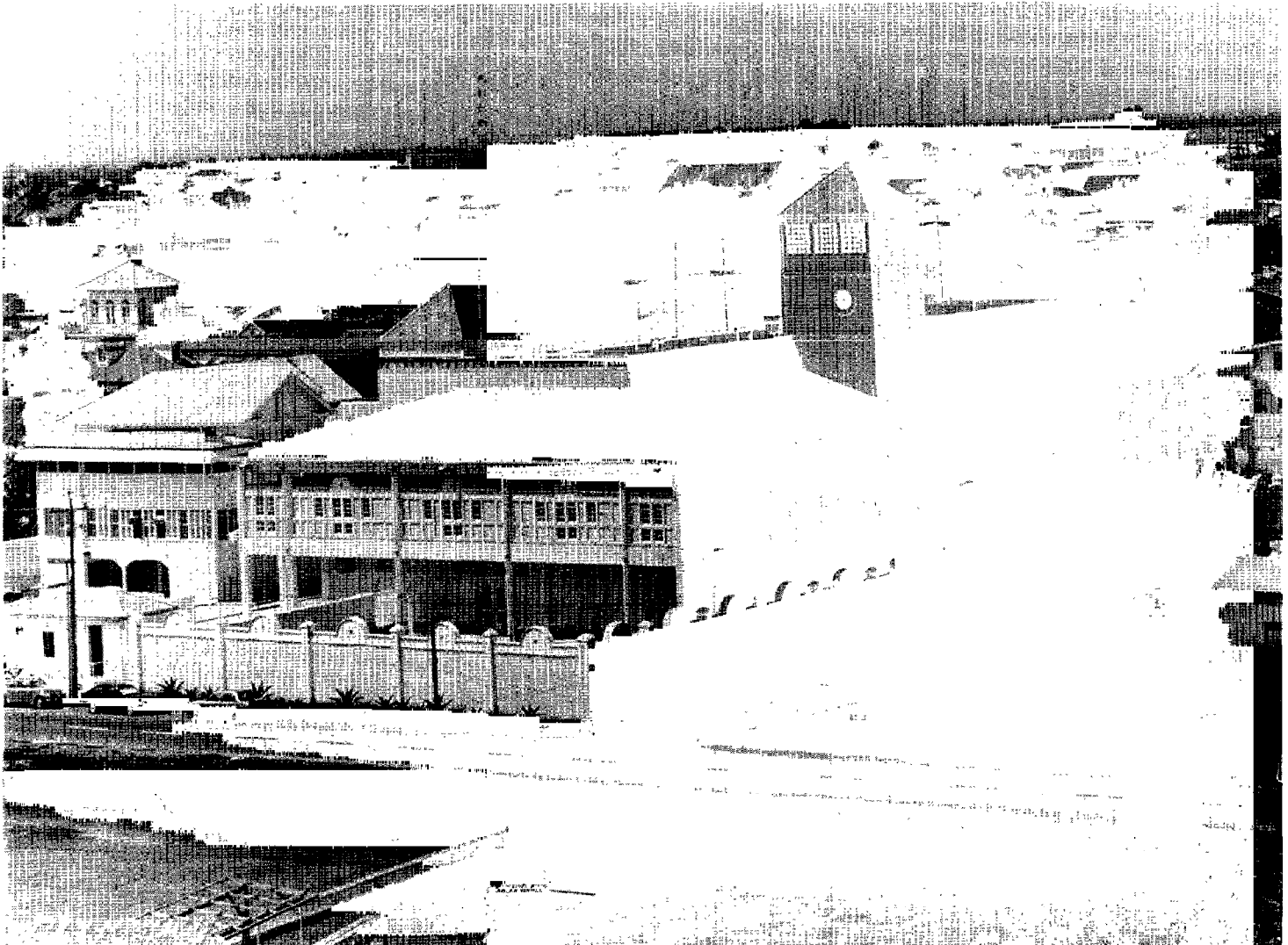


During our visit to Georgetown, Guyana, FBO officials on site said that contractor performance problems—poor workmanship and inadequate supervision of subcontractors—resulted in a 6-month project delay. The first floor sprinklers and plumbing system had to be redone after FBO's mechanical engineer arrived on site and discovered that they had been installed incorrectly. However, FBO officials acknowledge that one

**Chapter 3
Factors Contributing to Project Delays and
Cost Increases**

reason for this problem was FBO's failure to have technical personnel on site during all phases of construction.

Figure 3.3: The Completed New Office Building in Georgetown, Guyana



Another example of a delaying factor involved the project planned for La Paz, Bolivia. Although FBO awarded a design/build contract in 1989 in an attempt to expedite the project, FBO and the contractor could not reach agreement on a construction price, forcing FBO to terminate the contract and again advertise and solicit contract proposals. FBO officials estimated that additional design costs for the La Paz project totaled

about \$3 million and delays exceeded 1 year because of the lack of agreement on price.

In some cases, contractors have blamed FBO for problems. In fact, contractors had claims outstanding against the State Department totaling about \$15 million as of June 1991. For example, the construction contractor at Georgetown had filed a \$3.3 million claim for, among other things, (1) additional transit security requirements and (2) failure to provide government-furnished equipment.

Lack of Contractor Performance Appraisals

Although the State Department has identified the performance of contractors as a significant factor affecting project implementation, it has not adequately assessed their performance. FBO policy states that contractors hired for 12 months or more should have their performance evaluated at least annually. However, FBO does not have any records of these evaluations, and FBO officials acknowledge that few evaluations have been done. FBO also has not conducted performance evaluations of Sverdrup, which has played a key role in helping to implement the program. This represents a significant weakness in FBO's contract administration system because:

- The original estimated cost of the Sverdrup contract, with two additional 1-year options, was \$58 million. The actual cost of the 5-year contract has grown to \$69 million.
- At an estimated cost of \$9 million, FBO has decided to extend its contract with Sverdrup noncompetitively for additional project support services through the end of fiscal year 1992.
- All of the Sverdrup supported projects have experienced delays.

FBO's failure to evaluate Sverdrup makes it difficult to assess whether Sverdrup's performance contributed either positively or negatively to the program or if any improvements in Sverdrup performance are needed during the additional year of the contract. This failure to conduct contractor evaluations also raises the broader question of whether FBO has had sufficient information to adequately consider contractor responsibility in deciding awards. For example, FBO did not conduct evaluations of the construction contractor at Georgetown, Guyana, even though site officials believe the contractor's performance contributed to delays. FBO has since awarded the contract for Santiago, Chile, to the same contractor and, according to FBO, contractor performance problems were again encountered in this project.

Conclusions

Although several factors have contributed to project delays and cost increases in the Diplomatic Security Construction Program, fundamental weaknesses in program management are evident. These include delays in filling authorized staff positions, poor planning for project and budget requirements, and inadequate coordination of site acquisition and other critical parts of the project development cycle. FBO believes that the lack of direct-hire staff continues to be a major factor limiting its management capability in many critical areas, including program planning, construction monitoring, and cost estimation.

FBO also has identified inadequate contractor performance as a major factor affecting project implementation. However, FBO's failure to systematically assess contractors' performance reduces its ability to document the scope of contractor performance problems and their impact on the program. The almost total reliance of FBO on contractors to carry out its construction programs requires an effective system for assessing contractor performance and for using the results of performance assessments when making contracting decisions. FBO's failure to conduct performance evaluations of Sverdrup is a significant deficiency in view of its extensive use of Sverdrup for program support, the cost increases that have occurred in the initial contract, and FBO's decisions to extend the contract noncompetitively at an additional cost.

We believe that the problems discussed throughout this report illustrate that the State Department has not yet developed and implemented an adequate system of internal controls to provide reasonable assurances that security construction program objectives will be met.

Recommendation

We recommend that the Secretary of State develop a system that (1) documents the extent contractor performance appraisals are conducted by FBO consistent with its current policy and (2) ensures performance appraisals are considered as a part of contractor responsibility determinations.

Agency Comments

Although we did not obtain formal written agency comments on this report, we discussed the contents of the report with State Department program officials. State Department program officials agreed that improvements in FBO's contractor evaluation system are needed. State officials said that FBO plans to develop a new acquisitions module for its information resource management system, which will indicate when contractor performance evaluations are due, and if and when they are

Chapter 3
Factors Contributing to Project Delays and
Cost Increases

received. FBO also plans to implement a procedure requiring that a contractor's past performance be included in a written determination of responsibility to be prepared before award of contracts in excess of \$25,000.

State Department Initiatives to Improve Program Management

In addition to requesting substantial increases in FBO staffing, the State Department has taken or plans to undertake several actions designed to improve management and strengthen controls over its construction program. These include (1) developing a 5-year program plan laying out future capital construction and other program funding requirements, (2) adopting a policy calling for the development of post master plans to help ensure cost-effective real property decisions, (3) implementing a value engineering program and configuration management review process to control unnecessary changes in projects' scope during design and construction, (4) designing and constructing pre-engineered office buildings to reduce construction costs, and (5) adopting security standards based on threat levels. The Department has also developed an accreditation system for new embassies to ensure that they are physically and technically secure prior to being occupied.

In June 1991, we testified¹ before the Congress on the State Department's efforts to improve management of its construction and other real property programs. Although we expressed optimism at that time that the Department was making substantial progress in many management areas, we also cautioned that FBO's problems in implementing construction projects have spanned 3 decades and the impact of its initiatives remain to be determined. Significant problems in using pre-engineered office buildings have been encountered and several program planning and cost issues remain to be addressed by the Department. The Department needs to (1) clearly define the criteria for project priorities in its program plans, (2) fully implement its master planning process for individual posts, and (3) document the impact of new security standards on project costs.

FBO's 5-Year Plan

FBO has developed a long-range plan identifying capital project and other real estate program requirements for fiscal years 1992 through 1996. The plan identifies over \$500 million in planned obligations for the design and construction of 27 capital projects. Although the plan represents a major step forward in defining program and budget requirements, it (1) does not contain written criteria identifying the importance of security threats in determining construction priorities and (2) is not based on a comprehensive post master planning process, which according to FBO policy, is necessary to ensure the most cost-effective alternatives for meeting requirements are systematically considered.

¹State Department Efforts to Improve Management of Overseas Real Property (GAO/T-NSLAD-91-40, June 20, 1991).

FBO officials said that although the 5-year plan does not contain written criteria for project priorities, security was one of the most important factors they used to determine which projects were included in the plan. Other factors they considered included affordability, the availability of sites, life safety factors, and foreign policy (political) considerations. Without written criteria, however, it is difficult to determine whether the original security goals of the program continue to guide FBO's plans for capital construction. For example, State Department plans for the original program gave emphasis to projects at posts with the highest threats and most serious security risks. In contrast, our analysis of the security threats for the projects in FBO's 5-year plan shows that many of the new office building projects included in the plan are at posts classified as low or medium threat in both terrorist and technical threat categories. Moreover, many of the Diplomatic Security Program projects that FBO has canceled, deferred, or placed on hold are at posts classified as high threat in those categories.

Lack of Master Planning

FBO developed its 5-year plan without any completed post master plans, a planning deficiency that can be traced back to the late 1960s when the State Department acknowledged it needed to assess individual country real estate needs. FBO established a policy in April 1990 requiring each post to have a master plan to link post requirements with facility assets and to develop the most cost-effective alternatives for construction and other real estate programs. However, as of June 1991, FBO had not developed any post master plans that met its policy criteria. In our case study of the Bangkok project, which FBO now estimates will cost at least \$80 million, we found several weaknesses in project planning linked to the lack of master planning.

- FBO significantly changed the scope of the project without adequate cost analysis. Original plans included demolishing the existing embassy and building a new office building for all U.S. personnel at the post. Current plans consist of (1) building a substantially smaller new office building across the street from the existing embassy and (2) renovating part of the existing embassy. However, FBO did not perform an analysis documenting the cost benefits of the current plan versus the original plan and its decisions to renovate the existing embassy were made based only on conceptual cost estimates.
- FBO entered into project design for the new office building in Bangkok without first obtaining the necessary collocation security waivers. If appropriate waivers for agencies/offices are not approved within the State Department, a redesign of the project may be required adding to

its costs. Our analysis indicated that collocation waivers had not been obtained for (1) the Agency for International Development mission to remain in its existing leased facility; (2) the consular section and the U.S. Information Service to be located in the existing chancery, rather than the new office building; or (3) the Regional Area Management Center, General Services Office, and embassy political section to remain in their current locations.

- FBO recently conducted an asset management study in Bangkok that indicated U.S.-owned property in Bangkok is worth hundreds of millions of dollars. However, the study covered only selected properties and did not include an assessment of the value of the properties currently designated for the Diplomatic Security Construction project. FBO's failure to completely assess all U.S. property values raises questions as to whether its planning for Bangkok has adequately considered all alternatives for property utilization and construction at that post.

FBO has completed or has underway asset management studies at several other posts. These studies are intended to identify ways to optimize post resources based on property appraisals and market surveys. However, the process used in some of those studies is similarly fragmented and does not meet FBO's policy for comprehensive master planning. For example, a recently completed asset management study for Tokyo included an evaluation of only selected properties and did not cover the post's total property holdings. FBO also has not systematically linked its asset management study process to determining future budget requirements for its capital program. Although FBO's 5-year plan identifies budget obligations totaling nearly \$3 billion for all programs, FBO has not documented how the potential disposal of high-value properties could affect future budget needs.

Engineering and Technical Program Improvements

FBO's efforts to reduce project costs through improved operations include (1) a value engineering program established in 1989 to review design schemes in terms of the cost effectiveness of labor and materials and (2) a systematic review process adopted in 1990 to begin controlling unnecessary changes during design and construction. FBO documents indicate that value engineering reviews resulted in estimated cost savings of about \$11 million in fiscal years 1989 and 1990. FBO's configuration management system was initiated to reduce the number of changes in project scope, schedule, and cost during execution. FBO information indicates that as of June 1991, project savings have totaled \$359,000.

Pre-engineered Buildings

In the late 1980s, FBO began plans to design and construct pre-engineered office buildings for low-and medium-threat posts. Through the use of prefabricated "off-the-shelf" items that could be transported easily and assembled quickly on site, it was anticipated that cost savings of 30 to 40 percent could be achieved. FBO has not yet, however, made effective use of this concept because (1) off-the-shelf components meeting security requirements were not commercially available as expected and (2) efforts to design and build a prototype building in Port Moresby, Papua, New Guinea, have been abandoned because of increases in projected costs.

FBO initially projected that construction costs for preengineered buildings would be in the \$4 million to \$6 million range. However, construction cost estimates for a prototype building in Port Moresby grew to \$14 million by mid-1990. As an alternative, FBO is exploring options for purchasing the central bank building in that country and renovating it for use as a new chancery at an estimated cost of \$8 million. Although FBO's plans for design and construction of a prototype building in Port Moresby have experienced serious problems, its 5-year plan indicates that pre-engineered office buildings are to be constructed in Abidjan, Cote d'Ivoire, and Kampala, Uganda.

Security Standards Based on Threat

An FBO analysis of embassy building costs in 1988 concluded that (1) physical, technical, and other security requirements represented over 50 percent of building costs; (2) security criteria had been adopted in the program without firm cost data; and (3) modifications of security requirements were necessary to hold down costs. Uniform security standards were initially adopted for the program by the Bureau of Diplomatic Security. However, according to FBO, the Bureau was subsequently criticized for addressing security concerns overseas as if the security needs at all posts were essentially the same.

To reduce costs, the Bureau began developing new standards in 1989 for physical and technical security based on threat level. New physical security standards for office buildings have been completed and include varying levels of protection, based on the threat category, for blast, vehicle ram protection, and other security criteria. The new technical security standards cover a wide range of technical threat issues, including for example, varying levels of shielding enclosures for equipment processing classified information. FBO believes that the new physical and technical security standards based on threat may reduce

construction costs, particularly for low-and medium-threat posts. However, it has not yet completed an analysis of the overall impact of the standards on building costs or future budget needs.

The Department has not had uniform construction security standards for on-site security during the construction of new office buildings. Such standards are now being developed based on threat category. In our fieldwork at construction sites in Nicosia, Pretoria, and Georgetown, we identified a number of security issues that demonstrated the need for construction security standards. For example, we found that the State Department had not provided specific guidance on the number of American surveillance personnel needed on site to ensure adequate monitoring of local construction workers. At the time of our visit in Nicosia, a ratio of one construction surveillance technician to seven workers was the average for finishing work in sensitive areas. In Georgetown, at times there was only 1 surveillance technician to 35 foreign nationals.

We also found that although the position description for the site security manager in Nicosia indicated that he was responsible for technical security, he did not have manuals or other guidance describing what those responsibilities entailed. This was particularly significant because the threat level at that post had increased during project implementation and no one could identify the reasons for the change or the implications, if any, for site security. The draft standards being developed by the Department, dated May 1991, included requirements for both construction surveillance monitoring and technical surveillance security. FBO also has not identified the cost impact of the planned construction security standards.

Security Accreditation

The State Department has developed an accreditation program designed to ensure that new office buildings are technically secure for processing or storing classified information. The first accreditation was completed in 1989 and since then, three of the seven completed Diplomatic Security Construction projects (Mogadishu, Somalia; Manama, Bahrain; and Georgetown, Guyana) have been fully accredited. The Department also attempted to accredit the completed building in Sanaa, Yemen. However, the accreditation equipment was seized by local custom officials and the accreditation plans were canceled. According to Diplomatic Security Bureau officials, the other three completed projects were not accredited because the Bureau lacked sufficient resources to perform accreditation prior to post occupancy.

Conclusions

The State Department believes that its initiatives to improve management, combined with substantial increases in FBO direct-hire staff as requested in the Department's fiscal year 1992 budget, will enable it to effectively carry out future construction programs. However, some of these initiatives have already encountered problems and their impact remains uncertain. For example, the concept of using pre-engineered office buildings has encountered significant delays in implementation and the estimated construction costs of the prototype building have more than doubled. Several program planning and cost issues also have not been sufficiently addressed by the Department. Specifically:

- The criteria for future project priorities has not been clearly defined in FBO's 5-year plan. The Diplomatic Security Construction Program was originally targeted toward meeting the most critical building requirements at the highest and most serious security risk posts. However, in establishing future construction priorities, FBO has not identified the importance of current security threats, making it unclear as to whether security remains the major focus of the capital construction program.
- FBO's master planning process for individual posts has not been fully implemented. The failure to develop a master plan for the post in Bangkok reflects a deficiency that affects all of FBO's project planning. Until post master plans are completed consistent with FBO's policy, many project decisions may not be based on the most cost-effective ways to meet individual post requirements.
- The cost impact of threat-based physical and technical security standards, as well as the impact of the planned construction security standards, has not been documented. These standards represent a major policy change for the Department and their costs will materially affect program plans and budgets.

Recommendations

We recommend that the Secretary of State revise FBO's 5-year operations plan to identify (1) the criteria used for establishing construction project priorities, (2) how security threats affect priorities, and (3) any adjustments in capital construction budget requirements that may result from the adoption of security standards based on threat. The FBO post master planning process also should be accelerated to ensure that the most cost-effective options for meeting post needs are considered as part of the Department's long-range plans.

Agency Comments

State Department program officials agreed that better documentation of the criteria used for establishing construction project priorities was

needed. They said that as part of the fiscal year 1993 budget process, State Department senior management would document how security concerns and other factors apply to each project being considered for inclusion in the 5-year plan. Department program officials also said that project cost estimates in the 5-year plan would be adjusted to reflect new security requirements once a policy decision was reached on the specific security standards to be applied at each level of threat. They said that the most significant revisions might be required for changes in transit and construction security standards.

Department program officials stated that FBO had made substantial progress in improving the planning for overseas facility requirements. However, they acknowledged that although the Department's goal was to conduct formal master planning for all posts, they have chosen to take a selective approach because of the magnitude of this task and resource limitations.

Location of Projects and Their Status as of September 1991

Seven Completed Projects

Dhaka, Bangladesh
Georgetown, Guyana
Manama, Bahrain
Mogadishu, Somalia
Muscat, Oman
Sanaa, Yemen
Tegucigalpa, Honduras

Eight Projects Under Construction

Amman, Jordan
Cairo, Egypt
Caracas, Venezuela
Djibouti, Djibouti
La Paz, Bolivia
Nicosia, Cyprus
Pretoria, South Africa
Santiago, Chile

Fourteen Projects Under Design, Out for Architectural and Engineering Selection, or in Site Acquisition

Abu Dhabi, United Arab Emirates
Algiers, Algeria
Bangkok, Thailand
Bogota, Colombia
Budapest, Hungary
Doha, Qatar
Kampala, Uganda
Kuwait, Kuwait
Lima, Peru
Moscow, USSR (technical security)
Panama City, Panama
Seoul, Korea
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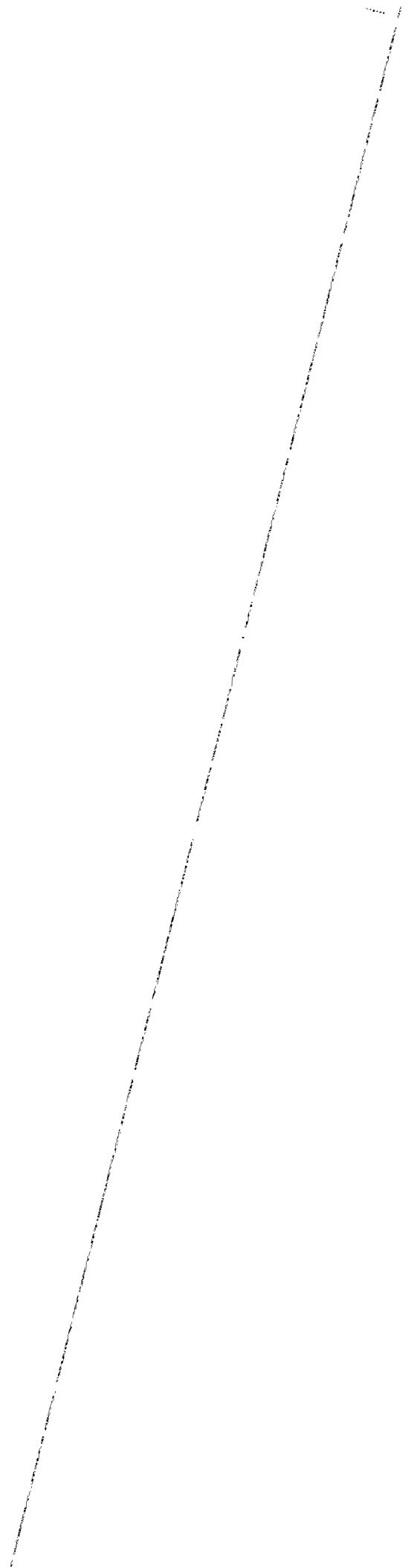
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