

**GAO**

Testimony  
Before the Senate Committee on Foreign  
Relations

---

For Release on Delivery  
Expected at 2:30 p.m. EST  
Thursday, March 20, 2003

**OVERSEAS PRESENCE**

**Conditions of Overseas  
Diplomatic Facilities**

Statement of Jess T. Ford  
Director, International Affairs and Trade



---

---

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

---



Highlights of [GAO-03-557T](#), testimony before the Senate Foreign Relations Committee

### Why GAO Did This Study

The 1998 terrorist bombings of the U.S. embassies in Kenya and Tanzania, which killed more than 220 people and injured 4,000, highlighted the compelling need for safe and secure overseas facilities. In November 1999, an independent advisory group, the Overseas Presence Advisory Panel, said that thousands of Americans representing our nation abroad faced an unacceptable level of risk from terrorist attacks and other threats. The panel called for accelerating the process of addressing security risks to provide overseas staff with the safest working environment, consistent with the nation's resources and the demands of their missions. Moreover, the panel concluded that many U.S. overseas facilities were insecure, decrepit, deteriorating, overcrowded, and "shockingly shabby," and it recommended major capital improvements to redress these problems.

GAO was asked to (1) assess the current conditions of overseas diplomatic facilities, including security, maintenance, office space, and information technology; and (2) provide some preliminary observations regarding State's efforts to improve facility conditions by replacing existing buildings with new, secure embassy compounds.

[www.gao.gov/cgi-bin/getrpt?GAO-03-557T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-557T).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Jess T. Ford at (202) 512-4128, or [fordj@gao.gov](mailto:fordj@gao.gov).

## OVERSEAS PRESENCE

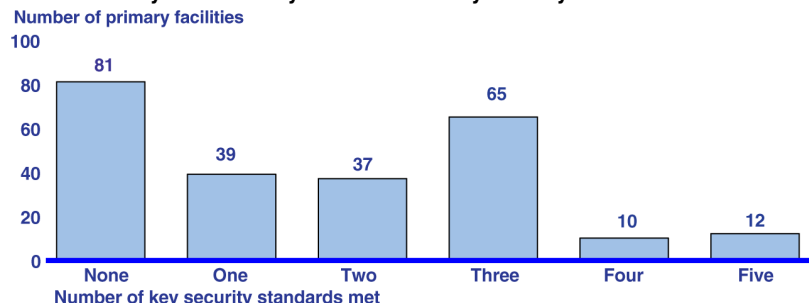
### Conditions of Overseas Diplomatic Facilities

#### What GAO Found

The State Department has done much over the last 4 years to improve physical security at overseas posts. For example, State has constructed perimeter walls, anti-ram barriers, and access controls at many facilities. However, even with these improvements, most office facilities do not meet security standards. As of December 2002, the primary office building at 232 posts lacked desired security because it did not meet one or more of State's five key current security standards of (1) 100-foot setback between office facilities and uncontrolled areas; (2) perimeter walls and/or fencing; (3) anti-ram barriers; (4) blast-resistant construction techniques and materials; and (5) controlled access at the perimeter of the compound. Only 12 posts have a primary building that meets all 5 standards. As a result, thousands of U.S. government and foreign national employees may be vulnerable to terrorist attacks. Moreover, many of the primary office buildings at embassies and consulates are in poor condition. In fact, the primary office building at more than half of the posts does not meet certain fire/life safety standards. State estimates that there is a backlog of about \$730 million in maintenance at overseas facilities; officials stated that maintenance costs would increase over time because of the age of many buildings. At least 96 posts have reported serious overcrowding.

While State continues to fund some security upgrades at embassies and consulates, State is shifting its resources from these upgrades toward constructing new buildings and substantially retrofitting existing, newly acquired, or leased buildings. Funding for these capital projects has increased from \$9.5 million in fiscal year 1998 to a requested \$890 million in fiscal year 2004. In addition to completing ongoing construction projects, State believes it needs to replace facilities at about 160 posts at an estimated cost of \$16 billion. At the proposed fiscal year 2004 rate of funding, it will take more than 20 years to fully fund and build replacement facilities. While GAO has not fully analyzed State's performance in the early stages of this large-scale building program, GAO has observed that State has taken a number of positive steps to improve its program management. Because of the high costs and importance of this program, GAO believes the program merits extensive oversight.

**Number of Physical Security Standards Met by Primary Facilities**



Source: GAO analysis of State Department data.

---

Mr. Chairman and Members of the Committee:

I am pleased to be here to discuss our work on the security and overall conditions of U.S. embassy and consulate facilities around the world. The 1998 terrorist bombings of the U.S. embassies in Kenya and Tanzania, which killed more than 220 people and injured 4,000, highlighted the compelling need for safe and secure overseas facilities. Following the bombings, three high-level independent groups cited physical security problems at numerous overseas facilities. In November 1999, one of these groups,<sup>1</sup> the Overseas Presence Advisory Panel,<sup>1</sup> said that thousands of Americans representing our nation abroad faced an unacceptable level of risk from terrorist attacks and other threats. The panel called for accelerating the process of addressing security risks to provide overseas staff with the safest working environment, consistent with the nation's resources and the demands of their missions. Moreover, the panel concluded that many U.S. overseas facilities were insecure, decrepit, deteriorating, overcrowded, and "shockingly shabby," and it recommended major capital improvements to redress these problems. You asked us to assess current facility conditions and what the State Department is doing to improve them.

Today I will focus my comments on the security conditions at U.S. embassies and consulates. I will also discuss building maintenance, office space, and information technology conditions. Our observations are based on an analysis of data from the State Department's Bureau of Diplomatic Security, Overseas Buildings Operations (OBO), and Information Resources Management, and our visits last month to four posts where we examined how facility conditions affect security risks and mission effectiveness. For security reasons, I will not be identifying these posts. Finally, I will discuss some preliminary observations regarding State's efforts to improve facility conditions by replacing existing buildings with new, secure embassy compounds. These observations are based on our ongoing review of State's multibillion-dollar embassy and consulate construction program on which we will report later this year.

---

## Summary

The State Department has done much over the last 4 years to improve physical security at overseas posts. State has constructed perimeter walls,

---

<sup>1</sup>Secretary of State Albright established the Overseas Presence Advisory Panel following the 1998 embassy bombings in Africa to consider the organization and condition of U.S. embassies. Department of State, *America's Overseas Presence in the 21st Century, The Report of the Overseas Presence Advisory Panel* (Washington, D.C.: Nov. 1999).

---

anti-ram barriers, and access controls at many facilities; has obtained host government approval to close off nearby streets at many locations; and has implemented other measures. However, even with these new improvements, most office facilities do not meet security standards. Our analysis showed that as of December 2002, the primary office building at 232 posts lacked sufficient security because it did not meet one or more of State's five key standards.<sup>2</sup> These standards are a 100-foot setback between office facilities and public streets or other uncontrolled areas, the presence of perimeter walls and/or fencing, anti-ram barriers, blast-resistant construction techniques and materials, and controlled access at the perimeter to the compound. Moreover, at 81 posts, the primary building did not meet any of these standards. Only 12 posts have a primary building that meets all 5 standards. As a result, thousands of U.S. government and foreign national employees may be at risk. Our visits to four posts last month provide numerous examples of serious physical security shortcomings. None of the primary office buildings at the four posts meets setback standards, and three posts have annex buildings without any setback. At one post, an annex building has little or no setback on four sides, and there is a public gas station on one side that could potentially exacerbate the blast force from a bomb. In addition, U.S. personnel at two posts occupy leased space in office buildings constructed with extensive glass walls, which post officials told us could shatter, seriously injuring or killing many occupants in the event of a large blast. Security officials at the posts we visited are concerned that many of the buildings we observed are vulnerable to terrorist attacks.

Many of the primary office buildings at embassies and consulates are in poor condition. In fact, the primary office building at more than half of the posts does not meet certain fire/life safety standards. During one site visit, post officials described several buildings as fire traps—old wiring could cause fires, and there are limited fire exits. State estimated that there is a backlog of about \$730 million in maintenance at overseas facilities, and officials stated that maintenance costs will increase over time because of the age of many buildings. Many embassy and consulate buildings are old, and at the four posts we visited, several buildings were constructed in the 1800s. We observed sinking foundations, crumbling facades, and serious cracks in the walls and around the windows. At one post, duct tape and

---

<sup>2</sup>At most posts, there are multiple buildings, often dispersed throughout the city. Our analysis focused on the primary office building at each post. At an embassy, the primary office building is called the chancery.

---

plywood have been used in the ambassador's suite to seal around a window opening. At least 96 posts have reported serious overcrowding. At one post we visited, crowded office space was dramatic—for example, the Political Counselor, who is one of the most senior officials at the embassy, had an 8 by 13-foot cubicle, and another work area had a cramped 7-foot ceiling height.

While State continues to fund some security upgrades at embassies and consulates, it is shifting its resources from implementing upgrades toward constructing new buildings and substantially retrofitting existing, newly acquired, or leased buildings. Funding for State's capital projects has increased from \$9.5 million in fiscal year 1998 to a requested \$890 million in fiscal year 2004. In addition to completing construction that is under way, State believes it needs to replace facilities at about 160 posts. This will be an expensive effort, costing an estimated \$16 billion, and will require a sustained level of funding over many years. State's timeline for completing this program will depend on the amount of funding it receives and how well it manages the program. At the proposed fiscal year 2004 rate of funding, about \$890 million for the construction of replacement facilities at 8 posts, it will take more than 20 years to fully fund and complete construction.

In the past, we have raised concerns regarding State's performance in managing its overseas real estate programs. While we have not fully analyzed State's performance in the early stages of this large-scale building program, we have observed that OBO has taken a number of positive steps to improve its program management. For example, it has developed a long-range plan to help guide decision making, has taken steps to reduce the amount of time for designing and constructing new embassies and consulates, and has installed an industry advisory panel to ensure that "best practices" are in place. Because of the high costs associated with this program and the importance of providing secure office space as quickly as possible, we believe this program merits extensive oversight.

---

## Background

The United States maintains more than 250 diplomatic posts, including embassies, consulates, and other diplomatic offices, located around the

---

world.<sup>3</sup> More than 60,000 personnel—U.S. and foreign service nationals—work at these locations. About 50 government agencies and subagencies operate overseas, including the Departments of State, Defense, and Justice; and the U.S. Agency for International Development.

Since the 1970s, U.S. diplomatic personnel overseas have been increasingly at risk from terrorist attacks and other acts of violence. In response, the State Department in 1986 began a substantial embassy construction program, known as the Inman program, to protect U.S. personnel and facilities. In 1991, we reported that State was unable to complete as many projects as originally planned due to systemic weaknesses in program management, as well as subsequent funding limitations. This construction program suffered from delays and cost increases due to, among other things, poor program planning, difficulties in acquiring sites, changes in security requirements, and inadequate contractor performance.<sup>4</sup> Following the demise of the Inman program in the early 1990s, the State Department initiated very few new construction projects until the Africa embassy bombings in August 1998 prompted additional funding.

In the 1998 bombings, terrorists attacked the U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania. These large-scale truck bombings killed more than 220 people, including 12 American U.S. government employees and family members, 32 Kenyan national U.S. government employees, and 8 Tanzanian national U.S. government employees. In addition, the bombings injured more than 4,000 Kenyans, Tanzanians, and Americans.<sup>5</sup> Figures 1 and 2 show pictures of the embassy in Tanzania before and after the bombings.

---

<sup>3</sup>The number of embassies, consulates, and other diplomatic posts changes as new posts are opened and posts are closed. In addition, State has a small presence in some other locations that are not included in these figures. For example, it has five 1-person posts in France, called American Presence posts.

<sup>4</sup>U.S. General Accounting Office, *State Department: Management Weaknesses in the Security Construction Program*, [GAO/NSIAD-92-2](#) (Washington, D.C.: Nov. 1991).

<sup>5</sup>State Department, *Report of the Accountability Review Boards: Bombings of the U.S. Embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, on August 7, 1998* (Washington, D.C.: Jan. 1999).

---

**Figure 1: U.S. Embassy in Tanzania, before the August 7, 1998, Terrorist Attack**



Source: State Department.



---

**Figure 2: U.S. Embassy in Tanzania, after the August 7, 1998, Terrorist Attack**



Source: State Department.

Since these embassy bombings, U.S. facilities and personnel have faced continued threats from terrorist and other attacks. Embassy and consulate employees are on the front lines, often serving in dangerous locations, and must rely heavily on the protection provided by the law enforcement and security measures of the foreign country in which they are located. From 1998 through 2002, there were 30 terrorist attacks against overseas posts, personnel, and diplomatic residences. During that same period, overseas posts were forced to evacuate personnel or suspend operations 83 times in response to direct threats or unstable security situations in the host country. (See table 1.) During the first 2 months of 2003, overseas posts authorized the departures of personnel and/or their families a total of 11 times due to security concerns.

---

**Table 1: Threats against U.S. Diplomatic Personnel and Posts, 1998-2002**

Number and Type	1998	1999	2000	2001	2002	Total
Terrorist attacks	10	9	2	2	7	30
Evacuations	22	12	7	18	19	78
Authorized/voluntary	[13]	[10]	[4]	[17]	[9]	[53]
Ordered	[9]	[2]	[3]	[1]	[10]	[25]
Suspended operations	4	1				5

Source: GAO analysis of State Department data.

---

## Security Standards

Before I discuss the results of our work, I want to explain some of State's security standards and why they are important.<sup>6</sup> State identified five key security standards for overseas diplomatic office facilities to protect them against terrorism and other dangers. First, State believes that office facilities should be at least 100 feet from uncontrolled areas, such as a street where vehicles can pass without first being checked by security officials. Therefore, this distance helps to protect the buildings and occupants against bomb blasts, mob attacks, and other threats. In establishing the setback standard, the State Department determined that at 100 feet, the effects of a bomb blast have diminished to the point where the cost of site acquisition and construction to protect against the remaining blast effects are relatively affordable. State notes that additional setback may not be practical at many locations. Exhibit 1 is a video clip from the State Department showing a test blast from 100 feet away.

The second and third standards are strong perimeter walls and anti-ram barriers to ensure that vehicles cannot breach the facility perimeter to get close to the building prior to detonating a bomb. Exhibits 2 and 3 are video clips from the State Department showing the effectiveness of these walls and barriers.

The fourth standard requires blast-resistant construction techniques and materials. Among other things, these materials include reinforced concrete and steel construction and blast-resistant windows. Diplomatic Security officials state that flying glass is a primary cause of injuries and deaths in a blast. Coupled with a 100-foot setback, blast-resistant construction provides the best possible protection against a vehicle bomb

---

<sup>6</sup>These standards apply to the construction of new buildings. Existing buildings are required to meet the setback standard to the "maximum extent feasible."

---

attack, according to Diplomatic Security officials. Combined, these four standards mitigate the effect of a vehicle bomb attack and prevent the building from suffering catastrophic collapse and complete destruction.

State's fifth security standard is controlled access at the perimeter to the compound. At this control access point, guards can screen personnel and visitors before they enter the embassy compound to verify that they have no weapons and that they should be allowed to enter, and can fully search vehicles before they are permitted to enter the compound.

---

## State Has Done Much to Improve Facility Security but Most Facilities Still Do Not Meet Security Standards

Over the last 4 years, State has accomplished much in improving posts' security through various security upgrades. These upgrades include the installation of Mylar shatter-resistant window film and forced entry/ballistic-resistant doors; the construction of perimeter security walls and fences, jersey barriers, and compound access controls; and the stationing of additional police and security guards. In June 2002, a bomb attack against the U.S. consulate in Karachi demonstrated the effectiveness of recent security upgrades to the compound. As shown in figure 3, physical damage to the building was minimized by these upgrades. As of September 30, 2002, State had completed security upgrades at 113 posts and had installed Mylar window film barriers and forced entry/ballistic-resistant doors at 242 posts.

**Figure 3: U.S. Consulate, Karachi, Pakistan, after Car Bomb Attack of June 14, 2002, Showing Little Damage to the Building**



Source: State Department.

Further, to address security concerns at some of the buildings without a 100-foot setback, State has secured host government cooperation in either closing adjacent streets and/or posting local police officers as guards to monitor and control surrounding streets. State has also acquired adjacent land at 34 posts to increase setback since the 1998 embassy bombings. For example, State purchased a gas station next to an office annex building in Athens, Greece, and closed the gas station, thus increasing setback and improving security.

At all four posts we visited, we observed that recent security upgrades have enhanced security. At three of these posts, local authorities have permitted closing off streets to public traffic in order to protect U.S. facilities. However, Diplomatic Security officials acknowledged that it is not feasible to increase setback by acquiring land and closing off nearby streets at many locations. Furthermore, these officials also told us that security upgrades were partial fixes that did not bring the buildings up to physical security standards. As a result, many buildings and their

---

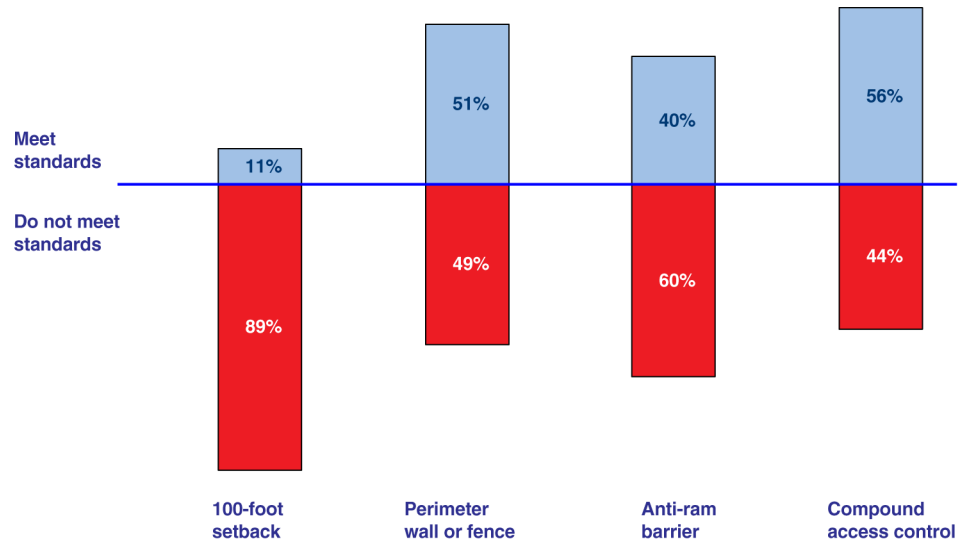
occupants remain vulnerable to terrorist attacks. Exhibit 4 is a video clip from the State Department that illustrates this vulnerability. It shows the effect of a blast 100 feet away on an office that does not meet the standard for blast-resistant construction. The windows have been treated with Mylar sheeting, a standard upgrade that mitigates the effects of glass shattering in a blast. Although Mylar provides some protection, the non-blast-resistant window construction may allow glass to be forced into the building at a high rate of speed.

To assess the security of embassy and consulate facilities, we analyzed State Department data to determine if the primary facilities meet State's five key standards that I discussed earlier. Figure 4 shows the portion of posts where the primary office building meets or does not meet four of the five security standards: setback, perimeter wall or fence, anti-ram barrier, and compound access control. At the request of Diplomatic Security officials, we will not discuss details on the remaining standard, blast-resistant construction, due to its sensitivity. We can say, however, that facilities completed since the late 1980s are considered to be blast resistant. Figure 5 shows the number of primary facilities that meet one, two, three, four, or five of the physical security standards.<sup>7</sup> For example, it shows that the primary office facility at 81 posts met none of the five standards. Of these, 36 facilities are in locations that the State Department has designated as posing a high or critical threat level.

---

<sup>7</sup>Our analysis of facilities' security focused on the primary facility at 244 posts for which State provided security data.

**Figure 4: Percentage of Primary Facilities that Meet or Do Not Meet Key Physical Security Standards**

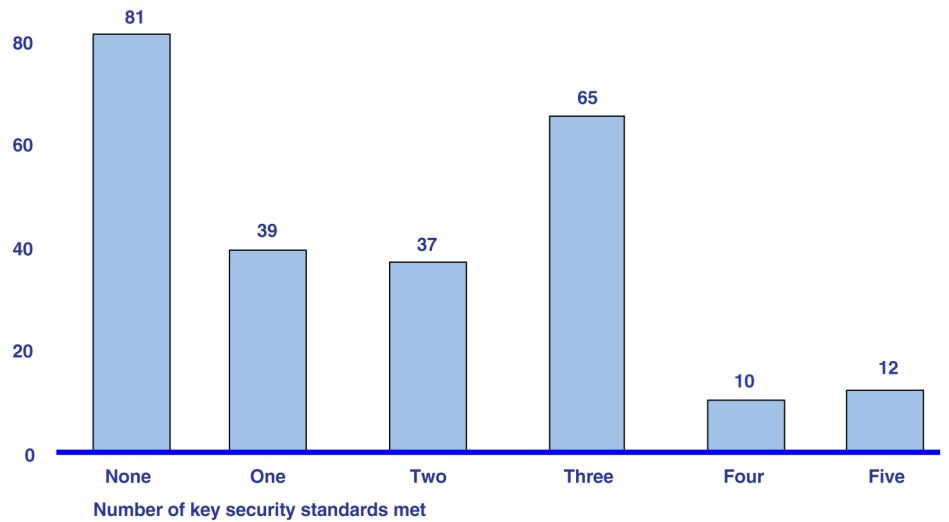


Source: GAO analysis of State Department data.

**Figure 5: Number of Physical Security Standards Met by Primary Facilities**

Number of primary facilities

100



Source: GAO analysis of State Department data.



---

## Setback

As shown in figure 4, only 28, or 11 percent, of the primary buildings meet the 100-foot setback standard. More than half of the primary buildings have less than 15 feet of setback—these buildings are virtually perched on the street. Figure 6 is an example of a post with limited setback.

At the four posts we visited, all of the primary office buildings have limited setback from the street and several annex buildings have no setback. As shown in figure 7, one of these buildings is adjacent to a public gas station, which could exacerbate the effects of a bomb attack.

**Figure 6: Insufficient Setback at a U.S. Embassy**



Source: State Department.

**Figure 7: Public Gas Station Behind an Embassy Building Poses Security Concern**



Source: GAO, March 2003.

Another building, with little setback, is located next to a main thoroughfare. Consequently, public traffic, including trucks and buses, routinely travels within feet of U.S. government office space. At three of the four posts we visited, the embassy had secured host government cooperation in closing at least one street surrounding the primary office building; however, embassy officials at one location noted that these agreements were temporary and could be revoked at any time. Moreover, the embassies had not been able to close streets running next to all of their facilities, such as office annexes. For example, figure 8 depicts the view from a senior official's office in an annex building where post officials were unable to close the main thoroughfare that runs directly in front of the building.



**Figure 8: View from Annex Office Showing Traffic Flow Nearby**



Large truck passing near office.

Source: GAO photo.

## Perimeter Walls or Fences and Anti-ram Barriers

Perimeter walls or fences and anti-ram barriers are two standards that work together to protect facilities. We found that 120 primary facilities lack an adequate perimeter wall/fence, while 147 lack adequate anti-ram barriers. Diplomatic Security officials explained that in many cases, posts are unable to install these upgrades due to host country limitations, such as their impact on traffic flow, parking, and the operation of adjoining residences and commercial buildings. Diplomatic Security officials stated that perimeter upgrades have been installed at all posts that are able to accommodate them.

## Compound Access Control

We also found that 108 posts either lack or have inadequate compound access control, a system of gates, barriers, and guard booths that is used to pre-screen personnel and vehicles before entering the embassy grounds. At one embassy we visited, visa applicants could gain access to the embassy building prior to undergoing proper screening, which would be a serious concern in the case of a terrorist action. Figure 9 depicts an inadequate compound access control booth, which is located within the embassy compound. The Security Officer acknowledged that this was a serious weakness and that visitors were not screened adequately before entering the embassy building. Construction of a new compound access control system is scheduled to begin in May 2003. Figure 10 depicts a

---

newly upgraded compound access control system that facilitates full screening of all vehicles and persons prior to their gaining access to the compound.

**Figure 9: Inadequate Compound Access Control Booth**



Source: GAO photo.

---

**Figure 10: Newly Upgraded Compound Access Control Booth**



Source: GAO photo.

Ambassadors and security officers at three of the four posts we visited emphasized that in addition to facilities not meeting standards, there were security difficulties associated with the number of office facilities at their post that were spread out around the city. Three of the four posts we visited had more than five locations, and post managers were concerned that this made it extraordinarily difficult and expensive to implement security measures. Officials also stated that dispersion of facilities complicates emergency action planning. We note that frequent travel between dispersed facilities may also pose security risks to personnel because terrorists and criminals can target them while they are in transit. In the construction of new embassy compounds, all U.S. government offices are required to be located on the compound.

---

## Buildings Are in Poor Condition

State Department data show that many buildings are in poor condition. At 133 posts, the primary office building has certain fire/life safety deficiencies. At one post we visited, the fire escape for the 6<sup>th</sup> floor of the chancery was a chain-link ladder strapped to a heating radiator (fig. 11). OBO fire officials explained that a number of posts were unable to meet fire standards, such as sprinkler systems and proper number of exits, due to the structural limitations of the building. This underscores the Department's position that many buildings are in a condition that will not allow a security and safety upgrade.



---

**Figure 11: Chain-link Ladder Serves as Fire Escape for 6<sup>th</sup> Floor Embassy Employees**



Source: GAO photo.

Another safety problem is the seismic condition of buildings. Although the State Department does not have data on seismic conditions at all facilities, it acknowledges that embassy and consular employees at some locations may be working in buildings that do not protect against earthquakes. At one of the posts we visited, located in an earthquake region, the consular building has a very poor seismic rating. The State Department has been unable to locate a suitable temporary facility that can house the consular services while the landlord makes seismic improvements to the current building. The landlord has absolved himself from any responsibility in the event of earthquake damage.

---

## Maintenance Is Serious Concern

Maintenance is a serious concern because “essential maintenance and repair requirements have long been unfunded,” according to OBO documents. In May 2002, State estimated that its repair backlog to be about \$736 million. For the primary office buildings alone, maintenance needs exceed \$316 million, with the primary building at more than one-third of all posts having more than \$1 million in maintenance requirements. OBO projects that maintenance costs will increase over time because many of the facilities are so old and antiquated, some dating back to the late 19<sup>th</sup> and early 20<sup>th</sup> century. Our visits to four posts provided numerous examples of maintenance problems. All of the posts we visited had buildings with serious maintenance concerns that are

---

common to old and deteriorating buildings, such as sinking foundations, crumbling walls, bursting pipes, and electrical overloads.

---

## Office Space Is Crowded

Although there are no specific criteria to measure the adequacy of office space, OBO has provided posts a questionnaire to help them evaluate space needs. Based on post inputs, OBO's Long-range Overseas Buildings Plan describes space conditions at posts where it plans a new facility or major rehabilitation. We counted 96 posts mentioned in the plan where OBO described the office space as being crowded or poorly configured. During our post visits, we verified that crowded and poorly configured office space is a problem. This was particularly true in the controlled access areas of the embassies where classified information is stored and processed. Because of the special requirements of these areas, it is generally not feasible to lease additional space as the embassies have done to expand office space for unclassified work. One post had severe overcrowding in its chancery. To cope, the post resorted to creating workspaces under a stairway and in storage areas. One office stacked a printer on top of shelving that can only be accessed with a stepladder in order to make room for another small workstation. This post used trailers located behind the chancery to augment office space. In addition, all of the posts expressed concern that the crowded conditions would get worse because they anticipate staff increases to handle additional responsibilities, such as performing more rigorous screening of visa applicants. Several ambassadors told us that the dispersion of office space in multiple buildings hindered operational efficiency. This is because personnel spend significant amounts of time going from one facility to another to conduct daily business.

---

## Information Technology Issues

I will now briefly discuss information technology capabilities at overseas posts, which, along with office facilities, are an important part of diplomatic readiness. State has long been plagued by poor information technology capabilities. In 1999, the Overseas Presence Advisory Panel reported that many posts are equipped with obsolete systems that prevent effective interagency information sharing.<sup>8</sup>

---

<sup>8</sup>*America's Overseas Presence in the 21<sup>st</sup> Century: The Report of the Overseas Presence Advisory Panel.*

---

The Secretary of State has made a major commitment to modernizing information technology. According to State officials, the department invested \$236 million in fiscal year 2002 on key modernization initiatives for overseas posts and plans to spend \$262 million over fiscal years 2003 and 2004. State reports that its information technology is in the best shape it has ever been, and embassy personnel at the four posts we visited agreed, noting that they now have improved Internet access and upgraded computer equipment. State is now working to replace its antiquated cable system with the State Messaging and Archive Retrieval Toolset (SMART), a new integrated messaging and retrieval system.

We have raised a number of concerns regarding State's management of information technology programs, and believe that State's information technology modernization efforts warrant management attention and oversight to ensure that State is following effective management practices. In 2001, we reported that State was not following proven system acquisition and investment practices in attempting to deploy a common overseas knowledge management system.<sup>9</sup> State canceled this initiative because it could not get buy-in from other foreign affairs agencies. In 2001, we reported on State's information security problems, including weaknesses in access control that place information resources at risk of unauthorized access.<sup>10</sup> As State continues to modernize information technology at overseas posts, it is important that it employs rigorous and disciplined management processes on each of its projects and that it addresses its information security weaknesses. This is particularly important on the SMART system, which State acknowledges is an ambitious effort. The Office of Management and Budget recently reduced funding for the system because of concerns that State was not employing effective management processes.

---

<sup>9</sup>U.S. General Accounting Office, *Information Technology: State Department-Led Overseas Modernization Program Faces Management Challenges*, [GAO-02-41](#) (Washington, D.C.; Nov. 2001); and U.S. General Accounting Office, *Foreign Affairs: Effort to Upgrade Information Technology Overseas Faces Formidable Challenges*, [GAO/T-AIMD/NSIAD-00-214](#) (Washington, D.C.; June 2000).

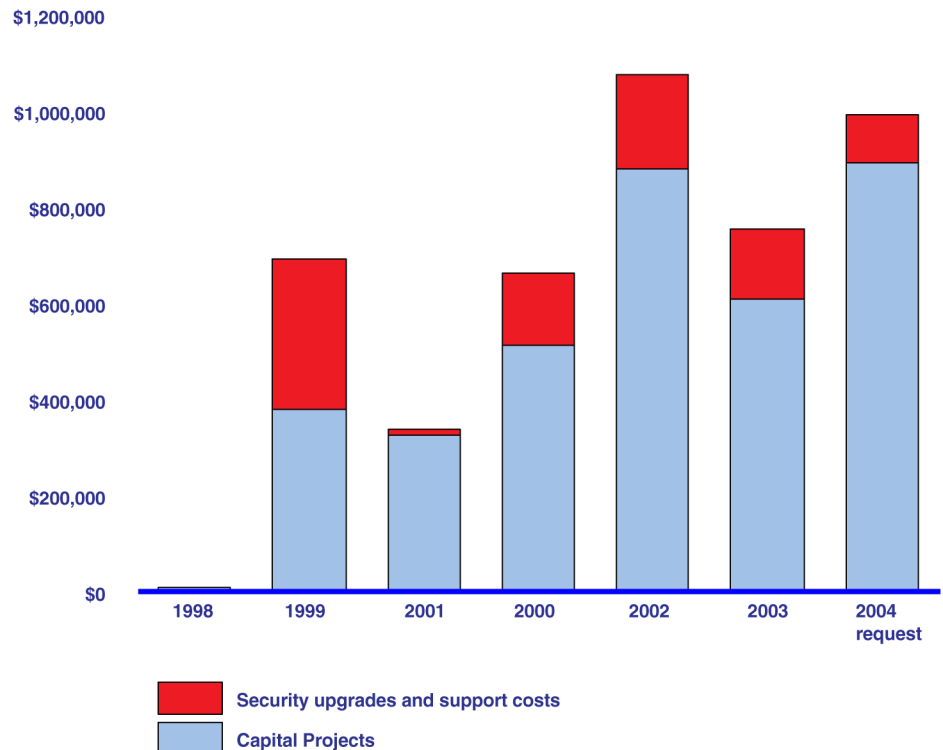
<sup>10</sup>U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of State*, [GAO-01-252](#) (Washington, D.C.: Jan. 2001).

## Replacing Buildings Is State's Long-term Solution to Physical Security Problems

State continues to make security upgrades at some posts, but it is shifting its resources toward replacing existing facilities with new, secure embassy compounds or substantially retrofitting existing, newly acquired, or leased buildings. As shown in figure 12, funding for State's capital projects has increased from \$9.5 million in fiscal year 1998 to a requested \$890 million in fiscal year 2004. State is still in the early phase of this multiyear, multibillion-dollar construction program. I will discuss this program briefly and then make several preliminary observations regarding State's management of this program.

**Figure 12: Appropriations for Upgrading and Replacing Diplomatic Posts, Fiscal Years 1998-2004**

In thousands of dollars



Source: State Department, Bureau of Overseas Buildings Operations.

Fiscal Year 2002 includes \$200.5 million from Emergency Supplemental Act, 2002.

---

## Summary of State's Requirements and Plans for Future Construction

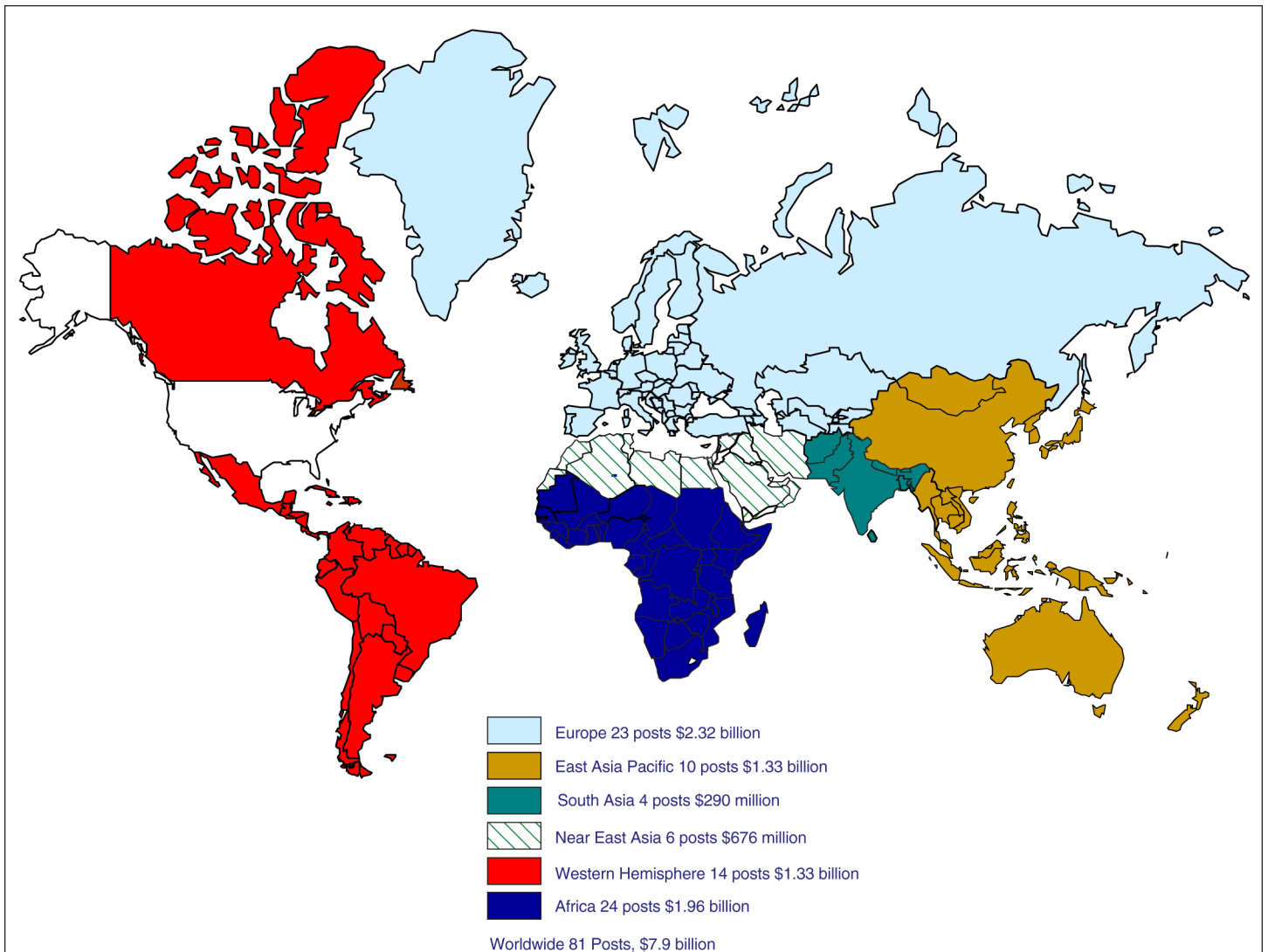
Following the 1998 east Africa bombings, State identified about 185 posts needing replacement facilities in order to meet security standards. As of February 10, 2003, State had begun to replace 25 of these posts with new or retrofitted embassy and consulate compounds. From fiscal year 1999 through fiscal year 2003, State has received approximately \$2.7 billion for its new construction program. OBO officials estimated that beginning in fiscal year 2004, it will cost an additional \$16 billion to replace facilities at the remaining 160 posts. OBO plans to construct these replacement facilities on embassy/consulate compounds that will contain the main office building, all support buildings, and, where necessary, a building for the U.S. Agency for International Development.

To help manage this large-scale construction program, OBO developed the Long-range Overseas Buildings Plan, first published in July 2001 and most recently updated in April 2002. The latest version of the plan outlines and prioritizes proposed capital projects over 6 years, from fiscal year 2002 through fiscal year 2007, based on input from State's Bureau of Diplomatic Security, regional bureaus, and agencies with overseas presence.

According to the April 2002 plan, State plans to fund the replacement of facilities at 81 posts at an estimated cost of \$7.9 billion from fiscal year 2002 through fiscal year 2007. As shown in figure 13, the majority of these projects are planned for Africa and Europe. OBO plans to release the next update of the Long-range Overseas Buildings Plan by the end of March 2003.



Figure 13: Plans for Post Replacement Projects, Fiscal Years 2002-2007



Source: Long-range Overseas Buildings Plan, April 2002.

Of State's 25 post replacement projects funded after the 1998 embassy bombings, State has completed the construction of 2 new embassy compounds and major retrofits of 2 newly acquired buildings that will

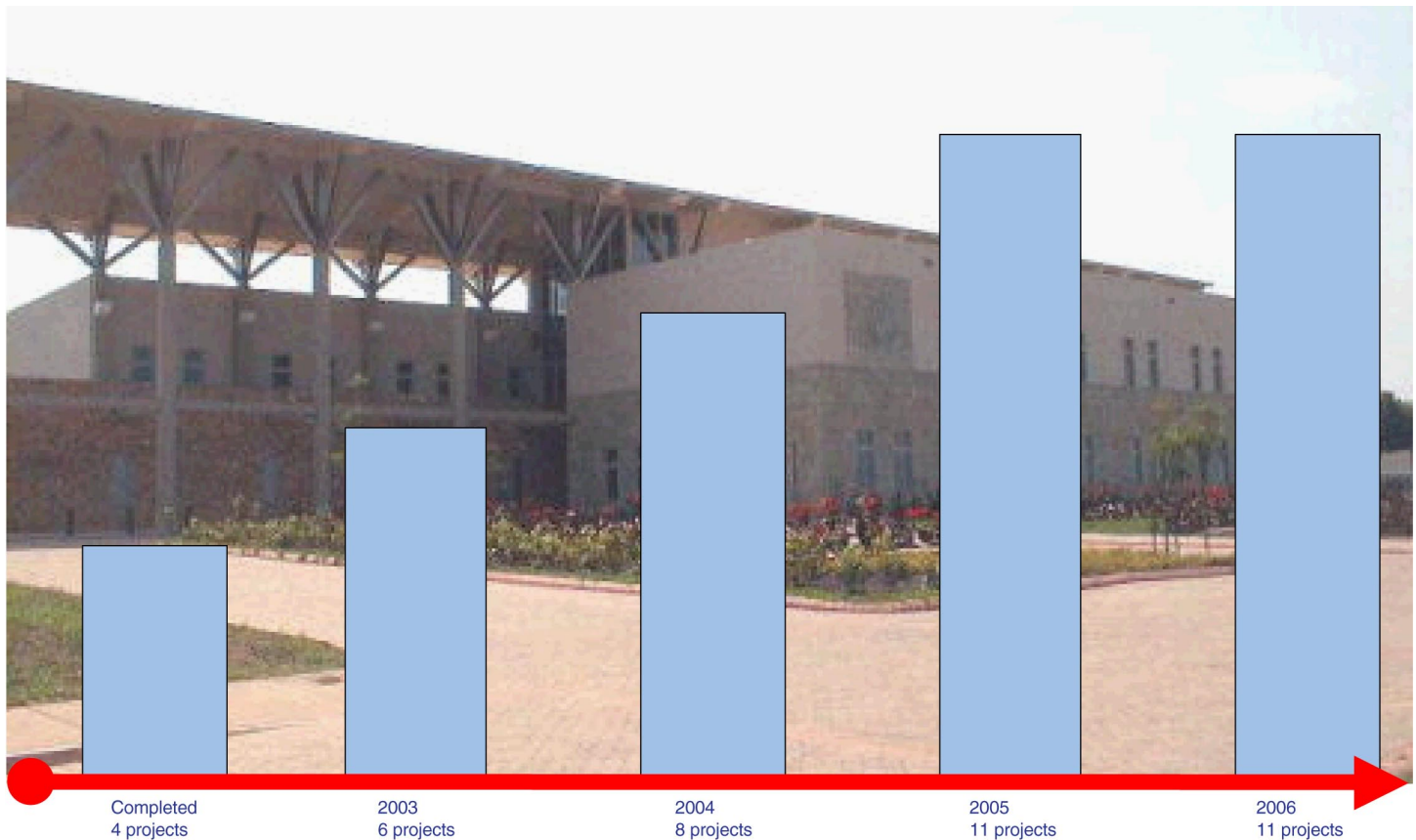
---

serve as embassies.<sup>11</sup> The remaining 21 projects are currently in the construction process. These consist of 18 new embassy and consulate compounds, 1 consulate compound renovation, and 2 newly acquired buildings undergoing major retrofitting for use as embassies (see fig. 14). State plans to initiate another 7 post replacement projects in fiscal year 2003 and 8 post replacement projects in fiscal year 2004. These projects will be completed in fiscal years 2005 and 2006, respectively, if they adhere to State's planned 2-year construction schedule.

---

<sup>11</sup>Capital project figures exclude support buildings such as Marine Security Guard Quarters, U.S. Agency for International Development buildings, and General Services Operations buildings that were built independently of new embassy compounds.

**Figure 14: Scheduled Completion of Capital Projects Funded Fiscal Years 1999-2004\***



Source: Long-range Overseas Buildings Plan, April 2002, GAO analysis.

\*As of February 10, 2003. Excludes smaller capital projects such as Marine Security Guard Quarters, U.S. Agency for International Development Buildings, and General Services Offices. Assumes a 2-year construction period for projects funded in 2003 and planned in 2004.

Regarding the four posts we visited, a replacement facility is under construction at one post and fiscal year 2006 funding is scheduled for replacement facilities at two posts. The replacement facility for the fourth post is not currently scheduled; however, post officials told us that a replacement facility at their location would be included in OBO's March 2003 update of the Long-range Overseas Buildings Plan. Assuming that funding were made available to replace facilities for the three posts in fiscal year 2006, construction would not be completed until about 2009. Ambassadors at two of these posts expressed concern that it would be difficult to wait that long for a solution to their facility needs and that interim measures were needed.

---

## State's Management of the Recently Expanded Construction Program

We are currently reviewing State's capacity and performance in implementing its large-scale construction program. Two important questions for program oversight by this and other committees are: (1) Is the construction of embassies and consulates proceeding on time and on budget? (2) Do OBO and its contractors have the capacity to properly manage the program and ensure that funds are used wisely? State is in the early stages of its expanded construction program and, therefore, has not yet established a clear track record that would provide complete answers to these questions. However, we do have several observations based on our ongoing work.

First, OBO has made a number of positive changes in its management of capital projects as the construction program has expanded over the past few years. As mentioned earlier, OBO developed the Long-range Overseas Buildings Plan in July 2001, an action we had previously recommended.<sup>12</sup> This plan represents a major improvement in the management of embassy construction because it provides decision makers with an overall sense of proposed project scope and funding needs, and sets performance targets that can be compared with actual performance. Further, in February 2002, OBO leadership convened the Industry Advisory Panel. The panel consists of volunteer industry representatives who meet quarterly to discuss issues related to OBO's construction program and advise OBO management on industry's best practices. Moreover, senior OBO management has increased its oversight of ongoing capital and other projects. For example, each month, the OBO Director holds a 2-day Project Performance Review meeting to review the progress and problems of all ongoing OBO projects in detail. In addition, OBO is requiring contract administration training for all senior field staff who are to supervise new embassy and consulate construction.

Second, State is taking steps to accelerate the construction process, reduce construction costs, and further enhance physical security conditions of new buildings. For example, OBO has developed a standard embassy design for use in most projects and has moved away from a "design-bid-build" method of contracting toward a "design-build" method. Use of a standard design and design-build contracting has the potential to reduce project costs and the time taken to implement projects. Table 2 provides details of the three standard designs that OBO has developed for

---

<sup>12</sup>U.S. General Accounting Office, *Embassy Construction: Better Long-term Planning Will Enhance Program Decision-making*, GAO-01-11 (Washington, D.C.: Jan. 2001).

small, medium, and large posts. OBO has set a goal of a 2-year design and construction period for its standard embassy design buildings, which, if met, would reduce the amount of time spent in design and construction by almost a year.<sup>13</sup>

**Table 2: Characteristics of Standard Embassy Designs for New Capital Projects**

	<b>General size</b>	<b>General construction cost <sup>a</sup></b>
Small new office building	46,285 gross square feet	\$45 million
Medium new office building	79,653 gross square feet	\$65 million
Large new office building	121,632 gross square feet	\$85 million

Source: Long-range Overseas Buildings Plan, April 2002.

<sup>a</sup>This figure is in 2002 dollars and excludes value added tax and land costs.

In addition, OBO and the Bureau of Diplomatic Security are actively seeking to incorporate advanced technologies into the construction program. Exhibit 5, a video clip from the State Department showing the performance of new windows and building materials, indicates that these technologies show promise of providing an even greater level of physical security for personnel operating in new buildings.

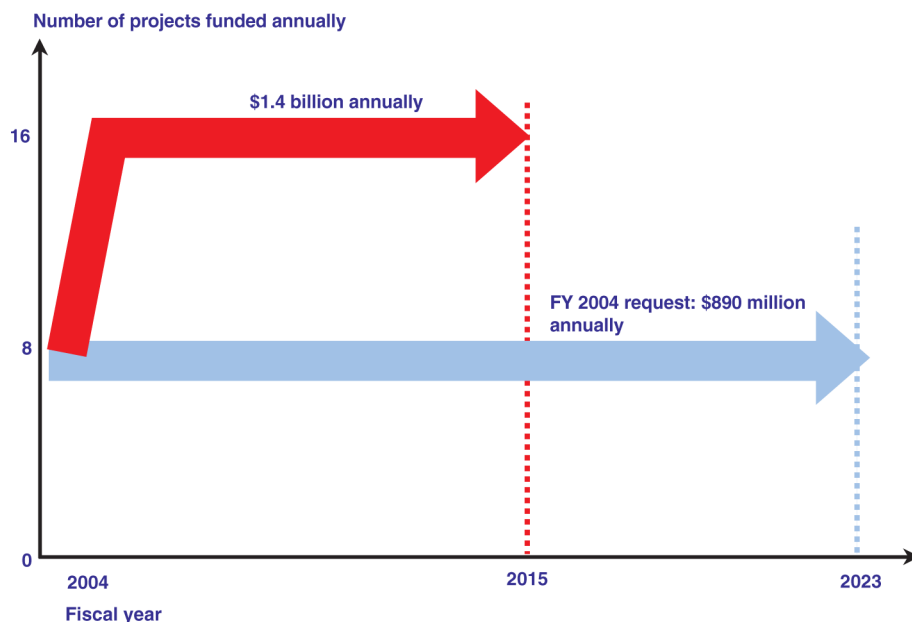
While OBO has taken positive steps, we do have concerns regarding requirements for staffing levels at locations where OBO is planning to build a new embassy compound. We believe that improvements are needed in how the State Department and other agencies project staffing requirements for new embassies. In April 2003, we will report to the Chairman of the House Government Reform Committee's Subcommittee on National Security, Emerging Threats, and International Relations that staffing projections for new embassy compounds are developed without a systematic approach or comprehensive assessments of the number and types of staff who would be needed in the future. Without adhering to a systematic process for developing future staffing needs at U.S. embassies and consulates, the U.S. government risks building the wrong-sized facilities, which could lead to security concerns, additional costs, and other work inefficiencies.

<sup>13</sup>Current new post construction projects have a contract schedule averaging 2 years and 11 months to complete. Only one project completed thus far—the new embassy compound in Kampala, Uganda—has used the standard embassy design.

## Funding and Timelines for Completing the Construction Program

State's timeline for completing the replacement of all 160 remaining posts will depend on the amount of funding it receives for the construction program. For fiscal year 2004, State's Long-range Overseas Buildings Plan called for almost \$2 billion to fund the design and/or construction of 19 capital projects; in contrast, the President's proposed fiscal year 2004 budget requested \$890 million for 8 new diplomatic posts. As shown in figure 15, at the proposed fiscal year 2004 rate of replacement, it would take about 20 years to fund and 22 years to complete construction of the estimated 160 remaining posts (assuming a 2-year design and construction period). Figure 15 also shows that this timeline would be shortened if State receives more funds annually. According to an OBO projection, the program to replace the remaining 160 posts could be completed in 12 years if OBO receives \$1.4 billion annually for new capital projects.

**Figure 15: Projected Timelines for Funding Facility Replacement Projects**



Source: GAO projections based on Fiscal Year 2004 appropriations request and Overseas Buildings Operations data.

In a January 2001 report,<sup>14</sup> we identified potential industry bottlenecks and management issues that could affect State's ability to further expand and increase the pace of the construction program. These potential problems

<sup>14</sup>GAO-01-11.

---

include the availability of appropriate sites for new buildings, particularly in major urban areas; appropriately cleared U.S. labor; construction materials; and unique security materials, such as glazing for windows and forced entry- and ballistic-resistant doors. Further, State and its contractors may require more management resources to implement and manage the program. In our continuing work for the committee, we will be considering these and other issues related to State's and its contractors' performance in building new embassies and consulates.

---

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other members of the committee may ask.

---

## Contact and Acknowledgments

For future contact regarding this testimony, please contact me at (202) 512-4128 or at [fordj@gao.gov](mailto:fordj@gao.gov). Individuals making key contributions to this testimony include John Brummet, Janey Cohen, Cynthia Jackson, Judy McCloskey, Nanette Ryen, Michael Simon, and Joe Zamoyta.