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AFGHANISTAN

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

Statement of Michael J. Courts, Director,
International Affairs and Trade

Accessible Version



Chairman Chaffetz, Ranking Member Cummings, and Members of the Committee:

I am pleased to be here to discuss our work regarding the Department of State's (State) construction efforts at the U.S. embassy in Kabul, Afghanistan. Since re-opening in 2002, the U.S. embassy in Kabul has experienced a dramatic increase in staffing, followed by a gradual drawdown. State has invested or plans to invest a total of \$2.17 billion in its facilities in Kabul to address current and projected space needs in a difficult environment with constantly evolving security threats.

My testimony summarizes our May 2015 report on the status of construction at the U.S. embassy in Kabul.¹ Like our May report, this testimony discusses (1) the extent to which construction cost and schedule have changed and why, (2) State's use of temporary facilities on-compound, and (3) State's planning for projected embassy facility needs. For our May 2015 report, we examined agency planning, funding, and reporting documents and interviewed officials from State's Bureau of Overseas Buildings Operations (OBO), Bureau of Diplomatic Security (DS), and other offices. The review included fieldwork and associated follow-up in Kabul, Afghanistan throughout 2014. Additional details on our scope and methodology can be found in our May 2015 report.² All of our work was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Briefly, we found the following: First, contract costs have risen and schedule has been extended following State's incomplete risk assessment, and further cost increases are likely. Second, State will continue using temporary facilities but lacks specific security standards for them, contributing to increased costs and extended schedules. And

¹GAO, *Afghanistan: Embassy Construction Cost and Schedule Have Increased, and Further Facilities Planning Is Needed*, [GAO-15-410](#) (Washington, D.C.: May 19, 2015).

²[GAO-15-410](#).

third, lack of strategic facilities planning has led to challenges in addressing the embassy's future facility needs. In our May 2015 report, we made recommendations to State to help address these issues which are discussed later in this statement along with State's response.

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

As part of recent construction of Kabul facilities, in fiscal years 2009 and 2010, State awarded two contracts originally worth \$625.4 million to meet growing facility requirements at the U.S. embassy in Kabul. Table 1 details the original scope of each contract.

Table 1: Scope of Work for 2009 and 2010 Kabul Embassy Construction Contracts at Time of Award

Fiscal Year 2009	Fiscal Year 2010
Awarded: September 30, 2009	Awarded: September 30, 2010
Awarded Amount: \$209.4 million	Awarded Amount: \$416 million
Requirements - design and construction of: office annex A apartment building 1 temporary offices and housing utility building warehouse addition other support buildings	Requirements - design and construction of: office annex B apartment buildings 2 and 3 expand apartment building 4 parking facilities other support buildings

Source: State | GAO-15-755T

Figure 1 depicts the compound upon completion of current construction.

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



Source: State. | GAO-15-755T

^aThis architect's rendering is reflective of State's current design.

State's plans called for sequencing construction under the two contracts and also entailed acquiring the Afghan Ministry of Public Health site adjacent to the compound to build parking facilities for approximately 400 embassy vehicles. In September 2011, after State determined that the planned transfer of the Afghan Ministry of Public Health site would not happen, State removed the parking and vehicle maintenance facilities from the project. State also partially terminated elements of the first contract in September 2011—specifically one of the permanent office annexes and one of the staff apartment buildings—for the convenience of the U.S. government, in part, due to concerns about contractor performance and schedule delays. The 2009 contractor completed the temporary offices and housing units, but State transferred contract requirements for those permanent facilities not begun by this contractor to the 2010 contract, which increased cost and extended schedule.

The cost for the 2009 and 2010 contracts has increased by about 27 percent, from \$625.4 million to \$792.9 million (see table 2).

Table 2: 2009 and 2010 Kabul Construction Contract Costs^a (Dollars in millions_

	2009 contract	2010 contract	Total
Contract award	\$209.4	\$416.0	\$625.4
Contract modifications	(\$121.4) ^b	\$288.90	\$167.5
Total contract costs, as of March 2015	\$87.9	\$705.0	\$792.9

Source: GAO analysis of State data | GAO-15-755T

^aTotals may not add because of rounding.

^bDecrease in contract costs is due to the partial termination of this contract—removing the permanent facilities—for the convenience of the U.S. government.

As of March 2015, OBO and the 2010 contractor were negotiating the value of several potential contract changes that will likely result in increased costs. For example, the contractor has asserted that site areas it needed were not available to start construction as planned. With regard to schedule, projected completion has been delayed over 3 years to fall 2017, although the 2010 contract had not yet been revised to reflect that date as of May 2015.³

We found that State did not follow its cost containment and risk assessment policies, resulting in lost opportunities to mitigate risks. The U.S. Office of Management and Budget (OMB) requires value engineering (referred to here as cost containment)⁴ for certain construction projects.⁵ In addition, OBO's standard operating procedures require risk assessment studies to reduce and manage risks to a project.⁶ For the 2009 contract, State confirmed that it did not conduct either type

³Although the 2010 contractor's delivery date to complete the project is currently July 2016, as of May 2015 State and the contractor continued to discuss potential contract changes that may affect contract schedule.

⁴Value engineering includes a systematic process of reviewing and analyzing a project for the purpose of achieving the lowest life-cycle cost consistent with required levels of performance, reliability, quality, or safety. The process is performed by a team of contractors and/or agency personnel. The process may identify recommendations for changes to plans, contracts, and other documents associated with the project. It is a well-established commercial practice that can help federal agencies reduce program and project acquisition costs, improve the quality and timeliness of performance, and take greater advantage of innovative approaches.

⁵OMB, *Value Engineering*, Circular No. A-131 (revised), Dec. 26, 2013, which superseded the 1993 edition of the circular in force in 2009 and 2010.

⁶OBO, *OBO Risk Assessment Standard Operation Procedure*, Mar. 7, 2005.

of assessment. For the 2010 contract, State did complete a cost containment study and a risk assessment in March 2010.

The 2010 cost containment study made 31 recommendations to streamline construction and improve the project. State accepted 18, rejected 12, and partially accepted 1 of these recommendations.⁷ The risk assessment identified over 30 risks to the project. In particular, it identified the interface between the 2009 and 2010 contracts as a major source of risk. The study raised concerns about how State could best coordinate the 2010 contract with the 2009 contract without sufficient information about the first contractor's design plans, which were under development. Examples of other major risks identified included (1) that adjacent Afghan Ministries of Public Health and Defense sites that State planned to acquire might not be available in time, or at all, to enable construction to proceed as planned, and (2) that there might be insufficient space for two contractors to stage construction concurrently.

The consultant responsible for the risk assessment recommended risk mitigation actions, which State did not act on, that aligned with the cost containment recommendations. For example, two of the recommendations were that State (1) facilitate greater project coordination between the two contracts, and (2) divide the 2010 contract into two separate contracts so that if the 2009 contract was delayed, the 2010 contract would not also be delayed.

One State official indicated that, given concerns about security in Kabul and pressure to get permanent, hardened facilities built as soon as possible, State was not going to act on any recommendation that would delay getting the contracts awarded and the facilities built. A senior State management official acknowledged that State did not fully follow its cost and risk policies, and said that had State more fully considered the cost containment and risk assessment study recommendations, there might have been a decision to delay award of the 2010 contract, which would have slowed efforts to provide facilities as quickly as possible. Several risks noted by that study eventually materialized, such as the loss of the Afghan Ministry of Health site and insufficient space that interfered with the sequencing of construction. These factors contributed to increased

⁷We did not assess the extent to which accepted recommendations were implemented by State.

cost and extended schedule. Thus, in our May 2015 report, we recommended that State ensure existing cost containment and risk assessment policies are followed in future Kabul construction projects. State concurred.

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

Since 2002, State has spent over \$100 million to construct temporary facilities on the embassy compound to accommodate evolving staffing needs and provide temporary office and housing space as permanent facilities are built. OBO building guidance from 2009 states that “temporary facilities” are facilities that will be occupied for no more than 5 years or until a permanent building is constructed, whichever is sooner. The guidance also indicates that temporary facilities include, but are not limited to, containerized housing/office units, modular units, modified shipping containers, and trailers.⁸ On completing the project in 2017, all temporary facilities on-compound will be nearly 5 years old or more, and a smaller subset will be more than 10 years old. Based on numbers provided by State, those temporary facilities will likely consist of over a third of available desks and beds. State officials indicated that continued use of these temporary facilities is likely, as some may be used by contractors that will provide support services following the U.S. military’s drawdown. For more information, see appendix 1.

The lack of security standards for temporary facilities contributed to insufficient and differing levels of protection, increased costs, and extended schedule. Prior to building additional temporary facilities under the 2009 contract, State informed Congress in its fiscal year 2008 Supplemental Appropriations Justification of its concerns about threats posed from potential incoming weapons fire—amid increasing attacks around Kabul—and indicated that overhead protection was required to protect staff in existing temporary facilities on compound. Also, State security standards in 2009 indicated that housing constructed as an integral part of or adjoining the chancery (i.e., office building) should be constructed to meet chancery physical security standards.

State has physical security standards governing construction of offices and housing that State seeks to meet regardless of whether a facility is permanent or temporary. However, according to DS officials, State does

⁸OBO, *Building Innovation*, October 2009.

not have security standards specifically tailored to temporary facility construction. For practical purposes, DS officials said that State's physical security standards governing new construction—regardless of whether a facility is permanent or temporary—are standards that only permanent construction can meet. Where newly constructed temporary facilities—unlike newly constructed permanent facilities—cannot be constructed to meet all State's security standards, State has the discretion to grant exceptions from those standards and to specify mitigating alternative security measures that will be provided.

In the absence of minimal security standards (or guidance) to guide planning for temporary facility construction, State inconsistently applied alternative security measures, resulting in insufficient and different levels of security between the temporary offices and housing. When awarding the 2009 contract, State did not specify that overhead protection was required for either the temporary housing or offices, even though State had previously expressed to Congress concerns about the threat posed from incoming weapons fire in 2008. Furthermore, the only security protection measure specified in the 2009 contract for the temporary housing was shatter-resistant window film. By comparison, temporary offices were to receive forced entry and ballistic protection. State subsequently took corrective action through modifications on the 2009 contract that increased cost and extended schedule. State likely paid more than it would have had the security requirements been included in the original contract requirements.

Thus, to address this issue, in our May 2015 report, we recommended that State consider establishing minimum security standards or other guidance for the construction of temporary structures, especially those used in conflict environments. State partially concurred. State does not support separate standards for temporary structures, reiterating that it aims to meet Overseas Security Policy Board security standards in all environments. Where this is not possible, State asserts it works to meet the intent of these standards through alternative security mitigation measures via its "waivers and exceptions" process. However, State commented that it does believe that there is value in documenting standard operating procedures and best practices associated with the deployment and protection of temporary structures in high-threat and conflict environments. State noted that while such documentation would not constitute security standards and would not circumvent risk management integral to its waivers and exceptions process, it would provide templates from which to base the design of future projects in

exigent environments. Should State produce such documentation, we believe that this could meet the intent of our recommendation.

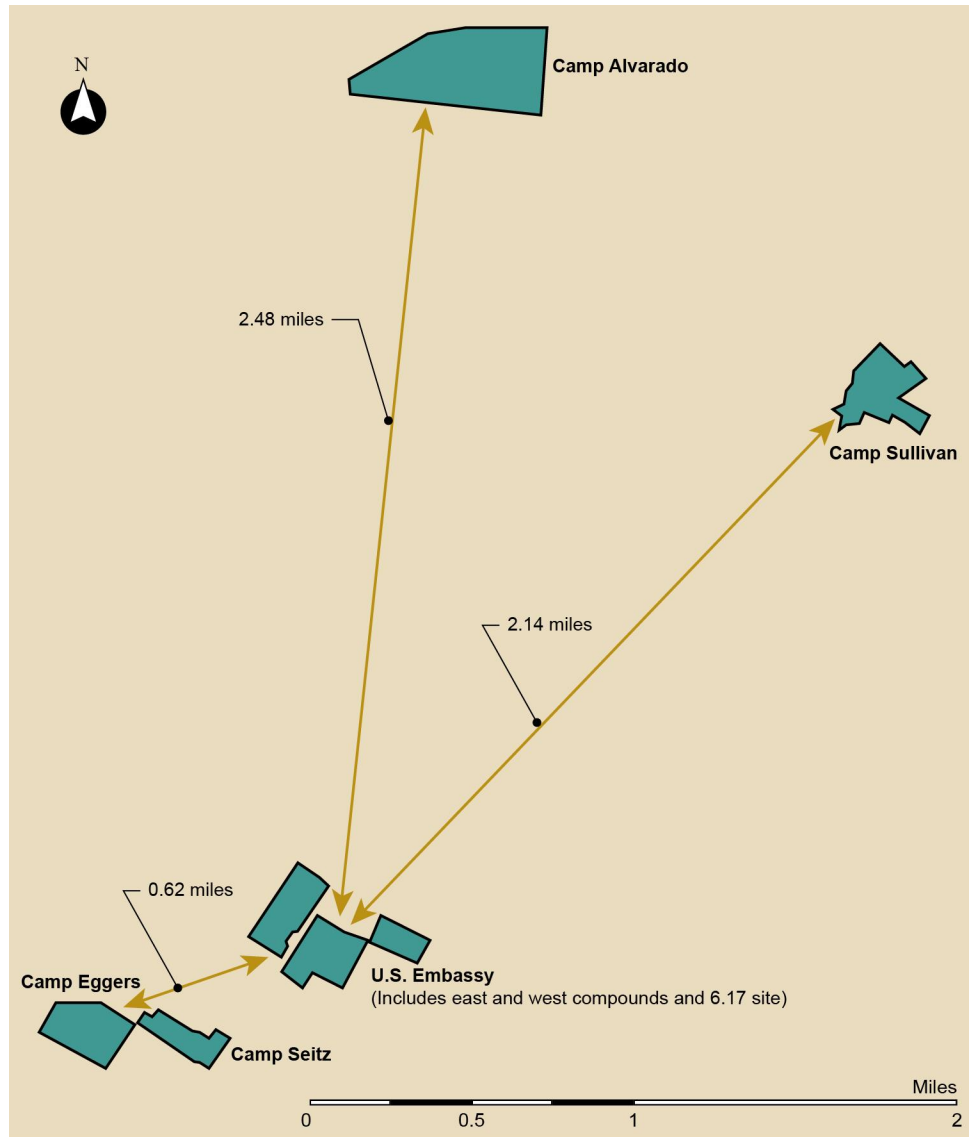
Lack of Strategic Facilities Planning and Policy Has Led to Coordination Challenges in Addressing Future Needs in Kabul

As discussed in our May 2015 report, since the U.S. embassy in Kabul reopened in 2002, the unpredictable operating environment of Afghanistan has produced changing facility needs that have continually outpaced the post's existing capabilities. This has been due to various factors such as policy and program changes, staffing fluctuations, and changes in the security environment. To meet these needs, State has made or plans to make approximately \$2.17 billion in infrastructure investments in Kabul.⁹

During this time, the embassy has used a variety of off-compound facilities to meet some needs that could not be met on-compound. Key off-compound facilities include Camp Sullivan, a 20.9-acre property near Kabul International Airport; Camp Seitz, a 7-acre facility southwest of the embassy that serves as housing and office space for security contractors; and Camp Eggers, a 16.8-acre former Department of Defense (DOD) facility southwest of the embassy planned to serve as a contractor camp. In addition, State is upgrading Camp Alvarado, a property located near the airport that serves as the main aviation hub for the embassy's air transport and counternarcotics operations. As of March 2015, these off-compound properties represented a total State investment of almost \$731.4 million. The relative locations of these properties are shown in figure 2.

⁹For additional details on funding data, see [GAO-15-410](#).

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



Source: State. | GAO-15-755T

State plans to use \$394.9 million to address unmet facility needs on- and off-compound in fiscal year 2015.¹⁰ State is also seeking future funding for additional facility investments, such as upgrading the remaining temporary facilities and constructing the parking facilities that State had to remove from the current project.

The post's current facility needs stem primarily from changing circumstances inherent to the operating environment in Kabul. For example, when the Afghan Ministry of Public Health site became unavailable for construction, OBO was forced to remove the parking garage, vehicle maintenance facility, and fuel point from the current project. Although the post has a temporary vehicle maintenance facility and fuel point, it is located where apartment buildings 2 and 3 will be built and must be demolished. State has explored interim solutions to provide a temporary vehicle maintenance facility at off-compound sites, but a permanent location had not been identified as of May 2015.

Changes in the security environment in Kabul, including attacks against the compound in September 2011, have also affected post needs. For example, security concerns were a primary factor in DS and the post's acquisition of the Camp Seitz and Camp Eggers, as this would allow, for example, the relocation of the Kabul Embassy Guard Force closer to the embassy.

The withdrawal of the U.S. military has also produced new needs for the post. For example, this has driven recent post requests for a medical trauma facility and helicopter landing zone, as well as past and future planned upgrades at Camp Alvarado. In addition, as of March 2015, State continued to develop a contract to replace support services such as food, fuel, medical, and fire protection previously provided by DOD. According to State, this transition will also require further infrastructure upgrades on-compound. State officials at the post noted that the future embassy needs will likely exceed the available space on-compound and will require prioritization of needs as well as high-level policy and management decisions on staffing presence.

State stakeholders in Washington and at the post are working to identify, prioritize, and address these facility needs through various coordination

¹⁰This funding is subject to completion of State's congressional notification process.

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

International Facility Management Association (IFMA), GAO, and OMB guidance recommend that an organization view all real property asset investments as a single portfolio with strategic linkages when determining the right mix of projects to undertake.¹¹ IFMA describes a strategic facility plan as a 2- to 5-year facilities plan that contains a needs statement (i.e., mission need), analysis of all real property assets and their condition, analysis of gaps between needs and current capabilities, recommendations for new spaces or buildings, and facility cost projections. IFMA also indicates the plan should document findings to include expected timelines for implementation but allow for updates, as appropriate. Similarly, GAO and OMB capital planning guidance emphasize the importance of identifying current capabilities of real property assets, determining gaps between current assets and needed capabilities, deciding how best to meet the gap by identifying and evaluating alternative approaches, documenting decisions, and making updates as needed.¹²

State officials responsible for embassy management, facilities, security, and construction all cited the lack of an overarching plan as an obstacle to coordination intended to address emergent post needs. According to State officials in Kabul and Washington, coordination to address the embassy's future needs is particularly difficult due to the large number of stakeholders in Kabul and in Washington. Additionally, the constant personnel turnover caused by the typical 1-year duty tours results in lack of continuity in decision making.

¹¹IFMA is an international professional association that advances facilities management through professional credentialing of facility managers, research, and training.

¹²GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: Dec. 1, 1998). OMB, *Capital Programming Guide*, Supplement to Office of Management and Budget Circular A-11: Planning, Budgeting, and Acquisition of Capital Assets (July 2012).

Without a comprehensive plan that provides a strategic framework, the competing proposals of the post's many stakeholders are difficult to manage, prioritize, and reconcile. Consequently, State has been challenged to efficiently address changing embassy needs in several instances on- and off-compound. Examples of those challenges include issues related to: (1) proposed projects conflicting with on-compound construction, (2) implementation of on-compound physical security upgrades, and (3) ineffective coordination of off-compound construction projects.¹³

When asked about strategic facilities planning, State officials provided a series of planning coordination tools as alternatives. These included OBO's 2010 site master plan for the embassy compound and a 2014 draft update of that master plan. Although these tools did perform some coordination functions, they do not substitute for a strategic facilities plan.

OBO's use of the term "master plan" created some false expectations among non-OBO stakeholders in Kabul and Washington. For example, officials from post and DS believed the 2014 master plan update would comprehensively identify the post's needs and take into account all facilities—to include off-compound projects—when determining capabilities and alternatives for meeting those needs; instead, the update was limited to the compound. When OBO presented the 2014 Master Plan Update to the post in September 2014, post officials told OBO that the site plan did not address all of the embassy's needs. In addition, they told us that limited space on-compound requires the continued use of off-compound facilities. OBO continues to work with stakeholders in Kabul and Washington to find ways to incorporate as many post needs on-compound as possible. While the 2014 Master Plan Update may eventually be used to inform a series of new construction projects, it remains a compound-specific document and does not address how embassy needs will be met at off-compound facilities in the interim. Thus, in our May 2015 report, we recommended that State develop a Kabul strategic facilities plan. State concurred.

From April 1990 through December 2013, OBO had a policy and procedures directive that required strategic facility planning (termed long-

¹³See [GAO-15-410](#) for additional details.

range facilities plans) for posts meeting certain criteria.¹⁴ State documentation shows that between 2004 and 2008, OBO prepared 16 long-range facilities plans (strategic facility plans) for selected posts with challenging real property issues. In 2008, OBO's then director also reported to State's Undersecretary for Management that long-range facilities plans were essential precursors to the development of individual projects. However, OBO produced no long-range facilities plans after 2008.

In December 2013, OBO rescinded its long-range facilities plans policy and procedures directive based on an explanation that the office responsible for that function no longer existed and that the function had been replaced by master planning.¹⁵ However, the action did not indicate what master planning entailed within OBO, nor did it explain and justify how master planning could substitute for strategic facilities planning. OBO was unable to provide any current policy governing either post strategic facilities planning or site master planning. Without policies that clearly define strategic facilities planning and master planning, as well as outline the content and methods to conduct such planning, it will be difficult for OBO to fulfill these responsibilities. Therefore, in our May 2015 report, we recommended that State establish policy and procedure directives governing the definition, content, and conduct of post-wide strategic facilities planning and master planning. State concurred.

Chairman Chaffetz, Ranking Member Cummings, Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

¹⁴OBO, *Policy and Procedures Directive PPD 01, Long Range Facility Planning Program*. These criteria included such things as significant staffing changes, need to collocate State and other agencies, political changes (e.g., post openings/closings,) security issues, and posts where a significant investment was to be made.

¹⁵According to OBO policy, a policy and procedures directive may be rescinded when replaced or superseded by a new directive or at the request of the proponent office. The responsible office must sufficiently explain and justify why the directive is no longer needed.

GAO Contact and Staff Acknowledgments

For further information about this testimony, please contact Michael J. Courts, Director, International Affairs and Trade at (202) 512-8980 or at courtsm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Leslie Holen (Assistant Director, International Affairs and Trade), Michael Armes (Assistant Director, Physical Infrastructure), David Hancock, John Bauckman, Eugene Beye, Mark Dowling, and David Dayton.

Appendix I: Temporary Facilities in Kabul, Afghanistan

Based on numbers provided by State, as of February 2015, temporary facilities on the embassy compound provided nearly 1,100 desks and 760 beds. Figure 3 shows some of the temporary facilities that the post has used to meet interim space needs.

Figure 3: U.S. Embassy Kabul, Temporary Facilities



Source: GAO. | GAO-15-755T

Temporary office facilities that are to remain can provide space for 875 desks. By comparison, permanent office facilities (existing and newly constructed) in fall 2017 will provide 1,487 desks.

The number of temporary housing facilities that are to remain has not been finalized. The number of beds likely to remain within the temporary housing facilities will range from approximately 472 to 640 beds. By

comparison, 819 permanent beds will be provided within permanent apartment facilities (existing and newly constructed) upon construction completion.

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