



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

## OFFICE OF INSPECTIONS

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### Compliance Follow-up Review of the Bureau of Overseas Buildings Operations

Report Number ISP-C-11-26, May 2011

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## **PURPOSE, SCOPE, AND METHODOLOGY OF THE COMPLIANCE FOLLOW-UP REVIEW**

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

### **PURPOSE AND SCOPE**

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

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

The Office of Inspections may perform on-site CFRs to verify whether agreed-upon corrective actions for recommendations issued in previous reports were fully and properly implemented and to provide OIG with a quality assurance assessment of its work.

### **METHODOLOGY**

In conducting this compliance follow-up review, the inspectors have: 1) reviewed the previous inspection report and the reported corrective actions; compiled and analyzed the results to measure and report changes in the period between the previous inspection and this CFR; 2) conducted on-site interviews and reviewed and collected documentation to substantiate reported corrective actions; 3) addressed new, significant deficiencies or vulnerabilities identified during the course of the on-site CFR and, where appropriate, issued new recommendations; and, 4) discussed the substance of the draft CFR report substance of the draft CFR report at the final meeting with the head of the inspected bureau.



**United States Department of State  
and the Broadcasting Board of Governors**

*Office of Inspector General*

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

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

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

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

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

Harold W. Geisel  
Deputy Inspector General

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## KEY JUDGMENTS

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- The Bureau of Overseas Buildings Operations (OBO) was substantially in compliance with the recommendations in the Office of Inspector General's (OIG) August 2008 report, *Inspection of the Bureau of Overseas Buildings Operations*.
- Internal reorganization and changes in senior leadership have improved interactions between OBO and Department of State (Department) entities and other agencies. The acting director conducts monthly program performance reviews which are useful and well attended.
- The Bureau of Consular Affairs (CA) was not satisfied with consular section configurations in a few new embassy compounds. More regular meetings between CA and OBO to discuss and resolve issues prior to the beginning of construction projects would help avoid this problem in the future.

The maintenance of bigger and increasingly more sophisticated office buildings and residential properties is a challenge because there has been insufficient funding for materials and staff. At the time of the compliance follow-up review (CFR), the Department was considering proposing to the Office of Management and Budget (OMB) that a portion of funds collected under the Capital Security Cost Sharing Program be set aside for maintenance. According to OBO, OMB accepted the proposal and the proposed FY 2012 budget includes a portion of funds as maintenance cost sharing.

- The Department's bureaus work with OBO during the entire construction process, from the design phase to move-in. However, rightsizing analyses and reports and the National Security Decision Directive-38 process have not been effective in controlling staffing increases that occur before move-in. Hence, some new facilities are overcrowded when they open.
- The internal review office's workload is insufficient and uneven; consequently, its staff is not always fully employed.

The CFR took place in Washington, DC, between September 20 and November 20, 2010. (b) (6)



## BACKGROUND

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As part of its goal to place embassy employees in safe, secure, and functional facilities, OBO completed more than 60 new embassy compounds and annex office buildings between 2001 and 2008. OBO used, and continues to use, a design-build concept for construction that originated from a standard embassy design for small, medium, and large embassies. This construction blue-print has many standard features and contractors build to that design. Congressional funding for new construction has remained steady at \$1.4 billion.

Since 2008, OBO's pace of building has slowed somewhat, as new embassies, consulates, and annex projects experience cost growth from design adjustments, more sophisticated security features, and rising prices for materials and land. Although OBO still frequently uses the standard embassy design, it also uses designs that architectural and engineering firms provide through contracts. The projects, funded by the Capital Cost Sharing Program, are developed according to the priorities identified in the Department's list of the top 80 (b) (5). These are the locations where new embassy or other construction will likely occur within the next 10–13 years.

The purpose of this CFR was to ascertain whether OBO had implemented recommendations from the 2008 OIG inspection report. There have been many organizational changes in OBO since the 2008 inspection. The acting director has been in place for approximately 1.5 years. There is now an executive office and a deputy director. The mission and reporting relationships of several OBO directorates and their subordinate offices have also changed. Some of these changes were in response to the recommendations in the 2008 report; others were implemented by the director ad interim and the present acting director. Within OBO and among Department bureaus and non-Department agencies that work with OBO, there is a general consensus that OBO is now better at sharing information, working with other entities in the U.S. Government, and soliciting more input from midlevel staff.

## SECURITY STANDARDS

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The rising cost of implementing security standards is one of several factors contributing to the overall increase in construction costs. More guidance from the Under Secretary for Management could help with decisions regarding trade-offs between cost and security standards. The Bureau of Diplomatic Security (DS) and the Overseas Security Policy Board's (OSPB) standards are requirements that are not usually negotiable.

New chanceries that are safe, secure, and functional include security best practices in their design and infrastructure. The projects that use standard embassy and other design criteria integrate OSPB standards and DS guidance into the operational, procedural, and staff security requirements of individual missions. New initiatives to meet the vision of future embassies include risk assessments to ensure that lessons learned in earlier construction efforts are not forgotten. At the same time, security best practices are constantly reviewed against escalating threats and the benefits of new technology designed to counter these threats.

As a result of the 2007 Center for Strategic and International Studies' report, *The Embassy of the Future*, in 2009 OBO and DS developed a physical security standards matrix that documents security best practices for various diplomatic platforms. These platforms are American Centers, American Presence Posts, Bi-National Centers and American Corners. The matrix also identifies standards for each category of threat, addresses appropriate security countermeasures, and clarifies expectations for each platform based upon the threat standards categorized in the Security Environmental Threat List. Security standards justifiably change as threats posed to the official American presence overseas change. The matrix, a constantly evolving document, can be used as a baseline for developing future standards.

DS and OBO need to agree on how to interpret OSPB security requirements. For example, at the working level, it is necessary for staff to agree on how standards concerning protection from blasts can be achieved with a combination of appropriate, but not redundant, levels of wall strength and setback

# ENVIRONMENTAL PROTECTION FOR NEW EMBASSIES

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DS and OBO jointly develop environmental security design guidelines for new embassies. A National Research Council of the National Academies for Science and Engineering report<sup>1</sup> on protecting buildings against chemical/biological threats endorsed OBO's design methodology, and the 2008 OIG inspection team identified the need to address environmental security in OSPB security standards in the *Foreign Affairs Handbook* (12 FAH-6).

In September 2008, DS was working to have OSPB validate the environmental security protection requirements for new embassy compounds as OSPB standards and to include them in 12 FAH-6. OBO and DS would then develop operating procedures to include the appropriate *Foreign Affairs Manual* (FAM) regulations. OSPB established an environmental security working group that completed a draft of 12 FAH-6 and routed it for clearance. In August 2009, the working group met to approve final changes to the 12 FAH-6 draft language and forwarded it to the Department for final clearances.

The 12 FAH-6 Security Protection Systems standard was cleared by the Department and submitted to OSPB for approval on October 13, 2010. Information that OBO provided in March 2011 indicates these standards were incorporated into 12 FAH-6 H-810 as of February 9, 2011.

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<sup>1</sup> National Research Council, *Protecting Building Occupants and Operations for Biological and Chemical Airborne Threats*, June 2007.

## CONSTRUCTION ISSUES

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OBO has reduced the number of meetings that were previously held to those pertaining to construction issues. For example, OBO meets quarterly with regional bureaus, CA, and other organizations. There is also a monthly meeting with OBO's division directors and branch chiefs to coordinate projects. The front office maintains responsibility for coordinating some meetings, and the Office of Area Management serves as the interlocutor for facilitating meetings that affect a broader community of offices and agencies. Whereas program performance reviews provide an opportunity for communicating on more general issues, quarterly meetings with bureaus provide a more targeted approach for OBO to understand and respond to specific needs and desired changes.

There are specific requirements codified in the FAM, FAH, and other laws and regulations that the Department uses for construction requirements and other imperatives. Input from regional and functional bureaus usually resolves major issues about how to implement those requirements. CA believes that there is a requirement that consular officers have line-of-sight supervision of consular cashiers. However, after a thorough search of FAM and FAH regulations, the OIG CFR team did not find a requirement for line-of-sight supervision for cashiers, only for visa and passport processing.

The OIG CFR team also noted that more and more fees are paid at banks and has specifically observed that Class B cashiers at embassies are not subject to visual supervision. OBO suggested that CA use cameras, in lieu of windows, to afford visual supervision of cashiers. This strategy would also facilitate line-of-sight supervision in existing buildings without requiring renovations. CA has disagreed with the suggestion about using cameras but has offered no further comment.

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**CFR RECOMMENDATION 1:** The Bureau of Consular Affairs should determine the requirement for line-of-sight supervision for consular cashiers and incorporate it into the appropriate *Foreign Affairs Manual* and *Foreign Affairs Handbook* regulations. (Action: CA)

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OIG's overseas inspections often report problems with consular waiting rooms, the ratio of sanitary facilities for consular customers, the configuration of interview windows, and other structural and design issues. During the CFR, the OIG team heard the same complaints. OBO's guidance, Department cable, The New Embassy Compound Process and Post's Role (State 136039, dated September 2007), states

that representatives from the regional and functional bureaus, the post, and other U. S. Government agencies will be invited to participate in an integrated planning workshop that develops initial diagrams and preliminary drawings. However, the OIG CFR team heard that this guidance is not always followed. Instead, according to CA, OBO shows its customers the design at 35 percent completion. At that point, it is too late to make major changes. Clearly, more standards and requirements need to be defined and included in the FAH and FAM, and those design requirements that cannot be easily codified should be discussed and resolved earlier in the design process.

According to CA and OBO, there is a working group that meets regularly to discuss CA issues. Although invited, representatives from DS seldom attend. The solutions the working group develops are not necessarily broadly applied; instead, they tend to respond to the needs of individual projects. In some ways, this is useful, as different workloads in consular sections yield different requirements. At the same time, however, any broad guidelines generated from these meetings could be relevant to more projects.

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**CFR RECOMMENDATION 2:** The Bureau of Consular Affairs, in coordination with the Bureau of Overseas Buildings Operations, should implement procedures to discuss and resolve design issues before the Bureau of Administration's Office of Acquisitions announces the Department of State's intent to construct a new embassy or complete a major renovation. (Action: CA, in coordination with OBO)

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**CFR RECOMMENDATION 3:** The Bureau of Consular Affairs should develop and provide to the Bureau of Overseas Buildings Operations a set of written standard requirements for consular section designs that the Bureau of Overseas Buildings Operations can use at the beginning of construction and rehabilitation projects. (Action: CA)

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OBO has instituted a more integrated methodology to incorporate comments and suggestions into changes to the Capital Security Cost Sharing Program. As a result, there are more partnerships between OBO and its clients, post occupancy evaluation information is considered, and standard change requests are being directed to the Office of Design and Engineering. Post occupancy evaluations now go directly to the Area Management Division, where the information is compiled and forwarded to the Lessons Learned Committee group in the Office of Design and Engineering.

OBO's look-back analysis of operational concerns that surface after occupancy, its quarterly meetings with regional and functional area executive offices, and the annual Interagency Facilities Board meetings bring issues to the fore. The OIG CFR team notes, however, that the design changes resulting from post occupancy issues forwarded for lessons learned and look-back analysis may not be apparent in new embassies for 3 to 5 years because new designs are not implemented until new embassy projects with amended designs are completed.

Regional bureaus commented that new buildings are often too small even before they are first occupied. The OIG CFR team found that OBO depends entirely on staffing estimates provided by regional bureaus and the Office of Management Policy, Rightsizing, and Innovation (M/PRI). The National Security Decision Directive-38 process, however, is not subordinate to the rightsizing process, and regional bureaus often support chiefs of mission as they expand programming and staff increases, regardless of the original staffing estimates provided to OBO. Staffing levels can thus increase during the period between initial project design and construction completion.

Because of construction costs, OBO builds only an extra 10 percent of growth capability into its new buildings. To offset this limitation, OBO is trying to build flexible interiors that can absorb unexpected growth by allowing for smaller, individual workspaces. OBO also seeks additional funding to make expensive, last-minute changes to projects already under construction. For example, OBO expanded the chancery at Addis Ababa, Ethiopia, when a non-Department agency with large staff growth provided supplemental funding.

## FACILITIES MAINTENANCE

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OBO's resources for maintenance activities and training are inadequate. OBO requested \$618 million for FY 2012, a huge increase from the \$150 million allocation in FY 2011. One regional bureau highlighted the results of maintenance budget shortfalls when a major rehabilitation project was forestalled and, as a consequence, some posts could not acquire urgently needed spare parts. The \$150 million budget was so low that, at the time of the CFR, the Department was considering proposing to OMB, setting aside a portion of funding for new construction that it wished to reprogram for maintenance needs. OMB accepted the Department's reprogramming proposal and it is part of the proposed FY 2012 budget as maintenance cost sharing. The OIG CFR team notes that the sum that will be reprogrammed has not yet been identified.

Recognizing the huge challenge that maintenance requirements present, OBO developed a long-range action plan to identify maintenance and repair needs. In 2010, OBO hired 20 facilities managers and enrolled them in training at the Foreign Service Institute (FSI). Upon completion of this program, these facilities managers will, in turn, train their locally employed (LE) staff at missions overseas. OBO also established a quick response team, staffed by contractors based in Washington, DC, that addresses urgent maintenance issues and conducts additional training at posts.

In spite of these efforts, there remains a worldwide shortage of facility managers. OBO is filling this gap with when-actually-employed staff and personal services contractors. OBO was also considering how to fund an additional quick response maintenance team dedicated to posts in a particular region, similar to the one in Africa. Meanwhile, in addition to facilities manager shortages abroad, OBO's Office of Facility Management in Washington, DC, is short by about 25 staff members. This office is working with human resources to fill positions, but progress is slow.

FSI has developed a strong training program and has increased the number of facilities manager classes from two to three annually. Unfortunately, however, in FY 2010, OBO had to delay facilities manager hiring for several months because FSI could not accommodate them in existing training programs.

FSI also conducted two U.S.-based maintenance training sessions, which accommodated a total of 24 LE staff members. However, this reflects only a small number of staff members who need this training. Managers at FSI indicated that the training facility does not have the resources to increase the enrollment of either facilities managers or LE staff members in its domestic training programs. FSI could conduct distance learning for LE maintenance staff if OBO were to provide assistance with curriculum development and LE staff enrollees were to have sufficient familiarity with English.

# INTERNAL REVIEW AND OPERATIONS RESEARCH

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In the past, the Internal Review and Operations Research Office (IROR) staff reported directly to a previous OBO director and provided assessments of OBO's programs, operations, and personnel issues. However, OBO determined that some of IROR's reports contained inaccuracies and unsupported recommendations which ultimately resulted in the withdrawal of IROR's recommendations. OBO's staff also expressed frustration with IROR's operations, characterizing them as secretive and not balanced.

As noted in OIG's 2008 inspection of OBO, IROR's mission and operations were not transparent, and IROR did not have a mission statement, formal operating procedures, or a formal training program. The 2008 inspection report made two recommendations to address these issues. Both recommendations were closed during the compliance process.

IROR is now known as the internal review (IR) group. OBO has since moved the IR function from the director's office to the Office of Policy and Program Analysis in the Directorate of Resource Management and has also developed a mission statement and formal operating procedures for IR. Although some of the formal operating procedures are duplicates of responsibilities assigned to auditors, investigators, and evaluators working in the U.S. Government Accountability Office and the OIG, the CFR team closed the recommendation nonetheless.

OBO's response to the 2008 inspection recommendation regarding the need for a training plan included a lengthy list of courses for IR staff. However, OBO could not provide any records showing that staff had taken any of the proposed training courses. The OIG team noted that many of the training courses listed in OBO's response were courses at universities, institutes, or other facilities that were not practical or affordable. OBO agreed with this assessment.

In 2009, IR's reporting structure was changed and the IR function moved from the director's office to the Directorate of Resource Management, Office of Policy and Program Analysis. Although the IR function was placed within the the Office of Policy and Program Analysis, it remains a separate unit within this office. According to OBO and the IR director, the workload in IR is insufficient and uneven; consequently, staff is not always fully employed. The OIG notes that given recent U.S. Government Accountability Office reviews of OBO's activities, OBO's overseas

financial review program, the OIG's OBO inspection and this compliance follow-up review, the need for internal IR reviews has apparently diminished.

At the same time, OBO told the OIG CFR team that other analysts in the Office of Policy and Program Analysis are sometimes overworked as a result of staffing shortages. To balance the workload more effectively, on occasion, the IR staff has been assigned non-internal review work.

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**CFR RECOMMENDATION 4:** The Bureau of Overseas Buildings Operations should abolish the separate internal review function and assign its staff members to other Bureau of Overseas Buildings Operations offices in order to distribute the workload more equally among all the analysts. (Action: OBO)

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# INFORMATION RESOURCE MANAGEMENT

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Staff morale within OBO's information resource management (IRM) division has improved since the 2008 OIG inspection. The IRM division has gained users' trust and is managing the systems development life cycle more effectively. With no need to handle desktop operations, thanks to the information technology (IT) consolidation, the IRM division has focused on bureau-specific applications. The division has also eliminated poor performing contracts, noted in the 2008 OIG inspection report, and has implemented properly negotiated contracts, managed with the appropriate oversight. Through the use of SharePoint, workflows are better integrated and there is now a collaborative environment for knowledge management. The OIG CFR team determined that the two remaining IRM-related open/resolved recommendations should be closed.

## SYSTEMS INVENTORY

The OIG CFR team noted that there are still discrepancies in the systems applications inventory that is reported in the larger IT asset baseline inventory and in internal documentation. The OIG CFR team received contract deliverables that may be categorized as reportable applications per Department standards. In some cases, there are specialized, commercial, off-the-shelf products that only a few within OBO use. However, because the product is not hosted across the OBO domain, it might not be a reportable application. These types of determinations must be made by IRM management. The OIG CFR team also learned of an application with outdated security controls. In addition, naming conventions for applications varied throughout the documentation. Modules, which are part of a software suite, were in some instances reported as separate applications. Maintaining accurate systems inventories would mitigate the risk of security vulnerabilities.

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**CFR RECOMMENDATION 5:** The Bureau of Overseas Buildings Operations should review and update all systems reported in the information technology asset baseline inventory and in internal documentation so that all major, minor, and commercial off-the-shelf applications are reported accurately. (Action: OBO)

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## EVALUATION OF COMPLIANCE

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The CFR team found that before the CFR, OBO had complied with all but three of the formal recommendations and all of the informal recommendations from the 2008 inspection. A CFR automatically closes all formal and informal recommendations from the inspection, but these may be reopened, revised, and/or reissued by the CFR, as appropriate.

Of the 45 formal recommendations in the 2008 report, 42 were closed before the CFR, and 3 were resolved/open. As a result of the CFR, all three resolved/open recommendations were closed. The CFR team issued five new recommendations. Of the 14 original informal recommendations, all were closed by the CFR.

## EXECUTIVE DIRECTION

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The acting director has been leading OBO since 2009. There is wide agreement among OBO staff and Department regional bureaus that the acting director is an approachable, knowledgeable, and capable leader. He has continuously reorganized OBO in order to improve its operations and morale. Many of the internal management changes were in response to OIG's recommendations. To keep current, he conducts monthly program performance reviews that highlight progress and problems. He ensures that OBO keeps its focus on functionality in new embassies and major building rehabilitation and solicits input from bureaus and agencies as early in the process as possible. Several regional bureaus stressed their appreciation for his personal attention to their major projects.

The deputy director joined the Department and OBO in 2009. She has been managing the bureau's efforts in Afghanistan, Pakistan, and other critical posts and is leading the bureau-wide effort to develop a design excellence program for OBO.

# FORMAL COMPLIANCE FOLLOW-UP REVIEW RECOMMENDATIONS

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**CFR RECOMMENDATION 1:** The Bureau of Consular Affairs should determine the requirement for line-of-sight supervision for consular cashiers and incorporate it into the appropriate *Foreign Affairs Manual* and *Foreign Affairs Handbook* regulations. (Action: CA)

**CFR RECOMMENDATION 2:** The Bureau of Consular Affairs should meet with the Bureau of Overseas Buildings Operations to discuss and resolve design issues before the Bureau of Administration's Office of Acquisitions announces the Department of State's intent to construct a new embassy or complete a major renovation. (Action: CA, in coordination with OBO)

**CFR RECOMMENDATION 3:** The Bureau of Consular Affairs should develop and provide to the Bureau of Overseas Buildings Operations a set of written standard requirements for consular section designs that the Bureau of Overseas Buildings Operations can use at the beginning of construction and rehabilitation projects. (Action: CA)

**CFR RECOMMENDATION 4:** The Bureau of Overseas Buildings Operations should abolish the separate internal review function and assign its staff members to other Bureau of Overseas Buildings Operations offices in order to distribute the workload more equally among all the analysts. (Action: OBO)

**CFR RECOMMENDATION 5:** The Bureau of Overseas Buildings Operations should review and update all systems reported in the information technology asset baseline inventory and in internal documentation so that all major, minor, and commercial off-the-shelf applications are reported accurately. (Action: OBO)

# PRINCIPAL OFFICIALS

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<b>Position or Title</b>	<b>Name</b>
Acting Director	Adam Namm
Deputy Director	Lydia Muniz
Executive Assistant	Nicholas Giacobbe
Deputy Director of Resource Management	Jurg Hochuli
Managing Director of Planning and Real Estate	Jay Hicks
Managing Director of Program Development, Coordination, and Support	Joseph Toussaint
Managing Director of Construction, Facility, and Security Management	Rodney Evans
Managing Director of Operations	Leo Hession

# APPENDIX I – STATUS OF 2008 INSPECTION FORMAL RECOMMENDATIONS

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

Recommendation 1 was closed. CFR Recommendation 4 addresses further requirements.

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

Recommendation 2 was closed. CFR Recommendation 4 addresses further requirements.

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

### *Compliance and CFR Findings*

OBO consolidated the office facilities interior designers into a single division within the Design and Engineering office in the Directorate of Program Design, Coordination, and Support. Portfolios were restructured to allow designers to work projects from inception to completion. As a result, there is now more information sharing among designers working on common problems at different posts. However, the interior design division is not physically reintegrated and some staff members are not colocated with their office peers; the same is true of other divisions and offices. Although most of the staff is on the 12<sup>th</sup> floor, where the designers' libraries are located, five designers remain on the 10<sup>th</sup> floor. The designers on the 10<sup>th</sup> floor have less ready access to the division chief, their colleagues, and the libraries. Filling personnel vacancies throughout OBO has exacerbated the colocation objective.

OBO's space planners are studying the problem and making changes to the extent possible.

Recommendation 3 is closed.

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

*Compliance and CFR Findings*

OBO examined the planning and programming functions that the Office of Planning and Real Estate performed, and separated them into programming and project development. In October 2008, OBO established the Directorate of Program Coordination, Development, and Support in the Office of Project Development and Support (formerly the Office of Project Execution). OBO transferred project planning and development responsibilities for capital construction and major renovations projects, and associated resources, to the Office of Project Development and Support. The design function remained in the Office of Design and Engineering in the same directorate. The OIG CFR team verified that this change clarified responsibilities belonging to project development and activities related to the request for proposal (RFP) and that the integration was successful.

Recommendation 4 was closed.

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

*Compliance and CFR Findings*

On October 1, 2009, OBO moved the project coordinator function to the Project Development and Coordination Division in the Program Development, Coordination, and Support Directorate. Project coordinators are tasked with providing a life-cycle view of projects from inception to contract close-out, a responsibility that they share with project directors in the Office of Construction, Commissioning, and Maintenance. Beginning in November 2009, monthly, project-based, program performance reviews demonstrated the effectiveness of aligning the office with the Department's regional bureaus.

The newly created Office of Project Development and Coordination allows project coordinators to oversee projects from planning to commissioning. The office structure includes four regional divisions and an analytical division that supports the regional divisions and the front office. OBO proposes to increase the number of regional divisions to five in order to mirror the Department's regional bureau structure.

Recommendation 5 was closed.

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

The RFP process was complicated, producing nearly 6,000 pages of information, and there were internal contradictions and inconsistent guidance that bidders could not address.

### *Compliance and CFR Findings*

A working group reviewed OBO's capital project acquisition process and suggested consolidating resources for development and acquisition functions in a realigned Office of Program Coordination and Support, effective October 1, 2008. The group recommended changing the acquisition methodology to require more design efforts prior to the solicitation. OBO improved the RFP process by consolidating and moving resources and responsibilities for project-specific planning to the Directorate of Program Development, Coordination, and Support as of October 1, 2008.

The working group partnered with the Office of Construction Management to define project development activities and phases of a project cycle as pre-award, execution, and occupancy. These activities are delineated in two reports<sup>2</sup> that clarify and define the projects and responsibilities of OBO's directorates and offices and of the Office of Logistics Management. The final report includes a number of recommendations to improve and accelerate the RFP process. The use of bridging documents in the design-build acquisition strategy should result in less conflicting guidance. Despite changes to process, however, construction RFPs are still complicated,

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<sup>2</sup> A Follow-up Report and Perspective on the 2008 Office of Inspector General's *Inspection of the Bureau of Overseas Buildings Operations, and the Overseas Buildings Operations Capital Acquisition Process Working Group and The Capital Acquisition Process Working Group Findings and Recommendations*, Final Report, 19 September 2008, Overseas Buildings Operations Department of State, also known as the OBO Cate Report, August 2010.

voluminous, and time consuming. OBO continues in its efforts to streamline and speed the process.

Recommendation 6 was closed.

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

Recommendation 7 was closed.

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

Recommendation 8 was closed.

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

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

Recommendations 9 and 10 were closed.

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

The commissioning process was not adequately monitored or documented because there were various construction disciplines responsible for inspecting and accepting buildings. There were no commissioning tracking and compliance activities. Unless life-safety and security requirements were in place, deficiencies were not tracked. A December 2007 memorandum, Embassy Capital Security Construction Program Building Turnover and Warranty Administration, clarified construction and facilities responsibilities related to building turnover and warrantee issues.

*Compliance and CFR findings*

In the past, the commissioning agents were hired by the construction companies and thus were not independent. To remedy this, OBO now uses five indefinite delivery-indefinite quantity contracts to hire independent commissioning agents as members of OBO project teams. The agents participate in projects from the design phase through the 35 percent completion submission. Then, during the construction phase, they go to sites 6 to 9 months prior to substantial completion and remain on site until after occupancy.

The CFR validated the use of independent commissioning contractors who participate in projects from the design phase to occupancy. These agents play advisory, oversight, and monitoring roles at the construction site. OBO continues to use the private sector to improve commissioning, occupancy, operations, and maintenance phases of new construction. Regional bureaus indicated general satisfaction with the current commissioning process.

Recommendation 11 was closed.

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

Documentation for projects from the planning to commissioning stages was not located in a central archive. Instead, each office saved electronic files idiosyncratically to several databases and without using a standard naming convention. Some documentation was either lost or missing. Only data in the ProjNet system were accessible to OBO or other stakeholders.

### *Compliance and CFR Findings*

To address the problem regarding where project documentation could be stored and reviewed, OBO worked with a number of systems, including OBOLink for project artifacts (i.e., technical documents); Building Management Information System (BMIS) for schedule, property, field reporting, and cost data; ProjNet for design reviews, construction submittals, requests for information, and procurement documents; and SharePoint for a single view of all data.

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

OBO's 2009 *Construction Alert Notice* expanded requirements for final completion reports and outlined steps to ensure time lines. These requirements were incorporated into a *Construction and Commissioning Guidebook*. OBO also issued the *Administrative Bulletin Project Final Completion Reports (A-2009-01)*, which outlines reporting requirements for project deliverables, handover materials, and other project documentation. OBOLink is the central repository for these reports.

OBO created a mandatory reporting requirement outline and established a due date for project directors' project completion reports. OBO is making progress in this effort. In 2009, the first year the requirement was in effect, 33 percent of the reports were completed. In 2010, the completion rate rose to 47 percent. OBO expects an even higher percentage for 2011 as more project directors are informed about the requirement. OBO continues to monitor the process.

Recommendations 12 and 13 were closed.

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

OBO was unable to comply with this requirement for annual fire inspections due to insufficient funding and staffing.

### *Compliance and CFR Findings*

A review of changes to 15 FAM, in its entirety, and 15 FAM 812.2, specifically, demonstrates that OBO responded to OIG's 2008 recommendation. The FAMs state that when OBO does not conduct a formal, annual inspection and training visit, posts must conduct a fire inspection survey, using the previous fire inspection report as the basis. Any technical or operational fire protection issues must be reported. The

management officer must certify that a fire and life safety inspection was conducted and include the results in the *Annual Inspection Summary Report* 1 year from the date of the last OBO fire inspection visit. OBO's Office of Fire Protection assured the OIG CFR team that these inspections are proceeding as required.

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

#### *Compliance and CFR Findings*

OBO agreed to increase the frequency of inspections from every 3 years to every 2 years and to allow posts to conduct off-year inspections using the latest inspection document for an annual survey and report (State 017084, dated 02/24/2009, Change to Fire Inspection and Training Program for Posts).

Posts are conducting inspections during alternate years when the fire protection office does not visit, using the last fire inspection report as a basis. Under an expanded training program, visiting fire officers provide at-post inspection training for new facilities managers and general services officers as well as regional training seminars for post occupational safety and health officers. Additionally, management officers must certify that a fire and life safety inspection was conducted and report the results in the *Annual Inspection Summary Report*.

OBO is using the tracking capability of BMIS to remind posts that an annual survey is due. OBO's August 2010 management controls statement indicated that it has moved the Fire Protection Division to the Operations Office of the Bureau of Overseas Buildings Operations. Thus, commissioning and witnessing of all fire protection systems' testing ensures independent oversight of the fire protection and life safety features of the new embassy compound commissioning and acceptance process. The OIG CFR team validated that these activities are ongoing.

Recommendations 14 and 15 were closed.

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

New and more complicated buildings and systems create maintenance and repair problems for posts.

*Compliance and CFR Findings*

OBO recognizes the challenge of providing high-quality, cost-effective maintenance services, support, and training and thus is focusing more effort and resources in this area. However, resources are still insufficient. Posts with new embassy compounds usually get a facilities manager; however, those that have neither a new building nor a major renovation may not. Upon arrival at post, facilities managers are expected to train LE staff. To ensure that facilities managers are adequately trained, OBO and FSI developed a 15-week facilities manager course. In FY 2010, FSI conducted two training programs for LE facilities maintenance staff. Approximately 24 people received this training, but many more still need it.

In September 2008, OBO established the Africa Regional Maintenance Program to improve facilities maintenance support in the African region.

Recommendation 16 was closed.

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

OBO's cost estimators lacked the tools needed to generate accurate operating and maintenance estimates. U.S. Government-owned and long-term leased facilities overseas include more than 17,000 properties, valued at more than \$14 billion. These properties must be adequately maintained. The Department received approximately \$100 million per year for maintenance and repair until FY 2008, when the budget increased to approximately \$150 million.

The 2010 Long-Range Overseas Maintenance Plan projects operations and maintenance costs over a 6-year cycle, using the Department's adaptation of the U.S. Department of Defense's facility cost model. The first iteration of this model demonstrated a \$1,960 million discrepancy between the Department's FY 2008 budget and the model's projections. The model's levels of funding do not correspond to any of the Department's funding matrices. Thus, the model must be modified to make it compatible with the Department's funding structure and processes.

*Compliance and CFR Findings*

OBO completed a study that compared estimates of new embassies' first-year building expenses to actual costs at six posts. OBO's template for estimating costs lacked detailed and post-specific data and did not account for exchange rates and utility.

The OIG CFR team noted that OBO is now incorporating cost data into estimates by using improved building operating expense accounting, new embassy components performance, and utility costs information that includes inflation and hours of operation.

Recommendation 17 was closed.

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**RECOMMENDATION 18:** The Bureau of Overseas Buildings Operations should continue working to staff the Human Resources backlogs of personnel actions. (Action: OBO)

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

OBO's human resources office was understaffed and unable to provide adequate and timely help to managers.

*Compliance and CFR Findings*

The human resources office has implemented processes and procedures that include internal and external training, accountability checklists, briefings to senior management, monthly meetings with customers, and hiring contractors to help reduce the backlog of personnel actions and to correct deficiencies in records and databases.

These efforts notwithstanding, the process to recruit and hire new employees remains slow and tedious. This difficulty is related in part to hiring requirements for Civil Service employees that include developing best-qualified lists, securing approvals from the U.S. Office of Personnel Management, finalizing interviews with applicants, and obtaining security clearances. Furthermore, when position descriptions and work requirements statements do not clearly define the position being filled, the person who is ultimately hired may not have the necessary skills. Key offices in OBO continue to have staffing gaps that the human resources office, also understaffed, has not been able to fill.

Until all of the vacant human resources positions are filled, the hiring problems, though diminished, will continue. A high turnover rate among Civil Service employees continues because they find higher-grade positions with greater potential for advancement elsewhere. The human resources office is reviewing all GS-12 positions and reclassifying some to the GS-13 level. New managers and contractors have access to improved records and databases. Mandatory training courses for OBO managers and supervisors now include human resources processes and procedures, Equal Employment Opportunity and civil rights training, and conflict resolution.

Recommendations 18 and 19 were closed.

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

Some position descriptions were out of date or inaccurate. In some cases, employees with supervisory positions had no staff to supervise; in others, those without formal supervisory duties supervised staff. Supervisory lines and responsibilities needed to be clarified and codified.

*Compliance and CFR Findings*

With the assistance of contractors, OBO is reviewing, updating, and classifying, if necessary, all position descriptions. Since the 2008 inspection, 408 Civil Service position descriptions have been revised; 58 remain. For the Foreign Service, eight domestic positions have been revised, and four remain. These revisions represent 26 position types.

Recommendation 20 was closed.

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

Some employees complained about not receiving performance evaluations for periods of 2 years or more. OBO did not have a tracking system to remind managers about deadlines for performance evaluations.

*Compliance and CFR Findings*

The human resources office implemented a tracking system that produces reports on overdue performance appraisals. Division directors receive this information monthly. Supervisors have 30 days to input rating information into the Department's ePerformance application. As a result of this tracking system, OBO's managers and supervisors are ranked third within the Department with regard to the timely completion of performance evaluations.

In 2009, 464 Civil Service employee appraisals were completed in a timely manner. For the Foreign Service rating cycle, all 126 were submitted on time. For the Senior Foreign Service, five out of six were submitted on time.

Recommendation 21 was closed.

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

There were concerns about the role of personal services contractors and whether they were crossing the line into supervising direct-hire employees. Additionally, there were concerns that the large number of personal services contractors disadvantaged the direct-hire workforce. The intent for hiring personal services contractors is to acquire technical expertise that is not available among direct-hire employees.

*Compliance and CFR Findings*

The sensitivity among direct-hire employees regarding personal services contractors has been somewhat dispelled with the updated position descriptions and increased supervision of personal services contractors.

Highly experienced former employees often find employment as personal services contractors. This is OBO's way of ensuring that the necessary technical expertise is available. OBO has been attentive to ensuring that personal services contractors do not supervise or appear to supervise direct-hire employees. Direct-hire employees are also receiving training and work opportunities that indicate the importance OBO places on their career development.

Recommendation 22 was closed.

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

There were assertions that supervisors were allowing staff to travel without regard to the need for the trip, alternatives to travel, or cost.

*Compliance and CFR Findings*

In November 2008, OBO required first-line managers and supervisors to analyze travel requests to determine whether they were mission essential and could not be accomplished through videoconferencing or another means. Travelers were required to include the Office of Area Management on e-country clearance requests to ensure that trips were coordinated among OBO offices.

OBO's Travel Verification System, a SharePoint application, allows the Office of Area Management to see all travel requests and destinations. Consequently, Area

Management sees how many people are traveling to each destination at the same time, as well as the purpose for the visit. Area Management verifies the requirement and limits the travel, if necessary. The OIG CFR team verified that there are fewer trips to individual posts and that visits are better coordinated among OBO offices.

Recommendation 23 was closed.

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

The Diplomatic Tax Relief Initiative was established in October 2004 to ensure that the Department is relieved of foreign tax obligations and to identify and collect reimbursable taxes paid overseas. OIG's 2006 audit of value-added-tax (VAT) collections overseas<sup>3</sup> found that the Department was not consistently developing tax-relief agreements with local governments before beginning construction projects overseas. The Department developed policies and guidance for negotiating tax-relief agreements and collections. Similarly, OBO developed appropriate policies for its construction program.

OBO did not have a reliable mechanism to track reimbursements. Consequently, the refund tracking reports reflected in the monthly program performance review financial reports were neither timely nor accurate, often with more than a 1-year gap between reports.

### *Compliance and CFR Findings*

The Construction and Commissioning Division requires that all monthly project director reports include the status of VAT payments and reimbursements for all active projects. The division reports this information at the monthly program performance reviews. OBO's procedures ensure that the Construction and Commissioning Division's project directors include VAT data in their monthly progress reports and show the accomplishments at the monthly program performance reviews. The CFR inspectors reviewed the project directors' monthly reports and found line items showing the projects' VAT accomplishments. OBO issues guidance on reporting VAT activity and provides refresher training periodically. OBO has revised and updated its VAT policies and procedures because problems encountered with VAT in the field require OBO headquarters involvement.

Recommendation 24 was closed.

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<sup>3</sup> OIG Audits Report No. FM-06-38, *Audit of the Department's Identification and Collection of Value-Added Taxes* (September 2006).

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

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

Contract awards granted on the last day of the fiscal year were not necessarily the most advantageous to the U.S. Government.

*Compliance and CFR Findings (Recommendation 25)*

OIG's 2008 recommendations that focused on late proposals and rushed negotiations did not actually change the number of contracts awarded on September 30th each year. Thus, the service-level agreements outlined herein have not eliminated September 30th awards. Some factors that lead to delays in technical specifications reaching the Office of Acquisitions Management (AQM) are beyond OBO's and AQM's control, including unexpected host government decisions concerning land use.

M/PRI worked with the Bureau of Administration's Office of Logistics Management, Acquisition Division and OBO to review procurement processes and practices. A service-level agreement outlined specific project planning time lines for FY 2009 projects and any FY 2008 projects that were carried forward. The service-level agreement was signed in May 2009.

AQM wants to receive OBO's technical requirements approximately 120 days before contract award to put together and issue the RFP; to allow contractors 45 days to respond, review proposals, and determine the competitive range; and to conduct negotiations and award contracts.

The service-level agreement has been used for all projects since May 2009, including those for 2010. It includes specific time lines for AQM and specifics for OBO in its planning and scheduling documents, *FY 11 and FY 12 Summary NEC Schedule to Design-Build Award*, and *January and August Awards and Generic NEC Schedule Awards*. Decisions for delaying projects to the next fiscal year are made in early spring.

Recommendation 25 was closed.

*Compliance and CFR Findings (Recommendation 26)*

The service-level agreement requires the Under Secretary for Management's oversight. Using service-level agreements, AQM's business plan facilitates discussion between AQM and customers, including OBO. The service-level agreement also mandates semiannual review meetings between the Bureau of Administration (A) and OBO.

The OIG CFR team learned that OBO and AQM will reevaluate the service-level agreement before the end of 2010. Weekly meetings provide a forum to discuss schedules, RFP delivery, contract award dates, and other issues that could affect project schedules, scope, or budgets. OBO also uses project management tools to track project progress. OBO and AQM members of senior staff meet quarterly to discuss outstanding issues and determine reporting needs. The reasons for late packages include obstacles over which OBO has no control. In one instance, a plan to renovate an existing building and build a new chancery was changed because the existing building could not be renovated properly. Technical specifications required extensive modifications, and the award was delayed until 2011.

Recommendation 26 was closed.

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

*Compliance and CFR Findings*

Three projects scheduled for FY 2008 were deferred until the following year: Monrovia, Belgrade, and Taipei. This methodology continued in 2009, with the postponement of Dakar, and in 2010, when Bishkek, Jakarta, and Port Moresby were deferred to the following fiscal year.

Recommendation 27 was closed.

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

### *Compliance and CFR Findings*

The re-alignment of OBO's organizational structure changed the office responsible for developing and implementing the Master Procurement Integration Schedule. The office was using the initial Master Procurement Integration Schedule, which was coordinated with the Office of Acquisition Management, as its performance benchmark. That schedule is no longer used.

The Office of Project Development and Coordination is responsible for reviewing and revising performance measures and for ensuring the timely submission of RFP packages. Detailed schedules for key acquisition milestones are developed and OBO and AQM review the acquisition plan weekly. When OIG's compliance requirements were met in July 2009, the executive office's IR group also monitored progress to ensure that milestones were met. Thus, there was no need for delinquent reporting. OBO uses several schedules to map projects from site acquisition, design, RFP development, RFP release, prebid conferences, negotiation, and award stages.

OIG's CFR closed similar recommendations<sup>4</sup> that AQM and OBO should establish written time lines for technical requirements packages, negotiations, and awards and that AQM should institute procedures to monitor and enforce the timeliness and completeness of technical requirements packages, provide feedback to OBO, and take corrective action as necessary. The service-level agreement, signed in May 2009, met compliance requirements.

Recommendation 28 was closed.

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

Staff and managers responsible for technical specifications and other requests for proposal elements were not always vigilant at moving the products to completion.

### *Compliance and CFR Findings*

OBO provided two different position descriptions for Civil Service employees in the Office of Project Development and Coordination. Both represented managers and supervisors with responsibilities for ensuring the timely creation of technical specifications. The new position descriptions also contain detailed requirements for completing the work in a timely manner.

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<sup>4</sup> OIG Report No. ISP-I-07-12, *Inspection of Bureau of A/OPE, AQM and SDBU*, dated December 2006, and OIG Report No. ISP-C-10-23, *Compliance Follow-up Review of A/OPE/AQM/SDBU*, dated February 2010.

Managers and supervisors are held accountable for meeting time lines assigned in each project. They receive performance ratings that reflect whether they have met these requirements. However, it is not clear how performance ratings alone will affect project outcomes and timely submissions. Furthermore, staffing shortages and hiring delays in the Office of Project Development and Coordination have stalled some projects.

Recommendation 29 was closed.

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

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

OBO was using two different versions of the Real Property Application (RPA), one at post and one domestically. Some data transfers from posts to headquarters were error prone. Therefore, responses to requests for inventory, maintenance, repair, and other information did not represent accurate data. These data are also used for mandatory Federal Real Property Profile reporting.

*Compliance and CFR Findings (Recommendation 30)*

Information that posts enter into the post administrative software suite, including real property application data, are now uploaded and integrated into BMIS daily. Thus, stakeholders and OBO staff have an enterprise-wide view of real property data. Responsibility for reporting has been assigned to the single real property managers at overseas posts (State 00049728, dated 14 May 2010, Soliciting Attention and Oversight of the Real Property Application Database).

BMIS, is constantly updated and reviewed. It consolidates real property data and provides access to stakeholders. According to 15 FAM 113.3-1 and 15 FAM 113.3-2, the single real property manager is the post authority on all real property issues and serves as the post liaison with OBO. Responsibilities include ensuring that real property records are current and accurate and that property information is submitted to OBO's RPA database. These responsibilities are ongoing. The OIG CFR team confirmed that these requirements are being met.

Recommendation 30 was closed.

*Compliance and CFR Findings (Recommendation 31)*

OBO established an accurate baseline of all presently held properties. In September 2009, OBO began to improve RPA data accuracy by using a program that corrected software that corrupted post-submitted long-term lease and U.S. Government-owned property data sent to headquarters and used for the Federal Real Property Profile. It also reviewed and corrected short-term lease data so that these data go directly into RPA and BMIS. The updated data transfer ensures that the information posts enter into RPA matches exactly what is in the OBO headquarters version of RPA and BMIS.

May 2010 and October 2010 Department cables reiterate the importance of accurate RPA data. The May cable (State 0049728, dated May 14, 2010), Soliciting Attention and Oversight of the RPA Database, discusses how mistakes in RPA data may result in cuts to allotments and how OBO has focused on computer system improvements. OBO asked chiefs of mission to certify RPA data in annual management controls assurance statements to enable OBO to prepare the Office of Management and Budget's required Federal Real Property Profile, the Long-Range Overseas Building and Maintenance Plans, and posts' repair and improvement budgets.

OBO's FY 2011 Financial Guidance cable (State 104368, dated October 6, 2010) again states the importance of RPA data in making crucial funding decisions. In accordance with the President's Management Agenda, OBO serves as the single real property manager, managing all overseas real estate.

Recommendation 31 was closed.

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

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

The 2008 inspection noted significant unmet maintenance and repair needs. OBO's methodology for reporting the condition index (CI) of approximately 5,000

Department properties at 93.95 percent<sup>5</sup> was questionable. Further, repair costs exceeded the plant replacement value for rehabilitation projects identified in the 2008 Long-Range Overseas Maintenance Plan.

*Compliance and CFR Findings (Recommendation 32)*

In April 2008, OBO awarded a contract to develop and implement a facility index tool that uses building systems and component data and compares these data to industry standards to determine a CI for the structure. Further, the methodology for calculating repair needs also changed. In 2007, repair needs were calculated by determining the costs based on Federal Real Property Profile data. In 2008, the age-based facility CI calculated repair needs by using other criteria. Age-based scalable modeling uses (1) the actual or estimated age of the building, construction date, or last major renovation date; (2) the use type of the building (office, housing, or warehouse); (3) the construction cost for each use; and (4) the estimated useful life of each building component for each use type.

Recommendation 32 was closed.

*Compliance and CFR Findings (Recommendation 33)*

The methodology for identifying plant replacement values and deriving the CI changed after the 2008 inspection. The evaluation process now uses more facility-based information, thereby providing OBO with more accurate information. OIG's CFR team notes that, although the incorporation of more facility-based information improves accuracy, acceptable results can also be achieved with basic age and use data. However, the refinements OBO made to the procedure for calculating repair needs should also result in more credible data.

Recommendation 33 was closed.

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

The Foreign Service Buildings Act of 1926, (22 U.S.C. § 301), as amended, requires the Secretary of State to approve waiver submissions for office or residential leases that exceed space standards and are over \$50,000 annually. OBO required a waiver for residential leases in excess of \$25,000. However, that ceiling was not practical,

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<sup>5</sup>The CI is a general measure of a real property asset's condition at a specific point in time, reported as a percent on a scale from 0 to 100. The plant replacement value is defined as the cost of replacing an existing asset at today's standard repair cost (i.e., the amount necessary to ensure that the asset is restored as much as possible to its originally intended use).

and OBO's response was not timely. Additionally, given that less than 15 percent of waiver requests are denied, the process was not efficient. The processing time for lease waivers often had a negative effect on posts' ability to lease available housing that met Department standards.

*Compliance and CFR Findings (Recommendation 34)*

Public Law No. 89-636 (1966) required waiver requests for leased properties costing more than \$25,000 annually; Public Law No. 102-138 (1991) increased the threshold to \$50,000. The President's Management Agenda requires OBO to provide market-appropriate stewardship of its \$500 million annual leasehold budget. Consequently, OBO established the Rental Benchmark Initiative (RBI) that allows posts to lease rightsized units under \$50,000 without waivers. With a benchmark in place, OBO now quickly processes waiver requests over \$50,000 and meets oversight requirements of the Office of Management and Budget (OMB) and Congress in a transparent, reportable manner.

As of August 2009, more than 165 posts were participating in the RBI program. Quarterly performance evaluations were conducted throughout FYs 2008 and 2009.

Recommendation 34 was closed.

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

*Compliance and CFR Findings (Recommendation 35)*

As of March 2009, posts participating in the RBI program must submit lease waivers to OBO via the electronic lease waiver request (eLWR) application. Over 240 posts currently use eLWR. It takes approximately 3 days to process waivers for leases less than \$50,000 per year and 5 days for those greater than that amount. OBO expects the processing time to decrease once the eLWR application is in use at all posts. Only leases exceeding \$50,000 per year are forwarded to the OBO director for approval.

OBO was directed to raise the self-imposed rental ceiling from \$25,000 to \$50,000 in order to reduce the number of waiver requests. OBO raised the limit to \$50,000 for posts participating in the RBI program. Posts not in the program still request waivers at the \$25,000 ceiling.

The OIG CFR team's review of records and interviews with staff in the Office of Real Property Management confirmed that OBO has streamlined its lease waiver clearance and approval process and, with the use of eLWR, provides posts with timely decisions on lease waiver requests.

Recommendation 35 was closed.

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

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

The RBI was developed to provide more oversight for residential leases, reduce the number of waiver requests for leases under \$50,000, and realize cost savings by establishing post-specific rental ranges. OBO reviews and rates posts' performance quarterly and provides an annual performance rating to determine posts' continued participation in the initiative.

*Compliance and CFR Findings (Recommendation 36)*

Posts were graded on their proficiency in managing leased property inventories in accordance with FAM procedures and their overall success in meeting the following RBI performance measures:

- Leasing property within agreed upon rental benchmarks and 15 FAM 237 space standards (5 points)
- Maintaining current and accurate RPA data (2.5 points)
- Submitting all required lease documentation (2.5 points)

*Compliance and CFR Findings (Recommendation 37)*

Real property managers work with posts regarding entry into the RBI program and to ensure that leases are within the mutually agreed upon rental benchmarks. A cable from Area Management outlines the remedial action plan that a post must take to return to an acceptable level. The remediation process involves constant communication with post and mentoring and educating post management, particularly the general services officer and others involved in managing the housing pool.

OMB requires posts to participate in the RBI program unless the post has fewer than 10 short-term residential leases, has no commercial rental market, and/or has a volatile political environment. Posts enrolled in the RBI program are authorized a \$50,000 rental level, whereas those posts not enrolled remain at \$25,000 and must request a waiver for anything exceeding that level. Under the RBI program, OBO grants authority to posts if the lease cost falls within posts' benchmark for the occupant, the residence is within FAM space standards for the occupant, and the rental cost is less than \$50,000 annually.

The RBI program has a green, yellow, red system that is based on the level of compliance.<sup>6</sup> The OIG inspectors reviewed the latest RBI reports, which showed 14 yellow and 2 red ratings for FY 2010.

Recommendations 36 and 37 were closed.

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

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

When OBO is unable to acquire properties that meet posts' needs, comply with OMB requirements, and provide acceptable lease renewal and termination rights, the build-to-lease (BTL) option is an alternative. BTL is used primarily for residential housing, often in developing countries where there is no existing safe, secure, and functional housing. The BTL method leverages private sector capital; delivers faster services; and reduces the Department's risk because the developer assumes the risk of land acquisition, construction quality, and property ownership. OBO does not accept the project until it is completed and it meets requirements. BTL projects are defined as lease transactions and are funded from OBO's leasehold account.

There are potential drawbacks to BTL projects. First, OBO was not overseeing these projects to ensure that they met posts' needs. Second, changes could delay projects and escalate costs. Third, posts were unclear about whether OBO or they were responsible for maintenance, repair, and other expenses.

### *Compliance and CFR Findings*

OBO staff visit BTL projects every 120 days, and OBO hires host country architectural and engineering firms to monitor projects. BTL design documents are subject to standard planning, development, and design reviews. Posts participate in the negotiation process with developers. Agreements with developers define operations

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<sup>6</sup>After 12 months and for each 12-month interval thereafter, OBO can extend a post's authority for 1 year if it receives green scorecards for that year. A yellow score highlights areas needing improvement. Yellow scorecard posts work with their OBO real property managers to make improvements. A red scorecard results in OBO's rescinding RBI authority.

and maintenance elements to enable posts and bureaus to determine whether an expense is an OBO, post, bureau, or DS cost. OBO reviews lease costs and operating expenses during lease negotiations and prior to finalizing the lease.

OBO has regularized the BTL program. It sends an information package, including a slide show, to posts where BTL projects are proposed. The package explains the BTL method, process, and steps; clarifies the responsibilities of posts and OBO; and lays out the decision-making process from the initial stage through occupation. In addition, OBO provides the following documents to posts: a questionnaire, a sample RFP, a sample proposal evaluation form, and a sample statement of work for hiring a local firm to perform monitoring. Each year, there are approximately five BTL projects in progress. At the time of the CFR review, there were three residential projects and one warehouse project under way. One residential project was nearing final approval. Over the next five years, OBO anticipates an increase to approximately 10 BTL projects annually, with a focus on seismic and cyclonic vulnerabilities. OBO is uncertain, however, whether it will have the resources to manage this higher number of BTL projects.

Recommendations 38 and 39 were closed.

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

The 2008 inspection noted a need for standard operating procedures (SOPs). Although existing SOPs included disposal procedures, IRM services and request processes, and laptop configuration and management, they did not include information systems security officer (ISSO) duties, or local change control board (CCB) procedures. Therefore, ISSO duties were inadequately handled because they were not clearly defined and documented. In addition, employees were purchasing their own equipment and tools without prior approval and were hiding applications and tools to avoid losing them.

#### *Compliance and CFR Findings*

OBO reorganized the IRM division to include a program management branch that is responsible for developing policy and operating procedures. In January 2009, OBO's SOPs included ISSO responsibilities and CCB procedures. OBO updated the CCB SOP in July 2010. The documentation adequately details required procedures.

Recommendation 40 was closed.

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

The IRM budget did not capture the full scope of resources necessary to meet the bureau's IT requirements. When users felt their needs were not being met, they included their own IT requirements in budget submissions. These efforts resulted in decentralized IT acquisitions and the potential for duplication of effort and/or poorly spent financial resources.

*Compliance and CFR Findings*

OBO's divisions identified requirements and reprogrammed money to IRM. The OIG CFR team verified that three applications had been moved, and another three were being moved to IRM, along with oversight responsibilities for contracts. Major development activities and associated contracts have been relocated to IRM, along with funding. Consolidating contracts in this way has enabled OBO to eliminate inappropriate contracting activities.

Recommendation 41 was closed.

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

Irregularities in existing IT contract documentation, particularly associated with the BMIS and Project Information Database (PID) contracts needed attention. The BMIS statement of work was poorly defined and did not differentiate from other project management software that OBO was developing and using. PID contract documentation and invoices suggested that contracting officials were not providing sufficient contract oversight.

*Compliance and CFR Findings*

IRM project management staff has been included in the Federal Acquisition Certification for the project and program managers training continuum. OBO refined requirements for BMIS and awarded a new contract, which consolidated requirements previously dispersed among various contractors. IRM is ensuring correct contract oversight and has implemented invoice reviews. The contracting officer technical representatives meet with contractor project managers regularly to review billed hours and timesheets. OBO has implemented performance measures

within contracts to ensure that task requirements are met. Furthermore, PID modules are being integrated into BMIS using a phased transition approach. Used by several OBO offices, BMIS will be the source for all relevant construction documentation and information.

Recommendation 42 is closed.

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

Because it did not follow sound project management principles, OBO had many applications that did not meet users' needs. Some applications were failures, ad hoc solutions, duplicative, and not integrated into existing applications.

*Compliance and CFR Findings*

OBO established an Applications Support Management branch to plan, develop, provide training for, and operate future applications. OBO has adopted the Managing State Projects methodology to develop software applications, implemented guidelines found in 5 FAM 620 and 5 FAH-5 H-200, and developed a standard project plan template. The OIG CFR team verified these activities.

Recommendation 43 is closed.

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

OBO lacked well-defined models for business process workflows and the data they generate. OBO did not know whether files in a shared network drive were official records or whether an enterprise content management system was needed to manage version control and other metadata associated with electronic files. Furthermore, there was no comprehensive entity-relationship diagram to serve as a basis for data-base work.

*Compliance and CFR Findings*

Reorganizing IRM operations was intended to ensure that business requirements would drive development activities. In conjunction with the reorganization, IRM instituted a new development approach, reinstated its e-Gov board to review IT

business cases, prioritized IT business needs, and provided feedback on progress. OBO also engaged a contractor to develop workflow processes and data model documentation. The contractor provided reports in November 2009 and a supplemental appendix in January 2010. OBO also provided the OIG CFR team with documentation regarding the requirements analysis it performed under its newly developed process for new projects.

The CFR team reviewed the documentation and found that it fulfilled the intent of the recommendation. In addition, systems development staff indicated that they need to continue to develop their methodology, as it is a work in progress. Thus, OBO has continued to use the e-Gov board and working groups to explore and develop ways to integrate IT solutions in order to provide cost-effective solutions for business requirements.

Recommendation 44 is closed.

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

OBO's Web sites needed improvement. Each division assigned a content manager to update Web site content. The process was tedious and inefficient, resulting in inaccurate site content from time to time. For example, incorrect information was posted due to compatibility issues and limited capabilities in the Web sites. This recommendation remained open prior to the CFR.

#### *Compliance and CFR Findings*

OBO now has a content Web site manager who meets with division webmasters to evaluate their Web site needs and to determine an appropriate platform. SharePoint has been selected as the platform for the bureau's content management and Web hosting.

The OIG team saw a demonstration of the SharePoint portal. It has a publishing environment to serve as the intranet Web site and a collaboration environment to facilitate information sharing. Content managers have been assigned within each division and are required to take training before gaining access rights to the site.

Recommendation 45 is closed.

## APPENDIX II – STATUS OF 2008 INSPECTION INFORMAL RECOMMENDATIONS

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

To overcome the 10-acre requirement for safe and secure compounds, which is not feasible for urban locations, OBO attempted to develop a vertical standard embassy design. Vertical designs were expected to vary widely; consequently, developing basic requirements for vertical designs and using the design-bid-build methodology seemed advisable.

### ***CFR Findings***

The standard embassy design concept, including a vertical standard embassy design, has evolved. The vertical design concept was initiated to address unique needs of small footprint/high-density embassies while meeting all security requirements. Embassies in metropolitan areas of developed countries need not be all-inclusive compounds. Embassy staff can use mass transit, health clubs, and eateries to avoid building parking lots, recreational facilities, and cafeterias. The Design Excellence Initiative integrates design and technology innovations while maintaining elements of the standard embassy design in order to enhance the flexibility of urban embassies. OBO determines the project delivery method (design-build or design-bid-build) based on project requirements and country-specific circumstances.

Informal recommendation 1 is closed.

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

The OIG CFR team heard allegations of irregularities in tracking employee time and attendance information.

*CFR Findings*

OBO's human resources management section provides timekeeping training for managers and supervisors. The training includes timekeeper and supervisor responsibilities for tracking time and attendance of OBO employees.

Informal recommendation 2 is closed.

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

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

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

The Office of Financial Management's internal controls over field changes made by warranted contracting officer representatives were weak.

*CFR Findings*

OBO's Office of Financial Management improved internal controls in the following areas:

1. Project Authorization Documents: OBO now requires senior-level approval for certain additional projects. It has also eliminated exceptions that exempted certain types of projects from requiring an authorizing document and has streamlined the clearance process.
2. Monthly Financial Reviews: OBO now requires budget analysts to provide detailed briefings on the status of funds for each of their programs or projects. Analysts in accounts payable report on the number and dollar value of payments processed in each account and provide explanations for late payments.
3. OBO's acting director receives a report on late payments and associated interest penalties.
4. OBO has implemented an automated invoice routing, approval, tracking, and archiving system in order to eliminate the risk of mishandling and misfiling.

Informal recommendations 3, 4, and 5 are closed.

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

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

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

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

Independent government estimates, used to ensure that contractors' proposals are within the competitive range, were low. These estimates also inform budgets for construction projects. When bids are higher than estimates, available funding may be inadequate to accommodate planned awards. The cost management division also develops current working estimates that include the estimated contract award amount, salaries, and expenses for OBO staff overseas, contingency funds, etc. There were pressures to hold costs to \$100 million and to keep the estimate close to the congressional budget.

When the division updated cost estimates, it checked only the elements it believed had changed. Without a handbook, estimators could miss costs that other offices include. Furthermore, estimates were not being shared among estimators. An enterprise-wide estimating system is standard in the construction industry.

### ***CFR Findings***

The cost division developed matrices that include independent government estimates, current working estimates, and third-party contractor estimates. It also developed a chart that compares estimated bids with benchmark time lines: strategic planning, level 1; project development, levels 2 and 3; construction and commissioning, level 4; and operations and maintenance, level 5. Each level indicates for whom the estimate is produced, the data available, the source of cost, the contingency and escalation, and the presumed accuracy of the estimate. A handbook has also been developed via a contractor. The OIG CFR team found that AQM's FY 2010 contract awards were within 10 percent of the Office of Cost Management's independent government estimates.

IRM is developing an enterprise-wide system to facilitate estimate cost sharing. The new system will provide detailed consolidated estimates, without manual data entry; track costs electronically; allow monitoring and comparisons between independent government estimates and third-party contractor estimates; and facilitate variance queries and more accurate cost estimates. The system will also show trends and explain why bids may be higher or lower than the estimates. The software will be fully implemented by the end of January 2011.

Informal recommendations 6, 7, 8, and 9 are closed.

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

Fourteen people are scheduled for contracting officer training between November 2010 and February 2011. The courses include PA 178, Contracting Officer Training (5 days), and PA 296, How To Be a Contracting Officer Representative (online). Forty-four contractors have completed training during the past year. Others are either current or will receive training at the appropriate time.

Informal recommendation 10 is closed.

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

Some contracting officer representatives were not adequately trained. The financial system OBO used to track and route vouchers and invoices was replaced by a manual system. According to 14 FAH-2 H-517, contracting officer representatives must maintain working files that include copies of contractor invoices, a payment register indicating the remaining fund balance for the task order or contract, and other relevant documents.

#### ***CFR Findings***

OBO identified the contracting officer representatives and developed a tracking procedure to ensure that they are trained to perform contractor oversight duties and are maintaining appropriate working files. The CFR team found no instances in which AQM failed to delegate responsibilities to contracting officer representatives.

Informal recommendation 11 is closed.

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

Increasing construction costs, dollar devaluations, and other factors indicated that the Capital Security Cost Sharing Program's (CSCSP) goal to complete 150 new embassy compounds with a \$17.5 billion budget would not be met. OBO's November 2007 *Overseas Facilities Costs Higher Than Expected* document stated that costs had increased dramatically since 2003 and that the annual 3.5 percent cost escalation rate underrepresented construction and site acquisition costs. OIG could not determine whether OBO had communicated to Congress, OMB, and tenant agencies the need for more realistic cost escalation rates and the likely reduction in the number of projects that could be completed.

***Compliance and CFR Findings***

OBO incorporated the 2007 document into its FY 2008 Long-Range Overseas Building Plan. The plan goes to OMB and Congress and is issued to other agencies and other U.S. Government entities.

Tenant agencies regularly attend CSCSP meetings, and OBO uses email to contact agency attendees. OBO meets regularly with OMB and has raised the issue of rising costs and OBO's ability to meet the CSCSP goal of completing 150 new embassy compounds in 14 years. In addition, each year, annexes and other projects are added to the original CSCSP list, moving the 14-year time frame further into the future. OBO has also shared this information with Congress, with the bureaus engaged in the annual revision of the top 80 list, and during OBO's regular meetings with agencies.

Informal recommendation 12 is closed.

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

For FY 2008, some agencies were not able to fund their CSCSP obligations fully. This resulted in a nearly \$30 million shortfall. OMB instructed OBO to accommodate those agencies and allow them to pay the balance of their contributions the following year. As a result, OBO planned to reduce the FY 2008 site acquisitions and construction program from \$1.266 billion to \$1.237 billion.

### *Compliance and CFR Findings*

Where agencies owed funds, they were permitted to pay at the previous year's rate and received the full amount of space they requested. Unpaid balances were paid within the fiscal year or early the following year.

Agency funding shortfalls for the CSCSP are rare and have not occurred since the 2008 inspection. If, in the future, an agency cannot pay its share, the issue will be deferred to OMB for resolution, in accordance with CSCSP procedures. In all cases to date, agencies did eventually pay the entire amount of their fair share; therefore, no inequities occurred. The interagency CSCSP process is transparent, with OBO sharing information and convening regular CSCSP meetings of agency representatives.

Informal recommendation 13 is closed.

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

Other agencies are tangentially involved in nominating facilities that will be built using CSCSP funding. Regional bureaus may nominate projects to be placed on the top 80 list; however, this list is derived essentially from security priorities.

### *CFR Findings*

DS provides OBO with an annual security risk and vulnerability matrix for all overseas locations. These factors are used to compile the priorities for the Capital Security Construction Plan, also known as the top 80. To standardize the procedures and to eliminate subjective input, in 2004 DS and OBO adopted a software decision tool called Expert Choice©.

The software ranks embassies and consulates according to threat levels of political violence and terrorism. It is weighted with other risk/vulnerability considerations that include chemical and biological attack, seismic and blast construction, building construction and façade type (concrete, masonry/block, wood frame, and glass), and setback. Once the ranking order is established, the first 80 diplomatic facilities are slated for new construction or security upgrades within the next 15 years. The priority changes annually as new information is added and projects are completed. The Office of Policy, Rightsizing, and Innovation and the regional bureaus provide minimal input into the top 80.

Informal recommendation 14 is closed.

# ABBREVIATIONS

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A	Bureau of Administration
BMIS	Building Management Information System
BTL	build to lease
CA	Bureau of Consular Affairs
CCB	Change Control Board
CFR	Compliance Follow-up Review
CI	condition index
CSCSP	Capital Security Cost Sharing Program
DS	Bureau of Diplomatic Security
FAH	<i>Foreign Affairs Handbook</i>
FAM	<i>Foreign Affairs Manual</i>
FSI	Foreign Service Institute
IR	internal review
IRM	Bureau of Information Resource Management
IROR	Office of Internal Review and Operations Research
ISSO	information systems security officer
IT	information technology
LE	locally employed (staff)
M	Under Secretary for Management
M/PRI	Management Rightsizing, Planning, and Innovation
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSPB	Overseas Standards Policy Board
PD	project director
PID	project information database

RBI	Rental Benchmark Initiative
RFP	request for proposal
RPA	Real Property Application
SOP	standard operating procedures
VAT	value-added tax

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