



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-CGI-20-43

## What OIG Audited

Prior to closing out a capital construction project, such as building a new U.S. embassy, many critical requirements must be followed in accordance with Federal law and Department of State (Department) policy and guidance. The Department's Bureau of Overseas Buildings Operations (OBO), Office of Construction Management, is responsible for managing major construction projects and applying closeout procedures involving major systems commissioning, the certification of substantial completion, and activities leading to the certification of final acceptance.

The Office of Inspector General (OIG) conducted this audit to determine whether OBO personnel executed construction project closeout procedures in accordance with Federal, Department, and project-specific requirements. OIG performed fieldwork for this audit in the Washington, DC, metropolitan area as well as New Embassy Compound (NEC) London, the United Kingdom; NEC The Hague, the Netherlands; and NEC N'Djamena, Chad.

## What OIG Recommends

OIG made 11 recommendations to improve OBO's execution of closeout procedures for capital construction projects. In a response to a draft of this report, OBO concurred with the recommendations offered and stated that it had taken, or planned to take, action to address them. On the basis of OBO's response, OIG considers five recommendations closed and six resolved pending further action. A synopsis of OBO's response to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. OBO's response to a draft of this report is reprinted in its entirety in Appendix B.

September 2020

OFFICE OF AUDITS

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

## Audit of the Bureau of Overseas Buildings Operations Process To Execute Construction Closeout Procedures for Selected Capital Construction Projects

### What OIG Found

OBO personnel did not consistently execute construction project closeout procedures in accordance with Federal, Department, and project-specific requirements at two of the three locations selected for this audit. Specifically, at NECs London and The Hague, OBO personnel did not ensure that major systems were commissioned prior to declaring the projects substantially complete, as required. In addition, when the projects were declared substantially complete, OBO personnel did not provide the construction contractor with a consolidated list of all remaining work to be performed, completed, or corrected before final acceptance. Furthermore, final completion activities performed at NECs London and The Hague, such as obtaining complete and accurate as-built drawings (drawings of the construction as actually completed) and tracking warranty items, need improvement. In contrast, OIG found that OBO personnel overseeing the construction of NEC N'Djamena generally followed construction closeout procedures. Final acceptance of the project occurred in October 2018.

The exceptions noted at NECs London and The Hague occurred for a variety of reasons, some of which are project specific. For example, at NEC London, a financial incentive to occupy the NEC because of a costly lease-back arrangement drove OBO personnel to deviate from typical closeout procedures. However, these conditions occurred for both projects, partly, because OBO personnel did not perform adequate quality assurance to identify and address schedule delays and their effect on the commissioning process. As a result, as of April 2020, the contractor had not completed all work required for final acceptance of NEC London, and the Project Director at NEC The Hague had not recommended to the Contracting Officer final acceptance of this project. For both projects, it has been more than 2 years since substantial completion was declared.