



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-20-20

What OIG Audited

In September 2014, the Department of State (Department) awarded Caddell Construction Co., LLC (Caddell), a \$196 million contract to design and construct a New Embassy Compound (NEC) in Ashgabat, Turkmenistan. The Turkmen Government imposes a “red line” concept that requires constructed buildings in Ashgabat to be set back a certain distance from the road to ensure an aesthetic alignment. The NEC construction project, which is managed by the Bureau of Overseas Buildings Operations (OBO), was initially scheduled to be completed in July 2018. In June 2019, the Office of Inspector General (OIG) learned of circumstances that affected the construction of the New Office Building (NOB), which was intended to serve as the embassy’s chancery, and is one of 13 NEC buildings being constructed.

OIG initiated this review to determine the genesis of the delays encountered in constructing the NEC, the status of efforts to complete construction of the NOB, and the operational and financial implications of the delays on both the Department and U.S. taxpayers.

What OIG Recommends

OIG made eight recommendations to the Undersecretary for Management and OBO to address the deficiencies identified in this report. On the basis of the Under Secretary for Management’s and OBO’s response to a draft of this report, OIG considers all eight recommendations resolved, pending further action. A synopsis of the Department’s responses to the recommendations offered and OIG’s reply follow each recommendation in the Review Results section of this report. The Department’s responses to a draft of this report are reprinted in Appendices B and C.

February 2020

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Review of Delays Encountered Constructing the New Embassy Compound in Ashgabat, Turkmenistan

What OIG Found

The genesis of the delays encountered completing the construction of the NEC in Ashgabat is attributable to complications associated with the construction of the NOB. Specifically, in July 2016, the Government of Turkmenistan halted construction of the NOB because it was being constructed in a location that violated the city’s red line. This error occurred, in part, because OBO personnel failed to follow internal procedures that guide the planning of construction projects. Specifically, the OBO project managers overseeing the project failed to ensure that the legal assessment describing Ashgabat’s red line requirement was maintained in an OBO document database and shared appropriately. Moreover, they did not require the Architectural and Engineering firm that prepared the project bridging design to deliver required planning documentation that would have alerted OBO about the proper placement of the NOB. In addition, the construction contractor, Caddell, failed to obtain required construction permits from the Turkmen Government prior to initiating construction. As a result, construction of the NOB was halted after approximately \$26 million had been expended to construct the facility.

The Department has made repeated attempts to persuade the Turkmen Government to reverse its decision and allow the NOB construction to continue at its current location. However, as of January 2020, all requests and proposed options to do so had been rejected by the Turkmen Government. The operational and financial implications from the improper placement of the NOB are profound. Specifically, because construction of the NOB has not been completed, embassy operations continue to be conducted from multiple locations. According to OBO’s FY 2014 Congressional Notification for constructing the NEC, this arrangement creates security and safety risks. In addition, OBO estimates that it will cost the Department between \$90 million and \$125 million to rebuild a new NOB in an approved location. This amount is approximately twice what was originally budgeted to construct the NOB.