



Office of Inspector General  
United States Department of State

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ESP-19-04

Office of Evaluations and  
Special Projects

July 2019

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**Evaluation of the Bureau of Diplomatic  
Security's Aegis Construction Contract at  
Camp Eggers, Afghanistan**



# HIGHLIGHTS

Office of Inspector General  
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## What OIG Evaluated

In 2014, amid deteriorating security conditions in Kabul, Afghanistan and a realignment of the U.S. Afghanistan military strategy, the Bureau of Diplomatic Security (DS) sought to mitigate the daily threats posed to the high-risk convoy movements conducted by the Kabul Embassy Security Force (KESF). This solution involved moving the KESF closer to U.S. Embassy Kabul and eliminating the dangerous convoy movements to and from Camp Sullivan. To achieve this, on September 30, 2014, the Department modified Task Order 10, a security contract held by Aegis, to include the construction of a camp for KESF personnel at Camp Eggers with an estimated project cost of about \$173.2 million.

In response to a referral from the Deputy Secretary of State, the Office of Inspector General (OIG) evaluated whether the Department of State (Department) complied with relevant guidelines for the construction project at Camp Eggers. Specifically, OIG examined how Aegis Defense Services, LLC (Aegis) was selected for the construction of Camp Eggers; why the Department continued using Aegis after non-compliance concerns were identified shortly after award; and what the Department received after spending \$103.2 million on Camp Eggers.

## What OIG Recommends

OIG made three recommendations to the Department to ensure that the construction clause in the Worldwide Protective Services (WPS) contract is used appropriately, to ensure remedies for inadequate contractor performance, and to review the decision to expend \$103.2 million on the Camp Eggers project. The Department did not concur with the first two recommendations but agreed to assess the necessity of the \$103.2 million expended.

July 2019

OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

## Evaluation of the Bureau of Diplomatic Security's Aegis Construction Contract at Camp Eggers, Afghanistan

### What OIG Found

Department construction projects are typically managed by the Bureau of Overseas Buildings Operations (OBO); however, the Camp Eggers project was awarded using an existing security contract managed by DS. This decision was made primarily because of expediency concerns and the stated lack of available OBO resources. DS itself lacked construction expertise, so it hired a consultant to support the project. This consultant warned the Department more than a month before award that the project would not likely be finished on time or on budget. However, the Department moved forward with the project. This task order was moreover managed by employees who lacked the expertise necessary to properly plan and manage this complex, large-scale construction project.

DS estimated the project would be completed by March 2016, but delays began almost immediately and persisted throughout. Although it is responsible for contract administration, the Bureau of Administration Office of Logistics Management Acquisitions Management (A/LM/AQM) failed to take meaningful corrective action against Aegis, even as it missed milestones and disregarded contract requirements. Multiple changes sought by the Department further contributed to delays and cost overruns. In January 2017, the Department terminated the project for convenience after very little work had been accomplished, and the design was never completed.

OIG acknowledges that the Department faced difficult choices and, at certain points, had few options. However, concerns about urgency frequently dominated decision-making to the exclusion of other considerations, and the Department did not effectively use what leverage it had. This led to expenditures of \$103.2 million without any discernible benefit to the Department or the people it intended to protect. More generally, this experience offers several lessons for managing construction in challenging environments.

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## OBJECTIVES

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In August 2017, the Deputy Secretary of the U.S. Department of State (Department) referred a memo entitled "Terminating Camp Eggers Project and Redirecting Efforts to Embassy Kabul's Extended East Compound" to the Office of Inspector General (OIG) for its analysis and review of the termination of the Camp Eggers project. As a result, OIG initiated this evaluation in December 2017 to determine whether the Bureau of Diplomatic Security (DS) managed the construction project at Camp Eggers in compliance with Federal and Department guidelines. Specifically, OIG examined how Aegis Defense Services, LLC (Aegis)<sup>1</sup> was selected for the construction build-out of Camp Eggers; why the Department continued using Aegis after non-compliance concerns were identified shortly after the project started; and what the Department received after spending \$103.2 million on Camp Eggers.<sup>2</sup>

OIG has provided specific findings and recommendations directed at these questions. OIG also notes that, although its findings and recommendations are narrowly tailored to the specific issues relevant to the Camp Eggers construction project, several more general lessons can be learned from the failure of the project. In addition, further ongoing OIG work will more broadly address limitations in DS's capabilities regarding construction in Afghanistan.

## BACKGROUND

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### Worldwide Protective Services Contract

As the law enforcement and security arm of the Department, DS is responsible for providing protective services for high-level U.S. officials, certain foreign leaders, and diplomatic facilities around the world. Because of conflicts, wars, political unrest, and terrorist activity, many areas where the Department operates have become extremely dangerous places to live and work. DS is unable to provide protective services on a long-term basis from its pool of special agents and therefore requires outside contractual support. The Worldwide Protective Services (WPS) contract is a multi-billion dollar, indefinite delivery, indefinite quantity contract that was awarded in September 2010. This contract was awarded by task order to eight contractors to provide the Department with static guard security services, protective movement security services, and other specialized emergency services for diplomatic missions worldwide, primarily in high threat areas. The Department awarded Task Order 10 in July 2011 to Aegis to provide and manage an armed and unarmed guard force known as the Kabul Embassy Security Force (KESF) for Embassy Kabul and other U.S. diplomatic facilities within Kabul, Afghanistan.

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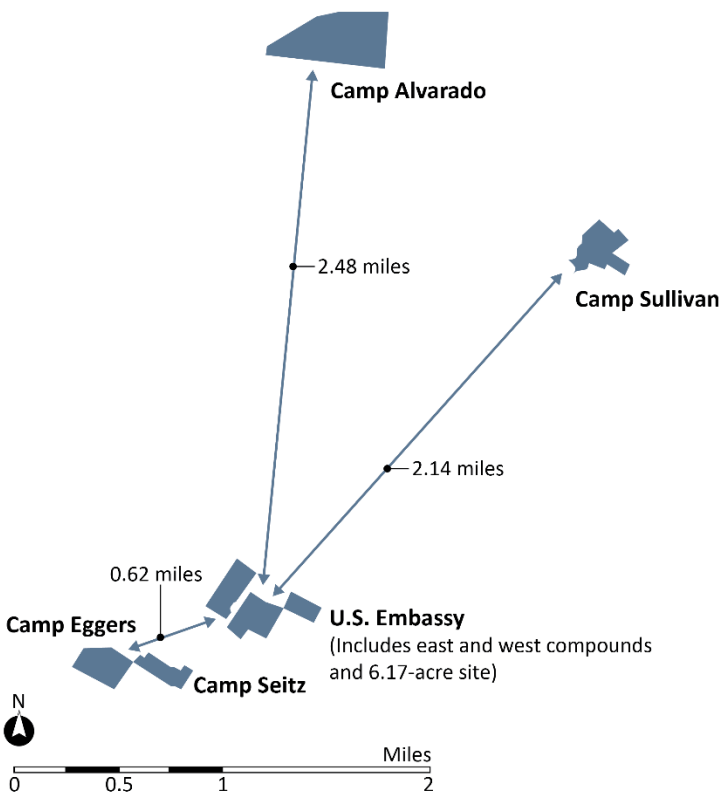
<sup>1</sup> Aegis was purchased by another contracting company, GardaWorld, in 2015. For clarity, OIG refers to this entity as Aegis throughout this report.

<sup>2</sup> The Department reached a settlement with Aegis in March 2019 whereby the Department agreed to pay Aegis a total of \$94.6 million. Based on this figure, in addition to three separate contracts with Markon Solutions, Incorporated for professional engineering and design review services, OIG identified a total of \$103.2 million in questioned costs related to the Camp Eggers project.

## Camp Eggers Project

Following the U.S. military drawdown in 2014, the Department faced an increased threat environment in Kabul, which required DS to reassess U.S. Mission Afghanistan's security resources and capabilities. The Management Section Office, Regional Security Office at U.S. Embassy Kabul, and DS determined that a critical element of this realignment was to establish a secure base of operations on the embassy compound for the KESF in order to provide an immediate security response capability. The KESF base of operations at the time was Camp Sullivan, which was roughly two miles from Embassy Kabul (as shown in Figure 1 below), a distance security forces were required to transit four times a day via high-risk convoy movements. Even though it emphasized the importance of relocating the KESF, the Department projected at the time that it could not move KESF to the embassy compound earlier than 2018. Due to deteriorating security conditions in Kabul and increasing risk of death or serious injury to those in the convoys, the Department sought an alternative to rapidly transfer the KESF from Camp Sullivan. Therefore, the Management Section Office and Regional Security Office at Embassy Kabul and DS conducted a search for an interim replacement for Camp Sullivan that would be closer to but not within the embassy compound.

Figure 1: Key Locations in Kabul



**Source:** Government Accountability Office, *Afghanistan: Embassy Construction Cost and Schedule Have Increased and Further Facilities Planning is Needed* (GAO-15-410, May 2015).

DS identified Camp Eggers as the only viable location to replace Camp Sullivan and to support the necessary security response capability at the time.<sup>3</sup> Camp Eggers was a former U.S. military base consisting of 31 independent leases located about ½ mile from Embassy Kabul in the semi-secured area near the Afghanistan Presidential Palace. In order to relocate the KESF, the Department acquired the 31 leases in March 2014. The Camp Eggers property was previously occupied by U.S. forces, and according to one DS official, the original plan for the project contemplated remodeling the existing structures in order to bring them into compliance with Department building standards. However, because Camp Eggers was a “complete mess” according to one DS official, remodeling was ultimately not feasible. Therefore, DS decided to demolish the entire existing facility and erect a new facility.

The FAM states that the Bureau of Overseas Buildings Operations (OBO) is responsible for managing the worldwide buildings program abroad for the Department and the U.S. Government community serving abroad under the authority of the chiefs of mission.<sup>4</sup> Typically, OBO maintains responsibility for project management on all Department construction projects. However, in the case of Camp Eggers, OBO represented that it did not have the capacity or resources to manage the project and estimated that it would be at least 3 years before it could do so. Ultimately, DS and OBO, in coordination with the Under Secretary for Management (M), decided that DS would manage the Camp Eggers project because “time was of the essence.” As a result of this decision, OBO signed two Memoranda of Agreement (MOA) with DS in September 2013 and October 2014 to provide some assistance, which primarily included design review, but it did not undertake or agree to engage in any day-to-day project management.

On September 30, 2014, the Department modified Task Order 10 held by Aegis to allow for the renovation of Camp Eggers in its entirety and to erect a new facility known as the “New Camp Sullivan.” Modification 43 was issued to Aegis under a firm fixed price for the design-build<sup>5</sup> of the Camp Eggers construction project.<sup>6</sup> The renovation of Camp Eggers entailed extensive demolition and redevelopment, including, as noted above, the construction of new facilities. The “New Camp Sullivan” facility was intended to become a self-supporting, multi-use facility, which included life support for up to 900 personnel (expandable to house up to 1,500 personnel) all within a secure perimeter.

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<sup>3</sup> Camp Eggers is located about ½ mile from U.S. Embassy Kabul in the semi-secured area near the presidential palace. In contrast, movements to and from Camp Sullivan involved roughly two miles of transit through the unsecured area outside this space known as the “red zone.”

<sup>4</sup> 1 FAM 281.1 “Responsibilities.”

<sup>5</sup> As defined in FAR 36.102 “Definitions,” a design-build contract combines design and construction into a single contract with one contractor. This project delivery method is preferable for expedited construction projects because the contractor can begin basic construction before fully completing the design. Government Accountability Office, *Embassy Construction: State Needs to Better Measure Performance of Its New Approach* (GAO-17-296, March 2017).

<sup>6</sup> Although the task order was modified on September 30, 2014, AQM began discussions with Aegis on the Camp Eggers project design in late 2013.

The task order modification was valued at about \$173.2 million with an estimated completion date of March 31, 2016.<sup>7</sup> However, only about 10 percent of the construction work had been completed as of December 2016. At that time, the Department estimated that the project would not be completed until sometime in FY 2019 at a cost of about \$449.9 million—well over twice the original estimate. In light of ongoing delays and the increased costs required to complete the Camp Eggers project, the Department terminated the project effective January 16, 2017, and redirected efforts to developing Embassy Kabul’s extended East Compound.

## Camp Eggers Administration and Oversight Responsibilities

The Bureau of Diplomatic Security’s Office of Overseas Protective Operations (DS/IP/OPO)<sup>8</sup> provides administrative and operational management oversight for the Department’s local guard, surveillance detection, and worldwide protective services programs that are implemented at U.S. missions abroad. Because the purpose of the Camp Eggers project was to house contract guard staff, DS was responsible for overseeing the day-to-day management of the project.

The Bureau of Administration Office of Logistics Management Acquisitions Management (A/LM/AQM)<sup>9</sup> manages, plans, and directs the Department’s acquisition programs and conducts contract operations in support of activities worldwide, which includes support for DS contracts such as the WPS. AQM provides this support by embedding contracting officers (CO) and other contracting specialists within DS.<sup>10</sup> AQM is authorized by the FAM to provide “a full range of professional contract management services” to its Department clients, including contract negotiation, contract administration, and providing administrative support and managerial activities.<sup>11</sup> According to AQM’s customer guide, successful contracting activities demand close coordination between AQM’s COs and the requiring offices because each contributes a specific expertise to proper administration of the technical and programmatic requirements of the activity. The CO holds an individual warrant authorizing him or her to obligate the U.S. Government by signing contracts and purchase orders and is the sole official authorized to obligate U.S. Government funds on contracts. Most contracts also include a Contracting Officer’s Representative (COR), nominated by the requiring office and formally designated by the CO. The COR brings the programmatic expertise to ensure the goods and services are procured and delivered in line with program requirements. CORs do not have authority to make any changes to the terms or conditions of a contract, nor do they have authority to waive any contract requirement, which must be handled by the CO.

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<sup>7</sup> Modification 43 identifies the completion date as March 30, 2016; however, the statement of work indicates the completion date was March 31, 2016.

<sup>8</sup> For clarity, OIG refers to this office as “DS” throughout this report.

<sup>9</sup> For clarity, OIG refers to this office as “AQM” throughout this report. In July 2018 (after the events in question), the Department moved AQM from the Office of Logistics Management to the Office of the Procurement Executive.

<sup>10</sup> This division is known as the Bureau of Administration Office of Logistics Management Acquisitions Management Diplomatic Security Contracts Division (A/LM/AQM/DSC).

<sup>11</sup> 1 FAM 215.1 “Office of Acquisitions Management (A/LM/AQM)”.

OBO directs the worldwide overseas building program for the Department. In concert with other Department bureaus, and Congress, OBO sets worldwide priorities for the design, construction, acquisition, maintenance, use, and sale of real properties. As noted previously, OBO was responsible for reviewing the contractor's design plans for Camp Eggers to ensure its technical adequacy. Its role was thus more limited than is ordinarily the case in major construction projects for the Department.

## EVALUATION RESULTS

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### **The Department Did Not Effectively Plan for, Procure, and Assign Personnel to the Camp Eggers Project**

The Department decided to construct Camp Eggers through the WPS security contract primarily because of the need for expediency due to security concerns and the stated lack of available OBO resources. Because DS lacked construction expertise, DS hired a consultant, Markon Solutions, Incorporated (Markon), to support the Camp Eggers project. At several times throughout the project, Markon raised concerns about its viability, but DS did not always address these concerns because the direction provided by Department management—including officials from DS, AQM, OBO, and M—was to move the project forward.

DS had previously used this contract mechanism to construct smaller projects but never to facilitate a build-out as extensive as the one planned at Camp Eggers. This mechanism was, in short, unsuitable for a project this extensive. As a result, DS and AQM personnel assigned to the contract lacked the construction expertise necessary to properly plan and manage this complex, large-scale construction project. The lack of expertise also hindered the Department's overall ability to effectively plan and manage the Camp Eggers project, which also contributed to the project's failure.

### **The Department Ignored Early Warning Signs of Potential Issues with Project Timeline and Budget**

As part of its assistance, OBO recommended that DS use a consulting firm with construction expertise for the build-out of Camp Eggers. On January 10, 2014, AQM awarded a contract to the management consulting firm, Markon, on behalf of DS to perform professional engineering services.<sup>12</sup> As part of this contract, Markon reviewed the design-build proposal submitted by

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<sup>12</sup> Markon was initially awarded a one-year contract valued at approximately \$1.4 million on January 10, 2014 to provide professional engineering services related to preliminary design work for Camp Eggers. Markon was awarded another contract on May 5, 2015 valued at approximately \$6.7 million to provide design review and construction management support services, which included a base year plus one option year. Markon was also awarded a third contract valued at \$3 million on November 21, 2017 to provide project and construction management oversight of the termination and closeout procedures for Camp Eggers. The third contract had multiple option periods not to exceed November 22, 2018.



Aegis's proposed primary subcontractor, Contrack Watts, Inc. (CWI).<sup>13</sup> Markon's analysis was submitted to DS on August 27, 2014, and it stated, "[b]ased on our review, we are not confident in this Contractor's ability to complete this project in a timely, within-budget manner." Markon also stated that "the organizational structure proposed by the Contractor provides the potential for inherent delays and eventual claims." However, despite Markon's concerns, AQM officially issued the task order modification to Aegis on September 30, 2014. A DS official told OIG that Markon's opinions were rejected because Department management wanted the project to continue moving forward.

### The Department Used an Unsuitable Contract Clause to Facilitate Construction

As noted previously, the WPS security contract is intended to provide the Department with security services, including static guard and protective movement security services, and other specialized emergency services for diplomatic missions worldwide. In keeping with this security function, the contractor is required to provide everything necessary to subsist and perform protection and guard duties in the region of the world specified in the task orders.<sup>14</sup> The base WPS security contract also contains a clause that allows the contractor to perform some degree of construction. It states, "U.S. Embassy support personnel at the city/region of assignment may be asked to assist Contractor personnel in locating housing, but the cost of such housing shall be borne by the Contractor and shall be a contract billable item. In those instances where there is no local housing available, the Contractor shall construct housing for contractor personnel. The design and cost of such housing shall be addressed in the logistics section of the Management Plan submitted in the proposal in response to the Task Order. All construction must be to U.S. standards."<sup>15</sup>

A DS official told OIG that security projects typically also involve some type of construction. The same contract language had been previously used by DS to build smaller-scale construction projects, including a shooting range at Camp Sullivan. The WPS contract language was also used by DS to build a smaller camp for security forces at Camp Seitz.<sup>16</sup> However, according to officials in DS and AQM, this contract vehicle had not previously been used to facilitate a build-out as extensive as the one planned at Camp Eggers. According to one DS official, it is unprecedented for a security contractor to take on the construction of an entire camp the size of Camp Eggers.

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<sup>13</sup> Contrack Watts, Inc. (CWI) was formerly known as Contrack International, Inc. (CII) and changed its name to Contrack Watts, Inc. in 2015.

<sup>14</sup> WPS Contract, Section C.4.3.10.1.1 "Contractor-Provided Logistics."

<sup>15</sup> WPS Contract, Section C.4.3.10.1.1 "Contractor-Provided Logistics."

<sup>16</sup> The Government Accountability Office (GAO) reported on a similar situation. Namely, DS acquired Camp Seitz in 2013 in order to relocate the KESF from Camp Grizzly and the Protective Security Detail (movement protection) Guard forces from another camp to sites closer to the embassy compound. DS then began construction of temporary housing at Camp Seitz without submitting the design to OBO for review or applying for a building permit. After OBO became aware of the completed construction, it identified fire safety deficiencies. Because of these problems, OBO and DS took steps to more effectively coordinate on other projects, including developing MOAs. See GAO, *Afghanistan: Embassy Construction Cost and Schedule Have Increased, and Further Facilities Planning Is Needed* (GAO-15-410, May 2015).

The Office of the Legal Adviser (L) and the Bureau of Administration (A) approved the use of the contract mechanism described above for the Camp Eggers project. However, a DS official told OIG that a major cause of the problems associated with the Camp Eggers construction was the fact that this contractual framework was “incredibly convoluted” and an “inappropriate contract vehicle” for the project.

### **Department Personnel and the Contractor Lacked Construction Expertise**

As a result of using the contract mechanism described above, AQM and DS officials assigned to the WPS security contract bore the additional responsibility of preparing and overseeing the construction task order. Several key personnel involved in planning Camp Eggers, however, lacked the construction expertise necessary to properly award and manage this complex, large-scale construction project. This lack of expertise manifested itself in various ways, but, of particular note, contract documentation did not include all of the requirements to ensure the contractor performed to the appropriate standards and was held accountable for poor performance. As an example, the Department incorporates certain standard provisions intended to provide remedies for inadequate performance in all OBO contracts,<sup>17</sup> but these provisions were not included in the WPS contract. Likewise, an OBO official stated: “the contract initially issued to Aegis was unclear, missing requirements, and has been changed consistently.” In addition, AQM and DS personnel frequently rotated in and out of positions, which hampered institutional memory. For example, there were multiple AQM contracting officers assigned to the contract, and the division of DS responsible for overseeing the project had several different office directors during the relevant time period.

Several DS officials who were assigned to the construction task order acknowledged that DS had very little, if any, expertise related to construction or construction-related contracts. Additionally, DS and AQM personnel initially assigned to the Camp Eggers project had no expertise drafting construction contracts or Statements of Work (SOW) for construction, which typically include a description of the work to be performed, location of work, period of performance, deliverable schedule, and applicable performance standards. AQM did not assign someone with construction expertise to the contract until March 2015, which was almost six months after the project was awarded.

As discussed earlier, DS contracted with Markon through AQM in January 2014 and May 2015 to provide professional engineering services and design review and construction management support services. However, Markon did not review the contract modification issued to Aegis on September 30, 2014 or the related SOW for the construction of Camp Eggers. Markon told OIG

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<sup>17</sup> These provisions, known as Division 1 General requirements, are included in all OBO contracts and set forth a series of contract management specifications. According to the 2016 OBO Construction Management Handbook, Division 1 typically also includes specifications regarding construction execution and coordination, coordination drawings, project scheduling, construction submittals, leadership in energy and environmental design (LEED) submittals, construction safety and occupational health, construction security, secure shipment, contractor’s quality control, temporary security facilities and controls, construction waste management, closeout procedures, systems manuals and O&M data, and demonstrations and training.

that this was unusual, as it would typically be in the Department's best interest for it to assist in preparing the SOW for the design-build contractor.

Besides a lack of knowledge by the Department's own personnel, Aegis, the contractor primarily responsible for the construction itself, had itself never taken on a large-scale construction project for the Department prior to Camp Eggers. An Aegis official stated he did not believe that Aegis had performed any construction work before, other than the shooting range that was built at Camp Sullivan. The official told OIG that Aegis hired roughly ten construction specialists specifically to oversee the Camp Eggers project.<sup>18</sup> However, an OBO official noted that Aegis lacked any "institutional experience" building to OBO requirements. An AQM official concurred and told OIG that Aegis simply "bit off more than they could chew." Notwithstanding these concerns, AQM issued a \$173.2 million contract modification on behalf of DS to construct the entire Camp Eggers compound in only 18 months in a war zone.

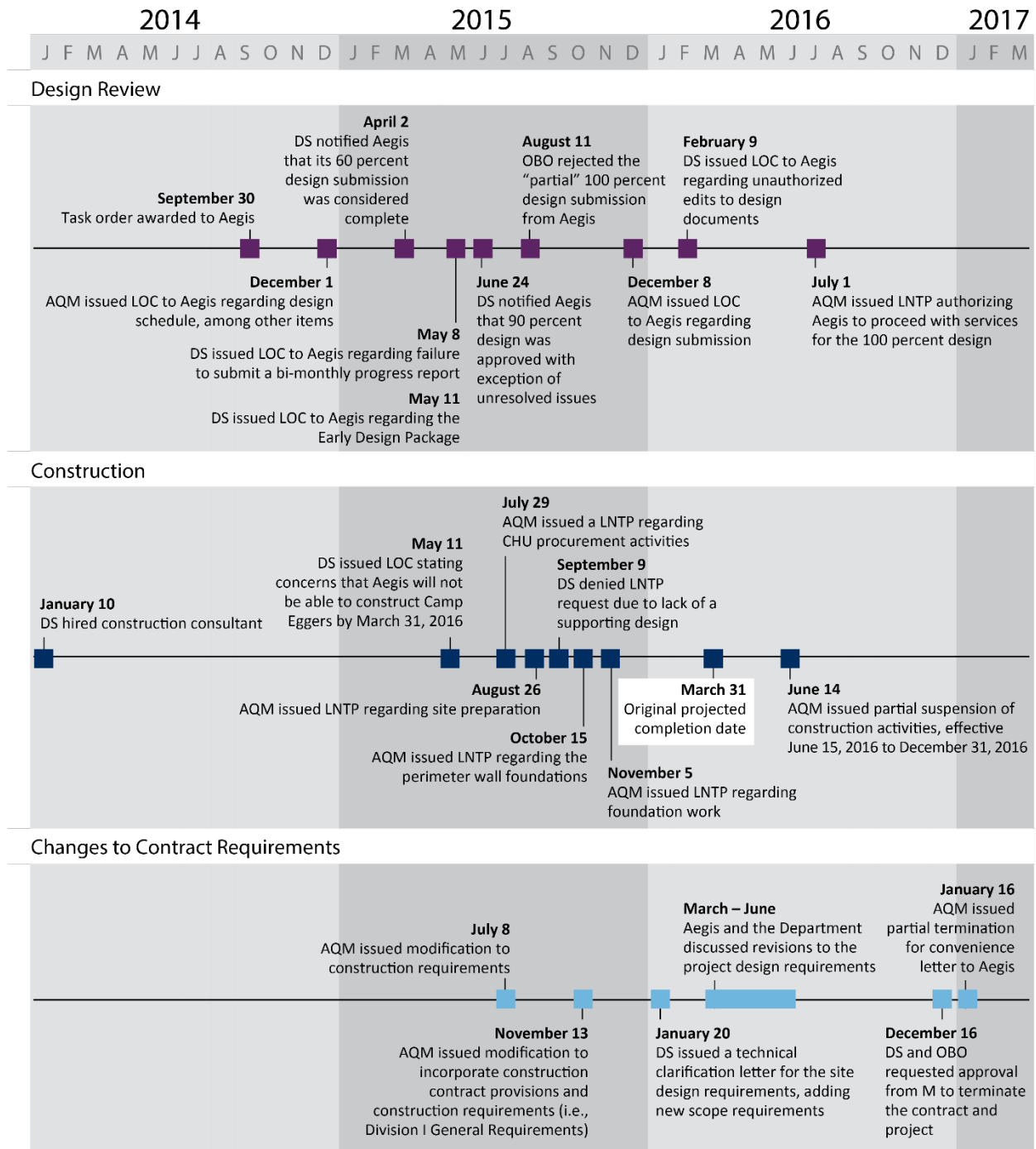
### **Ineffective Contract Enforcement and Administration Led to Deficiencies, Delays, and Cost Overruns**

The Department's ability to complete the Camp Eggers project on time and budget was jeopardized shortly after award because of contractor performance issues. Aegis missed project milestones and failed to adhere to contract requirements, causing significant delays, as shown in Figure 2. However, AQM failed to take any meaningful corrective action against Aegis to protect the Department's interest. These delays led to cost overruns and caused the estimated project completion date to be pushed back on numerous occasions. The major causes of these delays include inefficiencies in the performance of demolition work; deficiencies in the design plans submitted by Aegis; and improper acquisition of materials. Further complicating contract administration, the Department sought a number of changes to design specifications, security requirements, and construction standards throughout the project. There was also disagreement between the Department and Aegis regarding how these changes would affect the project timeline and budget. These disagreements were not resolved when the Department terminated the project for convenience in January 2017.

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<sup>18</sup> The official also noted that these construction specialists' employment was terminated after the contract itself was terminated.

Figure 2: Summary of Key Dates for the Camp Eggers Construction Project



Source: Generated by OIG based on information obtained from AQM and DS.

## The Department Did Not Implement Sufficient Corrective Action to Hold Aegis Accountable for Deficiencies and Delays

According to the Foreign Affairs Handbook (FAH), “[t]he COR should notify the contracting officer at the earliest moment when, as a result of monitoring the contractor’s progress, it appears that the contractor may become, or is in fact, delinquent.” The FAH also states that “silence on the part of the U.S. Government could be interpreted by the contractor as revised U.S. Government expectation of performance.”<sup>19</sup> This silence has the potential to “adversely affect the U.S. Government’s right to withhold payments, terminate for default, or otherwise exercise certain rights under the contract.”<sup>20</sup> Affirmative measures taken to enforce the contract “can be directed toward correcting the unsatisfactory performance or protecting the U.S. Government’s interest in the event of the contractor’s default.”<sup>21</sup> The FAH accordingly identifies the steps the COR should take if the contractor is not complying with a specific contractual requirement.<sup>22</sup>

Concerns with Aegis’s performance began to arise not long after AQM modified Task Order 10. As noted, Markon warned the Department of potential project delays in late August 2014 and told OIG that 18 months was not a reasonable timeline for completion of the project. Although these potential concerns began to materialize soon after award, the first Letter of Concern (LOC) was not issued to Aegis until December 1, 2014—two months after it began work.<sup>23</sup>

This LOC stated that the Department had concerns with the project timeline and critical milestones and that Aegis might not be adhering to contract requirements. It also noted that the subcontractor, CWI, had not yet mobilized to begin performing demolition, disposal, and removal (DDR) services on the septic tanks and swimming pools.<sup>24</sup> The Department expressed concern that the period of performance requirement for this component of the site-preparation work would not be met and that the March 2016 full-project completion date would accordingly be pushed past the contractual deadline. A DS official noted that “this issue, combined with all the others, adds up to Aegis being very slow in their processes to get work started and completed on time.” In addition, the LOC noted concerns regarding Aegis’ review process for construction submittals<sup>25</sup> and that Aegis might not be using all resources to ensure the contractually-specified level of quality in all the materials procured and installed.

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<sup>19</sup> 14 FAH-2 H-541(d) (September 9, 2015).

<sup>20</sup> 14 FAH-2 H-541(d) (September 9, 2015).

<sup>21</sup> 14 FAH-2 H-541(e) (September 9, 2015).

<sup>22</sup> 14 FAH-2 H-542 (September 9, 2015).

<sup>23</sup> A letter of concern is a written notification that describes the Government’s concerns related to contractor performance. Issuing a letter of concern serves primarily to notify the contractor of a particular issue and does not trigger any additional contractor requirements or obligations.

<sup>24</sup> The period of performance for the DDR project was for ten weeks from the notice to proceed issued by the CO. Aegis received a signed “Consent to Subcontract” from the CO on November 19, 2014 and should have projected a January 9, 2015 completion date.

<sup>25</sup> Submittals are shop drawings, material data, samples, and product data, required primarily for the architect and engineer to verify that the correct products will be installed on a construction project.

On December 11, 2014, Markon provided its opinion of the project status and Aegis's capacity to deliver results at the request of DS. This assessment again should have raised significant concerns within the Department. For example, Markon stated Aegis and its subcontractors appeared to be broaching the possibility of cost increases and schedule changes less than three months after the contract was signed. Markon also noted that Aegis's disregard for overall project quality was "alarming" and that, even though Aegis had known from the beginning that this project was schedule driven, it took no proactive or reactive measures to ensure the schedule was met. Markon's assessment stated that "if this continues, things could escalate to significant delays quickly."

A DS official told OIG that AQM should have issued a cure notice to Aegis "on day one" and that the only way to have prevented any of the issues that ultimately arose would have been to take action to hold Aegis accountable in the first month of award.<sup>26</sup> Cure letters would have required Aegis to correct a deficiency within a set period of time. If Aegis did not correct the deficiencies within the specified timeframe, the Department then could have terminated the contract for default.<sup>27</sup> This official also stated that failing to take action early set a "bad precedent" because it sent a signal to Aegis and its subcontractors that they "could get away with anything." This, in turn, meant that they were less concerned with the timing and quality of their submissions.

Although Aegis continuously missed project milestones and failed to adhere to contract requirements, the Department still did not take meaningful corrective action against Aegis beyond issuing LOCs. As noted, these were primarily issued by DS. The Department also held a number of meetings with Aegis personnel to discuss the lack of progress made on the project, but no further corrective action was taken.

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<sup>26</sup> Federal regulations specify that a "cure notice" must be issued before terminating a contract for default. By issuing a cure notice, the government formally notifies a contractor that a certain condition is endangering the performance on the contract and sets out a specified amount of time within which the contractor must "cure" the condition before the government may terminate the contract. FAR 49.607(a).

<sup>27</sup> "Under a termination for default, the Government is not liable for the contractor's costs on undelivered work and is entitled to the repayment of advance and progress payments, if any, applicable to that work." FAR 49.402-2(a).

**Table 1: Letters of Concern Issued by the Department to Aegis**

<b>Date Issued</b>	<b>Issued By</b>	<b>Description</b>
December 1, 2014	AQM - CO	Non-compliance with Required Contract Submittal Process and Design Schedule
May 8, 2015	DS - COR	Non-compliance with Required Bi-Monthly Report Deliverable
May 11, 2015	DS - COR	Non-compliance with Camp Eggers Project Schedule and Budget
May 11, 2015	DS - COR	Quality Concerns with Early Design Package Submissions
December 8, 2015	AQM - CO	Rejection of Incomplete and Insufficient 100 Percent Design Submission
February 9, 2016	DS - COR	Unauthorized Edits to Camp Eggers Project Specifications

**Source:** Generated by OIG based on information obtained from AQM and DS.

The Department had a number of options it could have employed throughout the project and prior to terminating for convenience. The FAH states “[a] contractor's failure to submit a report or to perform or deliver services or goods when required by the contract is a deficiency.”<sup>28</sup> There are several remedies available to the U.S. Government to correct such deficiencies, which include issuing cure notices, withholding payments, reducing prices, and contract termination.<sup>29</sup> AQM may have been able to terminate for default shortly after the project was awarded if it had taken appropriate action when the problems with Aegis’s performance first arose. However, AQM’s failure to do so adversely affected the Department’s right to terminate for default and inadequately protected the U.S. government’s interests.

Several Department officials in DS and at Embassy Kabul that OIG interviewed believed that not enough was done to hold Aegis accountable. For example, a DS official stated that Aegis missed a contractual requirement to submit a baseline schedule to the Government after 25 days of award for review and approval. Such baseline schedules are crucial documents, as they outline the contractor’s proposed milestones for the project as well as other key planning information. This baseline schedule was still outstanding almost six months after it was originally due. In February 2015, AQM drafted a deficiency notice for Aegis related to the delayed schedule but

<sup>28</sup> 14 FAH-2 H-543.1 “Issue Cure Notice.”

<sup>29</sup> In this context, contract terminations can generally be separated into two categories: termination for convenience of the government and termination for default. The government has the right to terminate for convenience when doing so would be in the government’s best interest, regardless of the contractor’s ability to perform. 14 FAH-2 H-543.4-1(a) (September 9, 2015). In a termination for convenience, “[t]he contractor is paid for work on the terminated part of the contract as well as a reasonable allowance for profit on work done and reasonable settlement expenses without profit or fee.” 14 FAH-2 H-543.4-1(b) (September 9, 2015). In contrast, the government may terminate for default due to “the contractor’s actual or anticipated failure to perform its contractual obligations.” FAR 49.401(a). If a contract is terminated by default, “the Government is not liable for the contractor’s costs on undelivered work and is entitled to the repayment of advance and progress payments, if any, applicable to that work.” FAR 49-402-2(a). The Department’s Contract Officer’s Representative Handbook specifically states that “[i]n order to successfully pursue a termination for default, the COR must act promptly and thoroughly document inadequate contractor performance. 14 FAH-2 H-543.4-2(d) (September 9, 2015).

told OIG that it did not issue the deficiency notice because it determined it was more effective to continue dialogue with Aegis. In addition, a DS official believed that AQM did not share DS's sense of urgency in completing the project and ending the convoy movements. Department officials across bureaus remain in disagreement over whether there was sufficient cause to terminate the contract for default earlier in the process. However, Markon and DS officials told OIG that the AQM would have been at least justified to issue cure notices to Aegis at several points during the project.

For example, on February 10, 2015, Markon recommended "DS suspend future pay applications until such time as the information in the bi-monthly schedule updates provided by Aegis are complete and accurate."<sup>30</sup> However, a DS official responded, "it's a given we are going to let them off the hook and pay the pay sheets as [the CO] directs." Another DS official stressed the importance of making sure AQM understood the consequences of failing to hold Aegis accountable for compliance with contractual requirements.

OIG acknowledges that the Department has set forth a variety of considerations that affected its approach to Aegis and reluctance to exercise contractual remedies. First, Department officials were concerned that taking a more aggressive enforcement posture with Aegis could have further delayed completion of the project. An AQM official told OIG that the sense of urgency led the Department to approve or accept submissions more readily in order to meet deadlines. The same official explained that the Department needed to "lean forward" on the project if there was any chance of meeting the original deadline.<sup>31</sup> In fact, AQM went as far as to instruct Markon not to reject submissions for materials because the project would eventually be subject to an audit, which "would catch anything that the Department missed." The CO responsible for overseeing construction at Camp Eggers agreed that allowing Aegis to continue would be more expedient than terminating and re-awarding the contract. The CO further told OIG that, under the FAR, the Government cannot terminate a contract for cause unless it can be established that "the next guy would finish faster."<sup>32</sup>

Second, Department officials in both AQM and DS expressed hesitation to exercise available contractual remedies because they believed that the Department contributed to the delays. For example, assignment of staff without adequate construction experience, combined with a high rate of turnover in relevant leadership positions, contributed to problems with the project.

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<sup>30</sup> The pay application includes services or materials that are being incorporated or jobs that are being executed under a contract agreement. The contractor certifies the payments requested are for the appropriate purpose and in accordance with the agreements set forth in the contract.

<sup>31</sup> Multiple Department officials, as well as an Aegis official, told OIG that they viewed the initial 18-month project timeline as unreasonable. An official from AQM expressed skepticism that such an extensive project could ever be completed so quickly in a construction environment as logistically complex as Afghanistan.

<sup>32</sup> FAR 49.402-3(f)(4) (before termination for default, the contracting officer must consider "the urgency of the need for the supplies or services and the period of time required to obtain them from other sources, as compared with the time delivery could be obtained from the delinquent contractor"). OIG notes that this is just one of seven factors that the CO must weigh before terminating a contract for default.



Additionally, as discussed in the following section, the Department introduced several significant changes to the contract throughout the process. These changes included modifications to the design of containerized housing units (CHUs)<sup>33</sup> that Aegis was required to supply under the task order, the addition of Division 1 General Requirements to the contract, and updates to the physical and technical security layout of the camp.<sup>34</sup> These changes created confusion and further complicated the effort to keep the project on schedule.

Third, one AQM official expressed reluctance to tie up Department resources in contract disputes, which they believed would be the result of any effort to exercise contractual remedies. That AQM official expressed concern that doing so would have shifted contractor personnel away from the work itself and could have further delayed project completion. Further exacerbating the problem, the CO told OIG that it is incredibly difficult for the Government to prevail in these disputes. The CO further stated that, in his 25 years of experience, he has attempted to terminate only two contracts for cause, and both times the Government was forced to change its disposition to termination for convenience.

Fourth, DS officials raised concerns that holding Aegis accountable for its deficiencies on construction-related activities could harm the Department's relationship with Aegis in its security services. One DS official believed that Aegis performed well in its services as a guard force contractor, and he feared that terminating the construction piece of the contract could have also affected guard force services. A DS official told OIG that this reluctance to take specific steps in response to Aegis's poor performance extended to the Contracting Performance Assessment Reporting System (CPARS).<sup>35</sup> This official stated that DS attempted to issue Aegis a poor grade in CPARS, but AQM rejected the idea because it could have negative consequences for the Department's future ability to contract with Aegis through Task Order 10.

OIG does not express an opinion on the substantive merits of these explanations. It is clear, though, that the Department struggled with how to hold Aegis accountable for its performance on the task order and, additionally, how to resolve the divergent views within the Department on this issue. On the latter point, OIG emphasizes that multiple bureaus were involved in the oversight of the work, which contributed to the lack of attention to Aegis's deficiencies. Indeed, OIG has highlighted in several other reports when multiple bureaus are involved in a decision-making process, the Department struggles with promoting accountability through careful internal coordination and clear, well-defined lines of authority.<sup>36</sup> The Department faced the same challenge in overseeing the Camp Eggers project.

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<sup>33</sup> A CHU is a shipping container that has been repurposed to serve as housing for U.S. personnel abroad.

<sup>34</sup> See pg. 15-18, "Multiple Department Changes Caused Additional Project Delays."

<sup>35</sup> CPARS hosts a suite of web-enabled applications that are used to document contractor performance information that is required by Federal Regulations.

<sup>36</sup> OIG, *Inspector General Statement on the Department of State's Major Management and Performance Challenges* (OIG-EX-19-01, Nov. 2018); OIG, *Review of Allegations of Improper Passport Seizures at Embassy Sana'a, Yemen* (OIG-ESP-19-01, Oct. 2018).

## Ineffective Contract Enforcement Led to Deficiencies, Delays, and Cost Overruns

AQM's inability to enforce the terms of the contract was especially problematic given that Aegis and its subcontractors began reporting delays almost immediately after award. These delays led to cost overruns and caused the estimated project completion date to be pushed back on numerous occasions. Major causes of these issues include inefficiencies in the performance of demolition work by Aegis's subcontractor; deficiencies in the design plans submitted by Aegis; and improper acquisition of materials by Aegis. Each factor is described in further detail below.

**Demolition** – In September 2014, Aegis requested proposal submissions to perform some of the required DDR work. Eva Prime Construction and Logistic Services (Eva), a local Afghan company, was awarded the DDR subcontract. However, by October 15, 2014, Eva had already informed Aegis that it was unable to commence the work, and Aegis rescinded the subcontract award. Aegis recommended to the Department that the DDR work be included as part of its subcontract with CWI to mitigate any additional delays. The Department approved this approach on November 19, 2014.

Aegis notified the Department that Eva's failure to perform delayed the project completion date to July 6, 2016. However, AQM issued an LOC on December 1, 2014 because of concerns that CWI had not yet mobilized to begin performing septic tank and swimming pool DDR projects, tasks that were projected to be completed by January 9, 2015. One communication sent to Aegis on December 31, 2014 stated, "[i]t is apparent that [CWI's] current lack of mobilization and progress on the DDR project and Aegis' management of this project are not meeting mission requirements as stated." On January 9, 2015, the Department noted that Aegis failed to meet the deadline for the initial scope of the DDR work, causing further delays. Although the Department continued dialogue with Aegis, no corrective action was taken after the LOC issued on December 1, 2014.

**Design Plans** – According to the Task Order 10 SOW, the Department was to provide Aegis with an initial set of design plans, including drawings, specifications, and 2014 OBO Design Standards, intended to represent a 30 percent completed version of the final Camp Eggers design (commonly referred to as 30 percent design plans). Aegis was then required to develop these 30 percent design plans into a 100 percent (ready for construction) final design effort. Aegis was also required to submit two additional sets of interim design plans (60 percent design plans and 90 percent design plans) as milestones over the course of the project. At each interval, the Department would review and evaluate the design plans to ensure they accurately reflected contract requirements before committing to further work. Upon completion of design plans and approval by the Department, construction would commence and be completed in accordance with the contract requirements.

Aegis hired a subcontractor to develop the initial design plans as part of its proposal for the Camp Eggers construction project.<sup>37</sup> After receiving the award, Aegis hired a separate subcontractor to further develop and complete the plans. Aegis, however, remained ultimately responsible for this task, and, throughout the design process, it was required by the Department to provide all design submittals to the Department and Markon for review. According to AQM officials, problems arose at the 60 percent design phase. For example, the 60 percent design plan should have been submitted for review in December 2014. However, Aegis did not submit it until 35 days after the deadline, which caused scheduling delays with OBO. Moreover, Aegis's first 60 percent design submittal, on February 5, 2015, was missing several key requirements, including site survey information, DDR work, and design plans for several buildings. The 60 percent design was not approved until two months later in April 2015.

Design plan issues continued for the duration of the task order, and Aegis struggled to incorporate the civil engineering design into the plans.<sup>38</sup> For example, the Department rejected the contractor's request for issuance of a Limited Notice to Proceed (LNTP), which would have authorized Aegis to commence performance of a specified portion of the work for underground utilities and foundation work at Camp Eggers on September 9, 2015; the Department rejected the LNTP after concluding that "the plans do not meet a standard professional engineering design level for an LNTP submission." The Department stated, "[w]hen comparing the same drawing at each design phase, there is little to no change of the layout of the utilities as the submission progresses from 60 [percent] to 90 [percent] to 100 [percent] despite previous review comments and the OBO Design Standard requirements." According to one Department official, the civil engineering design had many issues, including that the design "had water flowing uphill."

The 90 percent design plans were approved in June 2015 with some exceptions that were to be corrected in the 100 percent design plan, and Aegis submitted the 100 percent design plans for review in November 2015. However, AQM issued an LOC on December 8, 2015, stating that the "overall design is technically incomplete, and is insufficient to support the issuance of a building permit." The Department's LOC identified major problems, including a below grade utility layout and design and a non-working storm water management system. Although design issues persisted throughout the project, only one subsequent LOC was issued related to design, and no other corrective action was taken.

**Materials** – Aegis, through its subcontractor, CWI, purchased materials costing approximately \$19.4 million for Camp Eggers. However, roughly 23 percent of these materials (\$4.5 million) were obtained without submitting proper documentation or receiving proper Department

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<sup>37</sup> Aegis performed this work under Task Order 10 Modification 31, which was issued on October 2, 2013 to provide for construction management services in support of the anticipated Camp Eggers construction project.

<sup>38</sup> Civil engineering deals with the design, construction, and maintenance of the physical and naturally built environment, including works such as roads, bridges, canals, dams, sewerage systems, and pipelines.

approval.<sup>39</sup> Officials from DS and Markon stated that Aegis did not always complete the required materials submittal package, and Markon noted that the items should have been rejected because of this deficiency. The first LOC issued by AQM on December 1, 2014 specifically noted concerns regarding Aegis' review process for construction submittals. The LOC stated: "[i]t has come to the attention of the CO that Aegis may not be utilizing all resources to ensure the contract-specified level of quality in all materials procured and installed. Specifically, the CO notes that Aegis may not be engaging the Designer of Record . . . as appropriate on the submittals for both the design-build and [CHUs]." The LOC went on to state that "Aegis should note that the Government expects, and requires, the highest level of quality assurance on the Camp Eggers project . . ." Notwithstanding these expressed concerns, no action was taken for many months.

On October 13, 2015, almost a year after AQM issued the first LOC, DS issued a procedural clarification letter to Aegis after concerns arose regarding failure to comply with the construction submittal process. The letter stated, "Aegis shall be reminded that it is the expectation of the Government that all materials used in the construction of the [Camp Eggers] project will require an approved submittal package." The letter went on to state the following: "[c]onstruction submittals shall be reviewed by both the builder and the designer of record before being presented to the Government for final approval. All materials delivered to the site will be inspected upon arrival and verified prior to being released for construction. Any procurement of materials prior to the receipt of an approved associated product submittal will be done solely at the risk of the contractor . . ." No further action was taken after this clarification letter.

In addition to improper acquisition of materials, the Department paid for the procurement and storage of materials that were never ultimately used, resulting in the loss of millions of dollars. Specifically, Aegis and CWI submitted a materials inventory to the Department in June 2017 stating that they purchased a total of about \$22.6 million in materials for Camp Eggers. The materials had to be stored due to numerous project delays, which prevented CWI from using the materials as they were delivered. The storage continued throughout the life of the contract until all of the materials were disposed of by May 2018. A CWI official told OIG that materials were not stored on site in order to provide space to conduct the construction work and to allow DS to use the site to store vehicles. The storage locations included Kabul, Afghanistan; Dubai, U.A.E.; and Sterling, VA.<sup>40</sup> Over the life of the task order, the Department wasted about \$22 million on materials that were never used and then paid to store them.

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<sup>39</sup> As stated in FAR 52.232-5 "Payments under Fixed-Price Construction Contracts", the Government shall only make progress payments on estimates of work accomplished which meets the standards of quality established under the contract, as approved by the CO.

<sup>40</sup> After the termination of the Camp Eggers project, the Department transferred materials stored in Kabul to fill other U.S. Government needs in the area. Regarding the materials in Dubai, Red Sea Housing Services Company FZE (Red Sea), the company with whom the Department ordered CHUs, reached a final termination settlement valued at about \$2.5 million with Aegis and the Department under which Red Sea would keep all the materials and equipment they procured on behalf of the Department. The remaining materials in Sterling, VA were disposed of through the General Services Administration's excess property program and some were scrapped.

## Multiple Contract Changes Caused Additional Project Delays

The Department sought a number of changes to CHU design specifications, security requirements, and construction standards over the course of the project; most of these changes occurred in 2015. The Department and Aegis disagreed as to how these changes affected work requirements and associated costs. These disagreements were never resolved and further contributed to the project's delayed estimated completion date.

**Containerized Housing Units** – The task order required Aegis to supply the required quantity of 20-foot steel CHUs in accordance with specifications. The Department and Aegis worked together in 2014 to develop a CHU design, and approved Aegis's design drawings on February 20, 2015. However, DS notified Aegis on February 25, 2015, five days later, that it was considering redesign changes and in March 2015, informed Aegis the CHU design would in fact be modified. The Department ultimately finalized its CHU design and issued an LNTP to Aegis authorizing CHU procurement activities in July 2015. As a result, the estimated project completion date for Camp Eggers was updated to December 2016, in part to reflect delays caused by these CHU design modifications.

Red Sea Housing Services Company FZE (Red Sea), the company that manufactured the CHUs, eventually started CHU production on Aegis's behalf on August 18, 2015. According to Red Sea officials, Aegis provided it with a Notice to Proceed (NTP) to purchase containers, but it never received an official contract to perform the work. Nonetheless, Red Sea purchased 520 containers, as shown below, and other CHU building materials at a cost to the Department of about \$2.6 million.



Source: OIG photo of empty CHU containers taken in Dubai, U.A.E. on February 22, 2018.



Source: OIG photo of CHU building materials taken in Dubai, U.A.E. on February 22, 2018.

**Physical and Technical Security** – The Department modified the Aegis task order in September 2015 to incorporate technical security upgrades that were not included in the original award. These changes came roughly one year after award and two months before Aegis submitted the 100 percent design. CWI claimed that the upgrades made material changes to the scope of the work and therefore adversely affected the schedule for completion. AQM disagreed with this assessment, asserting that the changes were relatively small and that the modifications should not affect the cost or schedule of the project. Separately, according to multiple Department officials, the deteriorating security situation in Kabul at the time caused DS to seek several other physical security upgrades to the Camp Eggers design in early 2016. These changes caused further delay, and the disagreement with Aegis regarding the consequences of these changes was never resolved before work was suspended.

**Division 1 Standards** – Disagreement persisted throughout the life of the contract about the initial absence and later inclusion of Division 1 General Requirements (Division 1). Division 1 is the common moniker for a series of provisions in OBO construction contracts that lay out what recourse is available to the Department if certain contract deliverables or timelines are not met. For example, Division 1 requirements typically identify specific requirements for quality control, construction submittals, and construction execution and coordination. One OBO official told OIG that Division 1 provides the “teeth” by which the Department is able to hold contractors accountable for delays and deficiencies in construction work. For this reason, the official told OIG that Division 1 is typically included in all Department construction contracts.

The initial SOW, however, did not include Division 1. Department officials familiar with the early stages of the Camp Eggers project told OIG that the individuals responsible for drafting the

SOW simply did not know about Division 1 because, as noted previously, they were primarily security specialists who had little, if any, experience in construction. One DS official told OIG that excluding the specific language of Division 1 did not affect contract administration or enforcement because other provisions of the contract specified that work should be done “to OBO standards,” which presumably would include Division 1. However, an OBO official told OIG that there was no reason to omit Division 1 from any construction contract and that it should have been included at the outset.

The Department issued a modification to the contract incorporating Division 1 in November 2015, more than a year after the award and roughly four months before the original project completion date.<sup>41</sup> The Department and Aegis disagreed over whether this modification created material changes to the contract. DS and Markon believed that including Division 1 did not alter the responsibilities of Aegis, as Division 1 is primarily an accountability tool that provides more detail for both parties. An Aegis official disagreed, noting that the requirements set forth in Division 1 imposed additional quality assurance and quality control requirements as well as additional work for the design team. A CWI official agreed with Aegis’s assessment and added that, among other things, meeting Division 1 standards would have required the contractors to move the entire Camp Eggers project onto a different set of operating software. The Department and Aegis debated the specific work items required by Division 1 after it was incorporated; this issue does not appear to have been resolved.

### **The Camp Eggers Project was Ultimately Terminated for Convenience without the Completion of Any Construction**

By April 2016, the original estimated project cost of \$173.2 million grew to \$251.8 million due to increased costs associated with project delays. A partial suspension of work was issued to Aegis effective on June 15, 2016, halting construction work. After the Department conducted further review of the total project costs and delays associated with the partial suspension, the estimated total project cost increased to \$316.5 million. The partial suspension of work was extended through December 31, 2016 to allow the Department to consider other options. During the extended suspension, the Department acquired an additional parcel of land abutting the current embassy’s East Compound. This property, known as the Garrison Property, is shown in the photo below.<sup>42</sup>

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<sup>41</sup> Markon, DS, and OBO discussed incorporating Division 1 into the Camp Eggers award as early as December 2014.

<sup>42</sup> According to the Department, “All prior Department attempts to obtain this property had been rebuffed by the Afghan government, which is why the Department made the decision to obtain Camp Eggers in March 2014.”



Source: OIG photo of Embassy's East Compound taken on February 25, 2018.

After acquiring the Garrison Property, the Department elected to terminate the Camp Eggers contract for convenience and redirect efforts towards developing housing on the embassy's East Compound, with the ultimate goal of housing KESF personnel there. The Under Secretary for Management approved the termination proposal on December 18, 2016, and the project was terminated for convenience effective January 16, 2017. Until OBO completes the extended East Compound build-out in FY 2023, all KESF personnel assigned to the embassy static guard force will reside in temporary housing elsewhere on the embassy compound and adjacent area.

Aegis and the Department worked to finalize a termination settlement after Camp Eggers was terminated in January 2017, and Aegis submitted an interim termination settlement proposal in May 2017. The Department also contracted with an auditing and consulting firm, FTI Consulting, Inc. in September 2017, to perform a forensic audit related to the termination costs claimed by Aegis. This audit was to conduct a detailed review of Aegis's interim proposal, including subcontractor amounts presented in the termination proposal. Aegis received \$54.6 million in progress payments throughout the project and requested an additional \$47.5 million as part of its settlement with the Department. However, after receiving recommendations from FTI, the Department and Aegis reached a final settlement agreement whereby the Department agreed to pay Aegis \$40 million, rather than the \$47.5 million requested. This figure does not include the \$8.6 million paid to Markon for various engineering, design review, and construction management support services throughout the Camp Eggers project.

As shown in the photos below, the compound that was supposed to be the "New Camp Sullivan" remained flat dirt after more than four years of effort. The Department estimated that approximately 10 percent of the construction work was completed, and the 100 percent design—the final design—remained unfinished. Therefore, OIG questions costs of \$103.2 million that was expended on the Camp Eggers project. Wasted expenditures reduce the availability of



funds necessary to ensure Department personnel are adequately protected while living and working overseas in austere environments.



Source: OIG photo of Camp Eggers taken February 26, 2018.



Source: OIG photo of Camp Eggers taken February 26, 2018.



Source: OIG photo of Camp Eggers taken February 26, 2018.



Source: OIG photo of Camp Eggers taken February 26, 2018.

## Conclusion and Lessons Learned

The Department decided that there was an urgent need to move the KESF closer to Embassy Kabul to eliminate the dangerous traverse to and from Camp Sullivan. Although OBO is the entity within the Department with building expertise, it represented that it did not have the resources or ability to take on this project in the timeframe required. Accordingly, the

Department modified WPS Task Order 10, the DS security contract held by Aegis, to permit construction of Camp Eggers. The Department's decision to use a DS security contract as the contractual mechanism had profound implications for the overall management, effectiveness, and eventual termination of the project. Markon, the construction consultant hired by DS, articulated concerns regarding this approach and warned the Department in August 2014—a month before the task order was modified—that the project would not likely be finished on time or on budget. The Department nonetheless chose to move forward with this fundamentally unsuitable construction mechanism because of what it viewed as exigent need and a lack of alternatives.

As a result, there were a series of cascading problems, beginning with assignment of personnel who lacked the construction expertise necessary to properly plan and manage this complex, large-scale construction project. Pursuant to the contract, the Camp Eggers project was to be completed on March 31, 2016, but, in keeping with Markon's warning, project delays began almost immediately. AQM failed to take any meaningful corrective action against Aegis to effectively protect the U.S. Government's interests, even as Aegis missed milestones and failed to adhere to contract requirements. These deficiencies by Aegis, in addition to several changes ordered by the Department, led to significant delays and cost overruns. In the end, after newly acquired property at U.S. Embassy Kabul became available, the Department decided to terminate the project for convenience in January 2017. Aegis never completed the design of Camp Eggers and undertook very little construction. As a result, OIG identified \$103.2 million in questioned costs on the Camp Eggers project.

OIG acknowledges that the Department faced a difficult set of choices and had relatively few options due to the security environment in Kabul and the compressed timeline of the Camp Eggers project. However, throughout this process, the Department did not effectively use the leverage and options it had. Upon consideration of the Department's experience with Camp Eggers, at least the following lessons can be drawn:

- The Department should not accept substandard work based on a sense of urgency to complete a project and should moreover not allow this sense of urgency to override the possibility that other, more innovative options might be available. As events unfolded, however, once the contract was awarded and work began, the desire to complete the project as quickly as possible contributed to reluctance to hold the contractor accountable. That is, the Department's initial decision essentially "locked it in" to a certain approach that ultimately did not serve it well.
- The Department should not hire firms for work for which they have no substantive expertise, as occurred here. An Aegis official told OIG he did not believe the company had undertaken any construction projects other than building a shooting range at Camp Sullivan. An OBO official noted that Aegis lacked the "institutional expertise" to build to OBO standards, and several Department officials told OIG that they had doubts about Aegis's ability to carry out major construction work.

- The Department should ensure that all personnel assigned to oversee future construction work possess the requisite expertise to effectively manage the projects. Again, this issue was of particular concern in this project. Although DS officials had previously overseen smaller-scale construction, individuals assigned to the Camp Eggers project lacked the expertise required for a project of that scale. This substantially weakened the likelihood of success of the project and negatively affected the Department's ability to hold the contractor accountable once issues began to arise.
- The Department should hold contractors accountable consistently throughout the course of a construction project. Failure to do so contributes to delays and weakens the government's ability to seek remedial action as the project progresses.

In the end, the Department's sense of urgency, the selection of a non-construction contractor, the assignment of officials inexperienced in construction to oversee the project, and the failure to hold the contractor accountable for particular instances of poor performance led to the expenditure of more than \$100 million without any discernible benefit to the Department or the people it intended to protect. OIG also notes that, more generally, this project illustrates many of the broader concerns that arise when the Department pursues construction projects in contingency or otherwise challenging environments. The Camp Eggers project again highlights the importance of making well-informed, thoughtful choices regarding the most appropriate contract vehicle; careful, consistent oversight; and development of a process for construction work in contingency zones that is sufficiently nimble to address urgent security needs but also considers the resources and capabilities of all relevant Department bureaus.

## RECOMMENDATIONS

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OIG provided a draft of this report to Department stakeholders for their review and comment on its findings and the following recommendations on May 7, 2019. The Department provided its comments and response to the recommendations on June 24, 2019, which are reprinted in Appendix B. The Department also provided technical comments that OIG incorporated, as appropriate, into this report.

**Recommendation 1:** OIG recommends that the Office of the Undersecretary for Management review the Bureau of Diplomatic Security's construction capabilities and adopt a policy that identifies the specific circumstances under which the construction clause in the Worldwide Protective Services (WPS) contract may be used for construction projects and that includes the designation of formal roles of the Bureau of Diplomatic Security, the Office of Acquisitions Management, and the Bureau of Overseas Buildings Operations with respect to such projects.

**Management Response:** The Office of the Undersecretary for Management did not concur with this recommendation. It stated that "it would be difficult to predict specific circumstances under which the construction clause in the WPS should be used" and asserted that the Camp Eggers project presented "very unique circumstances." The Department also asserted that the roles of the Office of Acquisitions Management are already clearly defined in various laws and Department policies.

**OIG Reply:** Based on the Department's response, this recommendation is unresolved. Although OIG agrees that the Camp Eggers project presented unique circumstances, one of the primary reasons that the project did not succeed was that the contractor and the contracting officials overseeing the project lacked construction experience. Construction projects are extremely complex and require expertise unique to the construction field, which the WPS personnel lack because they are security experts. OIG believes that it is both reasonable and an effective use of Department resources to develop a policy identifying the specific circumstances under which the construction clause in the WPS, which is not primarily a construction contract and therefore does not necessarily provide the contractual tools needed to effectively carry out construction projects, should be used. For example, the Department could set a monetary threshold or other indicia of a major construction project, above which the construction clause may not be used because the complexity of such a project demands greater or specialized construction expertise.

**Recommendation 2:** OIG recommends that the Bureau of Administration develop policies requiring the inclusion of Division 1 General Requirements in all future contracts that include a construction component.

**Management Response:** The Bureau of Administration did not concur with this recommendation. It asserted that construction projects vary in complexity and that requiring such standards in all construction contracts would "drive the cost of construction up across the spectrum of projects routinely awarded by [the Bureau]." The Bureau also requested that OIG

define "contracts with a construction component," because of the "significant uncertainty [as] to whether any new policy . . . will meet the intent of this recommendation."

**OIG Reply:** Based on the Department's response, this recommendation is unresolved. While OIG understands that construction contracts vary in complexity, Division 1 General Requirements are a useful tool to ensure accountability (as evidenced by the Department's decision to include Division 1 specifications in the Camp Eggers contract in November 2015) and can be adjusted for various types of construction projects. OIG's recommendation is intentionally broad, requiring only the inclusion of Division 1 General Requirements (the common moniker for a series of provisions in OBO construction contracts that lay out what recourse is available to the Department if certain contract deliverables or timelines are not met), and making no mention of the specific provisions that must be included. This allows the relevant decisionmakers enough flexibility to determine what would be appropriate to include in the Division 1 specifications for each project. OIG recognizes that there are different levels of Division 1 specifications and is not recommending any specific set of requirements for every contract. Some provisions in Division 1 specifications, such as those that relate to quality control and contractor submittals, may be appropriate to include in any type of construction contract; others may be appropriate only in more limited circumstances. These issues should be resolved through discussion among the various stakeholders.

In response to the Department's request for definition of "contracts with a construction component," OIG points the Department to section 2.101 of the Federal Acquisition Regulation, which defines construction as the "construction, alteration, or repair (including dredging, excavating, and painting) of buildings, structures, or other real property." OIG believes that contracts with components that would fall within the definition of 2.101 would likewise fall within the meaning of this recommendation.

**Recommendation 3:** OIG recommends that the Under Secretary for Management review the decision to expend \$103.2 million on the Camp Eggers project and make a determination as to whether the expenditure was necessary or reasonable considering the lack of benefit to the Department of State.

**Management Response:** The Office of the Undersecretary for Management concurred with this recommendation and stated that it "will consult with the necessary parties to determine whether the decision to expend the amount cited was necessary or reasonable."

**OIG Reply:** Based on the Department's response, this recommendation is resolved. This recommendation can be closed when the Department provides OIG with its assessment of the \$103.2 million in expenditures.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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In August 2017, the Deputy Secretary of the U.S. Department of State (Department) referred a memo entitled "Terminating Camp Eggers Project and Redirecting Efforts to Embassy Kabul's Extended East Compound" to the Office of Inspector General (OIG) for its analysis and review of the termination of the Camp Eggers project. As a result, OIG initiated this evaluation in December 2017 to determine whether the Bureau of Diplomatic Security (DS) managed the construction project at Camp Eggers in compliance with Federal and Department guidelines. Specifically, OIG examined how Aegis Defense Services, LLC (Aegis) was selected for the construction build-out of Camp Eggers; why the Department continued using Aegis after non-compliance concerns were identified shortly after the project started; and what the Department received after spending \$103.2 million on Camp Eggers.

To conduct this work, OIG reviewed the requirements in applicable Department directives issued in the Foreign Affairs Manual (FAM), Foreign Affairs Handbook (FAH), Department of State Acquisition Regulation (DOSAR), and various bureau-level policies and procedures. OIG also reviewed applicable requirements in the Federal Acquisition Regulation (FAR). In addition, OIG interviewed more than 30 Department and contractor personnel involved with the project. Further, OIG traveled to Kabul, Afghanistan to interview personnel and conduct site visits at Camp Eggers, Camp Sullivan, Camp Seitz, and Embassy Kabul's East Compound. OIG also reviewed thousands of pages of documents related to the construction project at Camp Eggers, as well as reports created and maintained by the Department. OIG conducted this work in accordance with quality standards for evaluations as set forth by the Council of the Inspectors General on Integrity and Efficiency.

The issuance of this report was delayed because of the lapse in OIG's appropriations that occurred from December 21, 2018, through January 25, 2019.

## APPENDIX B: MANAGEMENT'S RESPONSE



United States Department of State

Washington, D.C. 20520

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JUN 24 2019

## MEMORANDUM

TO:           OIG/ESP – Jeffrey McDermott

FROM:        M – Brian Bulatao

SUBJECT:     Draft Report on *Evaluation of the Bureau of Diplomatic Security's Aegis Construction Contract at Camp Eggers, Afghanistan*

Thank you for the opportunity to provide a management response on the subject draft report. Specific comments on the report are provided below and in the attached.

**Recommendation 1:** OIG recommends that the Office of the Under Secretary for Management review the Bureau of Diplomatic Security's construction capabilities and adopt a policy that identifies the specific circumstances under which the construction clause in the Worldwide Protective Services contract may be used for construction projects and that includes the designation of formal roles of the Bureau of Diplomatic Security, the Bureau of Acquisitions Management, and the Bureau of Overseas Buildings Operations with respect to such projects.

**Management Response to Draft Report (06/XX/2019):** The Office of the Under Secretary for Management respectfully disagrees with this recommendation, based on the rationale that it would be difficult to predict specific circumstances under which the construction clause in the WPS should be used. The case cited in this report presents very unique circumstances. To engineer a new policy that would adequately form a framework for similar circumstances does not address the fact that external factors play a large part in delays and unexpected changes in construction projects, and no two project may face the same challenges. A/OPE's Office of Acquisitions Management's (A/OPE/AQM) role and responsibilities are already clearly defined within the integrated procurement team by the Federal Acquisition Regulations (FAR), Agency supplement (DOSAR), the Foreign Affairs Manual (FAM), the Foreign Affairs Handbook (FAH) as well as guidance derived from statutes, other Department policy, and U.S. Government Accountability Office (GAO) decisions. The Office of the Under Secretary for Management will consult with DS and OBO on how best to support them in their respective roles in this case, if need be.

**Recommendation 2:** OIG recommends that the Bureau of Acquisitions Management develop policies requiring the inclusion of Division 1 General Requirements in all future contracts that include a construction component.

**Management Response to Draft Report (06/XX/2019):** A/OPE does not concur with the recommendation at this time. A/OPE has provided additional commentary in the attached to support this position and is willing to further discuss this topic with the OIG.

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The OIG does not define “contracts that include a construction component,” thereby creating significant uncertainty with regard to whether any new policy developed and issued by A/OPE will meet the intent of this recommendation. A Department-wide policy requires significant discussion within A/OPE as well as with other stakeholders to better understand what Division 1 is comprised of, what OIG believes Division 1 is comprised of, and the cost and administrative effect the policy will have on offices and posts that award contracts across a vast spectrum of complexity. For example, A/OPE does not include within all new contract awards that contain a construction component the OBO maintained Division 1 given the significant variation in requirements across the spectrum of Department requirements. There are over 130 documents used by OBO that vary in complexity that comprise a version of Division 1.

As a general rule, the more complex the construction project the greater the need for robust Division 1 specifications. For diplomatic construction the development of specific codes which are used to comply with the myriad of additional requirements has value, and the intrinsic cost and schedule premium added by these requirements is reasonable and expected. On the opposite side of the spectrum, as long as non-diplomatic construction requirements meet international code, local code and any additional requirements documented within the contract a simplified Division 1 is sufficient. The value of creating an expansive Division 1 specification document for non-diplomatic requirements, such as Camp Eggers was initially, will only drive the cost of construction up across the spectrum of projects routinely awarded by A/OPE/AQM.

**Recommendation 3:** OIG recommends that the Under Secretary for Management review the decision to expend \$103.2 million on the Camp Eggers project and make a determination as to whether the expenditure was necessary or reasonable considering the lack of benefit to the Department of State.

**Management Response to Draft Report (06/XX/2019):** The Under Secretary for Management concurs with this recommendation and will consult with the necessary parties to determine whether the decision to expend the amount cited was necessary or reasonable based on the Federal Acquisition Regulations (FAR), Agency supplement (DOSAR), the Foreign Affairs Manual (FAM), the Foreign Affairs Handbook (FAH) as well as guidance derived from statutes, other Department policy, and U.S. Government Accountability Office (GAO) decisions.

Attachments:

A/OPE Technical and Editorial Comments

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## ABBREVIATIONS

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A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisition Management
CHU	Containerized Housing Unit
CO	Contracting Officer
COR	Contracting Officer's Representative
CPARS	Contracting Performance Assessment Reporting System
DDR	Demolition, Disposal, and Removal
Department	U.S. Department of State
Division 1	Division 1 General Requirements
DOSAR	Department of State Acquisition Regulation
DS	Bureau of Diplomatic Security
Eva	Eva Prime Construction and Logistic Services
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FY	Fiscal Year
KESF	Kabul Embassy Security Force
LOC	Letter of Concern
LNTP	Limited Notice to Proceed
M	Under Secretary for Management
MOA	Memorandum of Agreement
NTP	Notice to Proceed
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
WPS	Worldwide Protective Services

## OIG EVALUATION TEAM MEMBERS

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