

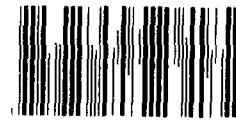
GAO

Report to the Chairman, Committee on Foreign Relations, U.S. Senate

April 1987

EMBASSY BLUEPRINTS

Controlling Blueprints and Selecting Contractors for Construction Abroad



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**National Security and
International Affairs Division****B-226276****April 14, 1987**

The Honorable Claiborne Pell
Chairman, Committee on Foreign
Relations
United States Senate

Dear Mr. Chairman:

As requested by the late Senator Edward Zorinsky in his April 10, 1986, letter, we have examined the availability of architectural blueprints of U.S. diplomatic facilities and the contracting procedures used to obtain the services of construction and architectural and engineering (A/E) firms. In a June 19, 1986, letter to Senator Zorinsky we provided information to assist in considering the Diplomatic Security and Antiterrorism Act of 1986 (Public Law 99-399). In that letter we noted that the State Department distributed blueprints widely and usually did not screen architectural and construction firms for security purposes. This report contains the results of work subsequent to our June 1986 letter.

At the time of our review, State had 16 U.S. A/E firms under contract to design communications centers at 49 diplomatic posts. Because these firms had access to classified information, State Department regulations require that each hold an industrial security clearance in accordance with the Department of Defense's Industrial Security Program—to which State is a signatory. We found that 10 of the 16 firms did not have this clearance. According to State, this situation existed because not all responsible organizations within State were aware of Defense's security program requirements. (See app. I.)

To illustrate security considerations and the distribution of blueprints, we used a case study of the new embassy annex project in Beirut, Lebanon. (See app. II.) We selected Beirut because it is a high-threat post, and blueprints were distributed and offers received during the course of our review.

During our work, State's emphasis on controlling blueprints and screening potential contractors increased. The Diplomatic Security and Antiterrorism Act of 1986 (August 27, 1986) required the Department to develop and issue regulations that (1) strengthen security procedures applicable to contractors and subcontractors involved in the design or construction of diplomatic facilities and (2) permit contractors or subcontractors to have access to blueprints only in accordance with

security procedures. Also, in its December 1986 report to the President and the Congress on the implementation of the Financial Integrity Act, the Department identified as an internal control weakness the security of construction documents and sites. It emphasized that there was a need to enforce applicable security regulations.

These requirements and heightened concerns about potential terrorist incidents directed against our diplomatic facilities have resulted in the Department taking a number of actions that could lead to better control over the distribution of blueprints and a more secure environment during construction. The Department has established guidelines to be followed in developing security procedures for contractors and subcontractors, hired a contractor to develop procedures for handling and controlling blueprints, and started screening foreign offerors before releasing copies of blueprints. In light of these initiatives, we decided, in consultation with your staff, that further work by us is not warranted at this time. However, as requested by Senator Zorinsky's office, we developed some suggestions to assist the Department in implementing these guidelines (see appendix I).

In commenting on our draft report, the Department of State agreed that Defense industrial security clearances are required for its A/E contractors involved in classified communications facilities projects and acknowledged that for the 10 firms identified in our report, the Department did not meet this requirement. It stated that the Department is moving aggressively to meet the requirements of the Defense Industrial Security Program.

The Department made other comments, which are incorporated as appropriate in appendixes I and II. The Department's comments are included in full in appendix III.

Our work was conducted in Washington, D.C., mainly at the Department of State's Office of Foreign Buildings and the Bureau of Diplomatic Security. We also met with officials in the General Services Administration, the Bureau of Engraving and Printing, and the Army Corps of Engineers to discuss the handling of blueprints for domestic federal buildings and nondiplomatic overseas construction projects, such as military facilities. Our review was conducted from April to September 1986 in accordance with generally accepted government auditing standards. Unless

you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from the date of this letter. At that time we will send copies to appropriate congressional committees; the Director, Office of Management and Budget; and other interested parties.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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Abbreviations

A/E	Architectural and engineering
DOD	Department of Defense
FBO	Office of Foreign Buildings
FOIA	Freedom of Information Act
PCC	Post Communications Center

The Distribution of Blueprints and Efforts to Screen Construction Contractors Overseas

The Department of State's Office of Foreign Buildings Operations (FBO) is responsible for the design and construction of diplomatic facilities overseas. Accordingly, FBO is responsible for obtaining the services of architectural and engineering (A/E) firms to develop detailed designs and blueprints and for controlling the distribution of the blueprints before, during, and after construction.

Distribution of Blueprints

Blueprints have historically been distributed to foreign and American firms interested in bidding for specific construction projects. These blueprints contain detailed drawings of the structure, including mechanical and electrical systems and security systems such as closed circuit TV cameras and alarm systems. The Department generally hires an A/E firm to design an overseas facility and to provide initial copies of the blueprints. The Department obtains additional copies of blueprints from commercial printers.

A request for proposal is issued to solicit offers from construction companies. Potential offerors receive copies of unclassified blueprints from FBO for a fee (generally between \$225 and \$1,000, depending on the project). After receiving the blueprints, the contractors routinely reproduce all or sections of the blueprints and make them available to subcontractors, who use them to make cost estimates to perform some of the construction work (such as mechanical and electrical systems) or to procure materials and equipment. We were told by FBO officials that each offeror may reproduce between 30 and 50 copies of blueprints for distribution to subcontractors. Hundreds of copies of blueprints may be in circulation for each project, depending on the number of offerors.

The Department did not know how many copies of blueprints were in existence for any of its overseas projects since the prime contractors are not required to provide this information and blueprints can readily be reproduced or photocopied.

In addition to contractors, local authorities in foreign nations may request copies of blueprints to determine if U.S. facilities comply with zoning and building codes. We were told that in most instances, host-country concerns can be resolved without providing detailed blueprints. However, in commenting on our draft report, the Department pointed out that since requirements for obtaining a building permit vary greatly from country to country, host governments may request blueprints and/or other detailed information on proposed projects before granting a building permit.

The Distribution of
Blueprints for Other
Government Buildings

We discussed blueprint distribution with officials from the Corps of Engineers, which controls overseas military construction projects, and the General Services Administration, which controls construction of domestic federal buildings in the Washington, D.C., area. They told us that their practices were similar to State's; that is, blueprints were generally not classified and they were widely distributed to offerors. Projects that were sensitive (such as certain military facilities) were classified, and access to blueprints was limited to Americans with proper security clearances.

We were told that the blueprints for several federal buildings in the Washington metropolitan area are closely controlled and the distribution restricted to reduce the possibility of terrorists viewing the detailed designs of these facilities. The buildings include the White House, Pentagon, Department of State, Central Intelligence Agency, and several heating plants. In commenting on our report, the Department agreed that the blueprints for these facilities are now closely controlled but pointed out that when the facilities were constructed, the unclassified drawings were made available to tradesmen responsible for their construction.

Availability of Blueprints
After Construction

Once a project has been constructed as designed, FBO has the blueprints placed on microfilm to conserve storage space. An FBO official estimated that 264 overseas post facilities comprise 2.2 million square feet of blueprints. The microfilm is maintained in FBO. According to an FBO official, as many as six copies of blueprints for specific projects have been requested from microfilm in a week; however, no requests from individuals without a valid interest in construction had been received and such requests would have been denied.

In our June 19, 1986, letter, we pointed out that some Department officials thought blueprints could be obtained under the Freedom of Information Act (FOIA) and that this might pose a greater threat than availability through the procurement process since requesters need not have a legitimate business interest in the construction project. We examined all construction-related FOIA requests of State since 1982 and found no instance of blueprints being specifically requested and received. In addition, we were told by the Director, FBO, that if such a request were made, it would be denied and referred to State's General Counsel if the requester persisted.

Efforts to Screen Contractors

The Department and the Congress have increasingly expressed concern about the potential terrorist threat posed by contractors engaged in designing and constructing U.S. facilities overseas. In April 1986, the Department began taking actions to reduce the terrorist threat immediately following reports that FBO had provided blueprints to a construction firm headed by a Palestinian business executive, which was offering on the contract to build a new embassy in Muscat, Oman. Since the Department has historically relied on foreign firms to construct overseas facilities, except for limited, sensitive areas, the Department began a screening program to determine whether potential foreign offerors had anti-American affiliations and whether the firms presented a security risk. As of August 1986, three posts had completed screenings of foreign offerors; other posts will begin screening later. All prospective offerors that were screened (see table I.1), were found to be acceptable and were allowed to purchase blueprints and to offer on the projects.

Table I.1: Results of Screening Foreign Contractors as of August 1986

Post	Total companies	Screening completed	Bids denied
Muscat, Oman	17	13	0
Djibouti, Djibouti	22	12	0
Gaborone, Botswana	1	1	0
Total	40	26	0

Note FBO also requested screening of foreign bidders for the renovation project in Beirut, Lebanon. This is discussed in appendix II.

In commenting on a draft of this report, State said that although these three posts were screening bidders, other posts cooperated in the screening effort. It indicated that the screening process will continue for all future construction projects.

In addition to screening foreign offerors, the Department began requiring offerors (both American and foreign) to submit the names of all major subcontractors to be used on each project. The Department intends to perform limited security checks on these subcontractors and reserves the right to reject any or all subcontractors proposed by the prime contractors. As of August 1986, the Department began inserting a provision in contracts which gives the Department the right to deny the use of a subcontractor, but it had not yet received the names of potential subcontractors or performed any security checks.

**Design and Construction of
Overseas Facilities**

Generally, the design of U.S. overseas facilities requires two architects; one to complete the basic design of the building, and another to design the sensitive Post Communications Center (PCC), which contains classified equipment and information. Up until December 1986, basic design architects and construction firms were not required to obtain, and generally did not hold, industrial security clearances. For example, in June 1986, the Department had 14 construction firms and 40 basic design architects under contract. At that time, 2 of the 14 construction firms and 14 of the 40 A/E firms held clearances or clearances were pending.

On December 16, 1986, the Department issued "Regulations to Strengthen Security Procedures for Diplomatic Construction Projects." These regulations now require all architect and construction firms to obtain industrial security clearances.

**Industrial Security
Clearances Required of PCC
Architects**

Unlike architects that complete the basic design of a building, architects that design sensitive communications centers must have access to classified information, such as electrical power requirements, type and location of equipment, and antenna configurations. For many years State Department regulations have required these architects to have an industrial security clearance in accordance with the Department of Defense Industrial Security Program, to which State is a signatory. This program was established in 1960 by Executive Order, and is managed by the Department of Defense (DOD) for the armed services and civilian agencies (DOD regulation 5220.22). The program is intended to ensure that private companies are capable of adequately protecting national security information and that employees are eligible for security clearances.

The Department had 16 U.S. architectural and engineering firms under contract in July 1986 to design PCCs at 49 posts. We found that 10 of the 16 firms—accounting for 30 projects—did not hold industrial security clearances.

Appendix I
The Distribution of Blueprints and Efforts to
Screen Construction Contractors Overseas

Table I.2: PCC Projects Where
Architects/Engineers Did Not Hold
Industrial Security Clearances July
1986

Alexandria, Egypt	Karachi, Pakistan
Antananarivo, Madagascar	Lahore, Pakistan
Bangui, Central African Republic	La Paz, Bolivia
Barranquilla, Colombia	Lima, Peru
Beirut, Lebanon	Manama, Bahrain
Brazzaville, Congo	Martinique, French Caribbean Dept
Bridgetown, Barbados	Moscow, USSR
Chengdu, China	Niamey, Niger
Conakry, Guinea	Osaka-Kobe, Japan
Damascus, Syria	Rabat, Morocco
Djibouti, Djibouti	San Jose, Costa Rica
Doha, Qatar	Sanaa, Yemen Arab Republic
Freetown, Sierra Leone	Sheiyang, China
Gaborone, Botswana	Tunis, Tunisia
Kaduna, Nigeria	Vientiane, Laos

According to officials in the Diplomatic Security Bureau, architects and other contractors involved in the PCC projects listed in table I.2 should have obtained industrial security clearances as required by DOD regulations. These officials said that in the future, contractors providing PCC services and having access to classified materials will be required to have clearances. FBO officials told us that the Department had limited experience in using cleared contractors and they were unaware that industrial security clearances were required. In its comments on our draft report, the State Department agreed with this assessment and said it is moving aggressively to meet the requirements of the Defense Industrial Security Program, thereby ensuring that all Department of State contractors involved in classified activities have appropriate facility and personnel clearances.

The Department also asserted that while the 10 firms did not have clearances under the Defense Industrial Security Program, several projects were handled by firms which had facility clearances under another government agency's industrial security program. The Department said that the other agency's program requirements met or surpassed DOD's criteria. Our analysis of the Department's information showed that only one of the 10 firms, which handled 10 of the 30 PCC projects, had been cleared under another agency's program. Whether the other agency's security program was comparable to the DOD's can best be determined through a review by the Defense Investigative Service, the agency that

grants clearances under the Defense Industrial Security Program. According to State, a request for a DOD clearance for this firm is in process but has not been completed. Therefore it cannot be determined at this time whether the agency's clearance was comparable to the DOD clearance.

The Department also commented that in accordance with its long-standing practice, all of the PCC projects were under contract to A/E firms whose personnel had Department of State security clearances. We do not believe that State's clearances for individuals working directly on a project are an acceptable substitute for the industrial security clearance required for firms. The Industrial Security Program requires an extensive investigation into the corporate organization to determine whether it is under foreign ownership, control, or influence. The program also requires that principal management officials be processed for clearances to ensure that the organization as a whole can be entrusted with national security information. Additionally, the program requires firms to establish procedures for safeguarding classified material.

The Department stated that 3 of the 16 contractors did not require clearances because the projects were cancelled. Notwithstanding the eventual cancellation of the projects, the Department should have ensured that the contractors had industrial security clearances prior to awarding contracts to the firms to provide PCC services. DOD's industrial security manual states that Industrial Security Program requirements apply to the safeguarding of classified information in connection with all aspects of precontract activity, including preparation of bids and proposals and precontract negotiations.

The Department also said that a fourth contractor did not require a clearance, since (1) the architect did not handle classified documents at the architect's facility and (2) the completed drawings were unclassified. The fact that the contractor had access to classified material during the performance of the contract, regardless of the physical location of that material, indicates to us that the clearance requirements of the Industrial Security Program should have been followed by the Department

Additional Potential Security Measures

Section 403 of the Diplomatic Security and Antiterrorism Act of 1986 (Public Law 99-399) required the Secretary of State to enact, within 90 days, security procedures for contractors involved in designing or constructing diplomatic facilities. The law also permitted contractors to have access to blueprints only in accordance with security procedures.

In response, the Department established a list of principles to be used in developing security procedures. We believe that if these principles are implemented as planned, the security environment of our overseas posts will be significantly improved. The Department may also wish to consider the following actions to help further strengthen its overall control:

- Require all architects, construction firms, and commercial printing companies that handle blueprints to obtain industrial security clearances, particularly in matters relating to sensitive communications facilities.
- Include specific requirements for the handling, copying, and distributing of blueprints in all contracts with architects and construction firms.
- Attempt to develop alternative means of providing design data to host nations and foreign offerors.
- Reimburse contractors for return of blueprints after submitting proposals.
- Remove from blueprints information that may be particularly useful to terrorists such as the location of closed circuit TV cameras, alarm systems, secure areas—and control this information separately.
- Clearly define the roles of Diplomatic Security and FBO concerning security matters for construction activities.

In its comments on our draft report, the Department stated that it agreed in principle with the suggestion that all architects, construction firms, and commercial printing companies that handle blueprints be required to obtain industrial security clearances. The Department also agreed with our suggestion that it remove from blueprints information that may be particularly useful to terrorists and control this information separately. The Department did not comment on our other suggestions.

A Case Study: The Distribution of Blueprints and Security Considerations of Embassy Renovation Project in Beirut, Lebanon

On April 18, 1983, a vehicle loaded with explosives blew up in front of the U.S. embassy in West Beirut, killing 17 Americans. On October 23, 1983, another suicide vehicle attack against the U.S. Marine headquarters at the Beirut airport killed 241 American servicemen. As a result of these and other terrorist incidents directed against U.S. personnel and property in Lebanon, the State Department programmed \$6.3 million to move the U.S. embassy to a more secure location. In July 1984, the Department acquired a five-story apartment building in Christian-dominated East Beirut to convert to a new embassy annex. While undergoing renovation, the building was occupied by the bulk of the embassy community. On September 20, 1984, a small van loaded with about 400 pounds of explosives drove past a guard checkpoint to the front of the annex where it exploded, killing 14 (of whom 2 were Americans) and seriously damaging the building.

In January 1985, the Department approved the reconstruction of the annex. The project is expected to cost \$7.4 million to construct and \$1.6 million to furnish for a total cost of \$9.0 million. Funds from the original \$6.3 million appropriated to move the annex from West to East Beirut are being used to offset some of the costs. The planned completion date has slipped from September 1987 to April 1988 due to delays in completing the building design and in selecting a contractor. A Lebanese contractor was selected in September 1986. The following chronology describes the events that led to the selection of the contractor, including the distribution of blueprints and security considerations that arose during the bidding process:

Appendix II
A Case Study: The Distribution of Blueprints
and Security Considerations of Embassy
Renovation Project in Beirut, Lebanon

March 18, 1985	An architectural firm from Washington, D C , was awarded a contract to conduct a site survey for \$29,119 A fact-finding team, comprising officials from FBO, the Office of Communications, Diplomatic Security, and the contractor, visited the post After completing the study, the contractor reported the team's findings, which met FBO's approval The same architect was also hired to design the PCC, although the firm did not hold an industrial security clearance In commenting on our draft report, the Department agreed the contractor did not have an industrial clearance, but added that individuals within the contractor's firm did hold Department of State clearances (See page 10 for a discussion of why we believe that individual clearances are not an acceptable substitute for an industrial security clearance for the firm)
July 3, 1985	The architect's contract was amended to authorize the contractor to finalize the design and provide the Department of State with completed blueprints The total cost for the site survey and design amounted to \$511,999
December 26, 1985	The contract was amended a second time to meet the Department of State's new security requirements This amendment added \$172,550 to the contract amount Subsequently, a third and fourth amendment for further modifications resulted in a total design cost of \$703,921
April 1986	<p>State began a program to screen potential foreign offerors The program, which was initiated because of heightened concerns about security risks during construction, involved checks for anti-American affiliations and other security considerations</p> <p>According to the project manager the Department announced a request for construction proposals and 24 Lebanese contractors expressed an interest in submitting an offer.</p> <p>Preliminary screening of the 24 companies was made at the embassy, and 16 bidders were eliminated</p> <p>When the blueprints were nearly completed, the architect told us he sent 10 copies to a Lebanese cost consultant, who was hired to develop an independent cost analysis of the project The architect told us 8 of the 10 copies were distributed to the 8 acceptable Lebanese offerors and 2 copies were retained by the cost consultant.</p>
May 9, 1986	Beirut construction project was announced in the Commerce Business Daily to solicit American offerors
May 19, 1986	FBO requested the Bureau of Diplomatic Security to screen the 8 Lebanese firms in accordance with recently developed security procedures
May 23, 1986	Ten U S general contractors expressed interest in offering proposals for the Beirut project

Appendix II
A Case Study: The Distribution of Blueprints
and Security Considerations of Embassy
Renovation Project in Beirut, Lebanon

May 27, 1986	<p>According to an FBO official the architect provided State with a master set of blueprints and five copies of the finalized blueprints. These were distributed within FBO.</p> <p>An FBO official said fifteen copies of blueprints were subsequently printed by a U S printing company in Washington, D C.</p>
May 28, 1986	<p>Security officials declined the FBO request to screen the 8 Lebanese firms. Security officials stated that since (1) copies of blueprints had already been distributed in Lebanon, (2) the contracting process would be delayed, and (3) the ability to conduct investigations in Beirut was severely limited, only the successful offeror would be screened.</p>
June 4, 1986	<p>The project manager said blueprints were sent to 10 U S construction firms. Each firm paid \$225 for a set of prints. The other five copies were kept in FBO. (Note: FBO did not receive any bids from U S companies. We were told by FBO officials that the U S firms could not offer proposals competitive with the Lebanese firms.)</p> <p>The project manager told us a Beirut printing company made 16 copies from the master copy provided by FBO. The project manager also said 11 copies were distributed to Lebanese contractors (the 8 original Lebanese firms plus 3 additional firms which subsequently expressed an interest), each paying \$250 for a copy. Firms were not screened prior to distribution of the 11 copies. The project manager said the remaining five copies were distributed among embassy officials and FBO personnel in Beirut.</p> <p>The master copy was returned to embassy officials by the printing company. In summary, according to the architect, the Beirut project manager, and FBO officials in Washington, at least 47 copies of blueprints were printed and distributed. In addition, each of the 21 construction firms that received copies (10 U S and 11 Lebanese) may have printed additional copies to distribute to subcontractors. According to FBO and Diplomatic Security officials, the Department does not know how many copies were made in this manner.</p>
June 26, 1986	<p>Diplomatic Security officials informed FBO that the distribution of blueprints to the Lebanese firms presented a security risk and requested that FBO recall all copies, reconfigure the design of the building, and use a U S firm for construction of the facility. FBO refused to comply with the request on the grounds that it would be too costly and would delay the project. These FBO officials also stated that using a Lebanese firm rather than a U S firm would limit the presence of Americans in Beirut. In commenting on our report, the Department stated that Diplomatic Security and FBO officials eventually agreed that reconfiguration of the design of the building and use of a U S firm for constructing the building would be impractical.</p>
July 15, 1986	<p>Nine Lebanese firms submitted bids to FBO project manager in Beirut.</p>

Appendix II
A Case Study: The Distribution of Blueprints
and Security Considerations of Embassy
Renovation Project in Beirut, Lebanon

July 18, 1986	FBO in Washington received the Lebanese bids
October 1, 1986	FBO selected a Lebanese contractor to construct the annex for \$3,192,729. For the first time, FBO requested that all blueprints be recalled from unsuccessful offerors and that firms be reimbursed
November 5, 1986	Embassy Beirut advised that the unsuccessful offerors had returned the blueprints issued to them
December 15, 1986	Drawings in the hands of the successful offeror were exchanged for sanitized drawings at a meeting held in Nicosia, Cyprus

Note The last two entries were provided by the Department in its comments on our draft report. The statements have not been verified by us

Comments From the Department of State



United States Department of State

Comptroller

Washington, D.C. 20520

January 9, 1987

Dear Mr. Conahan:

I am replying to your letter of November 12, 1986 to the Secretary which forwarded copies of the draft report entitled "Embassy Blueprints: Controlling Blueprints and Selecting Contractors for Construction Abroad" for review and comment.

The enclosed comments on this report were prepared in the Bureau of Administration.

We appreciate having had the opportunity to review and comment on the draft report.

Sincerely,

A handwritten signature in cursive script that reads "Roger B. Feldman".

Roger B. Feldman

Enclosure:
As stated.

Mr. Frank C. Conahan,
Assistant Comptroller General,
National Security and
International Affairs Division,
U.S. General Accounting Office,
Washington, D.C. 20548

GAO DRAFT REPORT:
Embassy Blueprints: Controlling Blueprints and
Selecting Contractors for Construction Abroad

We have reviewed the GAO draft report regarding Embassy blueprints and have found a number of differences and inaccuracies in the subject matter presented. The comments and suggestions we offer to clarify the facts presented are in response to specific portions of the report, and thus the specific document and page are noted.

We are very appreciative of the mention of our positive efforts to control blueprints and screen potential contractors. In this regard, we also note that two recent documents: "Classification Guidelines for Office Building Construction" and "Regulations to Strengthen Security Procedures for Diplomatic Construction Projects" (copies enclosed), give even greater emphasis to our determination to control our construction documents and sites.


Donald J. Bouchard
Assistant Secretary
Bureau of Administration

Appendix III
Comments From the Department of State

- 2 -

Letter to Zorinsky, p. 1, para. 1: The report indicates that the Department of State, during the bidding process, did not screen architectural and construction firms for security purposes. In fact, it has long been FBO's general practice to require that employees of the architectural and engineering (A/E) firms who work on Department of State (DOS) projects have a DOS security clearance before a contract is awarded to their firm. Since no employee of a foreign firm could be granted a DOS security clearance, however, this practice did not extend to foreign A/E firms.

Letter to Zorinsky, p. 1, para. 2: The Report is essentially correct in stating that regulations require that firms hired to design sensitive communications facilities hold an industrial (facility) security clearance. This assumes that access to classified information is required, which is not true in all cases.

Now on p 6 para 3

Appendix I, p. 4, para. 3: Potential bidders receive copies of only the unclassified blueprints from FBO for a fee, not all blueprints, as is implied.

Now on p 6, para 5

Appendix I, p. 5, para. 3: Despite the general information previously provided that host-country concerns with blueprints for a construction project could be resolved without obtaining detailed copies of the blueprints; the requirements for obtaining a building permit vary greatly from country to country. Local authorities may request detailed copies of blueprints to make their determination as to whether or not planned U.S. facilities are in compliance with their zoning, density, and building codes. Examples of host government requirements levied on us for projects currently in the design phase appear in Attachment A.

Now on p 7, para 2

Appendix I, p. 6, para. 1: Again, the information provided regarding control of blueprints may not have been complete. Blueprints for several federal buildings in the Washington area are now closely controlled. However, during the time of their construction, unclassified drawings were disseminated to the tradesmen responsible for constructing these facilities.

Now on p 7, para 4

Appendix I, p. 6, para. 3: The Report's statement that "The Department estimates that 264 overseas post facilities comprise 2.2 million square feet of blueprints" is confusing. We suggest that it be revised to state that the Department estimates that 257 overseas posts comprise some 2.2 million square feet of building floor space.

Appendix III
Comments From the Department of State

- 3 -

Now on p 8, para 1

Appendix I, p. 7, para. 2: The Report language indicates that, as of August 1986, three posts were screening foreign bidders. Foreign bidders for projects at three posts were being screened, but the Regional Security Officers at several more posts cooperated in the screening effort. This screening process for foreign bidders will continue for all future construction projects.

Now on p. 9, para 1

Appendix I, p. 8, para. 2: The draft Report states that because the Department of State (DOS) has treated the design and construction of its overseas facilities as unclassified, architects, construction firms, and subcontractors were not required to hold security clearances. As we responded to similar Report language (p. 1, para. 1), it has long been the Department's general practice to require that an A/E firm possess DOS security clearances for its employees who may be involved in classified work before that firm can be awarded a contract to design a DOS overseas facility.

Now on p 9, para 1

Appendix I, p. 9, para. 1: The information given that, as a general rule, foreign firms cannot receive security clearances and do not participate in PCC projects was incomplete. In fact, no foreign firm has ever received a security clearance to design a PCC. Further, no foreign firm has ever participated in a classified PCC project. Classified work in this area is carried out by Seabees or cleared American contractors who hold either a Department of State security clearance or a Defense Investigative Service (DIS) clearance. Therefore, it is more than a "general rule" that foreign firms are not involved with PCC projects.

Now on p 9, para 1,2

Appendix I, p. 9, para. 2 and Table I.2: There is confusion in the stated information regarding clearances for A/E firms involved in PCC construction. For instance, the report confuses "clearances" and "DIS clearances". All the firms held security clearances, but they did not all hold DIS clearances. You will note from the enclosed "Regulations to Strengthen Security Procedures for Diplomatic Construction Projects", that the Bureau of Diplomatic Security now requires that A/E firms under contract hold facility security clearances. To avoid crucial contract delays, the Bureau of Diplomatic Security has agreed, where necessary, to honor other government agency facility clearances on an interim basis while the firm is being processed for a facility security clearance under the Defense Industrial Security Program.

Further, the paragraph may be misleading in that while there are 40 construction projects, they are not all in the same phase. For example, there are several projects that are not scheduled to begin design until 1988, while others are pending acquisitions of sites and still others are presently under construction.

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Now on p 9, para 4

Appendix I, p. 10, para. 2: In the context of this paragraph industrial security clearance and facility clearance are synonymous, and the Report is correct in indicating that 10 of the 16 firms did not hold facility security clearances under the Defense Industrial Security Program (DISP). The evaluators may not be aware that several projects were handled by firms which had facility clearances under another government agency's industrial security program which met or surpassed the DISP criteria. All projects have been completed by A/E firms whose personnel possessed appropriate individual security clearances; however, not all firms had been processed for facility clearances by any government agency.

The evaluators also may not be aware that four contractors noted as not having appropriate clearances did not, in fact, require them. These contractors were identified for specific projects; however, either these projects did not go forward (3) or, the portion of work requested of the contractor was unclassified and did not require a clearance at that time.

There are currently sixteen A/E firms under contract to FBO for design services for the renovation-expansion of various embassy communications centers. Under current policy all PCC upgrade/renovation projects are subject to Bureau of Diplomatic Security (DS) facility clearance procedures. Prior to the establishment of this new policy (Fall 1986), the design of the basic PCC facility was developed by the various A/E firms in a manner which resulted in PCC construction design drawings and specifications of an unclassified nature. The individuals used for the design within the A/E effort were cleared to a minimum of State Secret. This clearance was required to allow entry into restricted space overseas for a survey of existing facilities at the initial stage of a project.

During design, the only access to classified documentation or material was provided within the areas used for conferences, on board reviews and technical discussions within a US Government facility. The A/E was neither asked for nor allowed to complete classified drawings or other documentation at the A/E facility, with the exception of minor efforts within facility cleared A/E offices.

Since the A/E was not required to receive or generate classified documents and much of the work outside the envelope of the PCC was to be performed by local contractors under surveillance, personal vice facility clearances were the primary focus.

All classified documentation for installation of technical/operations/equipment within the PCC was, and is, completed in house. The A/E has no association with this function.

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Any and all work within the PCC vault during completion of the installation is performed by either cleared US Government personnel or cleared U.S. contractors.

See Attachment B for a list of A/E firms working on PCC projects listed in the Report and the firms' respective levels of security clearances. Attachment C is the complete list of sixteen A/E firms assigned work on PCC projects.

Now on p 10, para 2

Appendix I, p. 11, para. 1: The Draft Report states, "Officials in the Diplomatic Security Bureau said that architects and other contractors providing PCC services should have obtained industrial security clearances as required by DOD regulations and will be required to do so in the future." Defense Investigative Service (DIS) facility clearances are required for Department of State contractors involved in classified projects; however, all offices were not made aware of this requirement and the Department did not fully meet this requirement. The Department is moving aggressively to meet the requirements of the Defense Industrial Security Program (DISP), thereby assuring all Department of State contractors involved in classified activities have appropriate facility and personnel clearances.

Now on p 12, para 2

Appendix I, p. 12, para. 1: The Department of State agrees in principle with the suggestion that all architects, construction firms, and commercial printing companies that handle blueprints be required to obtain industrial security clearances. The Department of State is committed to requiring all firms which handle classified blueprints to have appropriate industrial (facility) security clearances. Clearances from other governmental agencies may be accepted as interim clearances. Additionally, classified work may be completed only by those personnel with appropriate security clearances, and, in some instances, classified work will have to be performed within a USG-provided secure facility.

Now on p 12, para 2

Appendix I, p. 12, para. 5: To the recommendation that the Department of State should remove from blueprints information that may be particularly useful to terrorists and control this information separately, we suggest adding that "the Department has agreed to this suggestion."

Now on p 13, para 1

Appendix II, p. 13, para. 1: A few of the recorded facts concerning the Beirut Embassy bombing are incorrect. They should be amended as follows: On October 23, 1983, a second suicide vehicle attacked U.S. Marine Headquarters in Beirut. On September 20, 1984, a van loaded with explosives exploded in front of the annex, killing 13 (2 of whom were Americans).

Appendix III
Comments From the Department of State

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Now on p. 14, para. 1

Appendix II, p. 14, para. 2: While it is correct to state that the firm hired to design the Beirut PCC did not hold a DIS clearance in March 1985, personnel within the firm did hold Department of State Secret clearances.

The design documentation Wanchul Lee, the contract A/E, prepared for the PCC was for construction of space and basic facility requirements only. The drawings were unclassified.

The design portion of the PCC which includes the installation of equipment for operational purposes was, and is now, completed by the Department of State and/or other government agency technical personnel, and never were the drawings released to other than properly cleared U.S. Government personnel.

U.S. personnel possessing adequate clearances for the segment of work involved will install all technical equipment. The drawings for this work are properly classified.

N.B.: Previously, when construction was done by local contractors or non-U.S. cleared contractors, that portion of the structure which contains the reinforced concrete walls, floor and ceiling of the secure areas (PCC, etc.) was constructed under CONSEC (construction surveillance) provided by properly cleared U.S. personnel, normally Naval Support Unit (Seabee) personnel detailed to the Department of State and assigned by the Bureau of Diplomatic Security.

The PCC drawings for the Beirut facility work within the PCC were not released for local bid. This work will be accomplished by cleared U.S. personnel.

Now on p 14, para 4

Appendix II, p. 15, para. 2: Because FBO was not alone in making the decision to begin a program for screening potential foreign bidders for the Beirut Embassy renovation program, the Report should reflect that the Department of State began such a program.

Now on p 14, para 5

Appendix II, p. 15, para. 3: There were a number of factors involved in the post's determination to eliminate sixteen of the twenty-four bidders for the Beirut project. Accordingly, we suggest the deletion of the comment that these firms were eliminated "because of limited dealings with American contractors."

Now on p 15, para 2

Appendix II, p. 16, para. 5: There is some confusion in the entry concerning Beirut project activities which occurred on

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May 28, 1986. We suggest that the following statements be substituted for the present Report language: "Security officials declined the FBO request to conduct detailed investigations of the Lebanese firms since the ability to conduct investigations in Beirut was severely limited. DS advised that only the successful bidder would be subject to the clearance process."

Now on p. 15, para 6

Appendix II, p. 18, para. 2: The entry concerning Beirut construction activities which occurred on June 26, 1986 casts the discussions between DS, FBO and others within the Department of State as a bureaucratic contest. Such was not the case. We suggest the substitution of the following language to describe events which took place in this time frame: "DS and FBO agreed that since copies of the blueprints had already been distributed in Lebanon; the bidding process would be delayed; and the ability to conduct investigations in Beirut was severely limited, reconfiguration of the design of the building and use of a U.S. firm for construction of the facility would be impractical for this project. All of the present drawings for Beirut have been sanitized."

Now on p. 16

Appendix II, p. 18: We suggest a further addition to the Beirut chronology given which would resolve the question of the Beirut project blueprints which had been in the hands of the unsuccessful bidders:

--November 5, 1986

Embassy Beirut advised that the unsuccessful bidders had returned the blueprints issued to them. (Beirut 06105.)

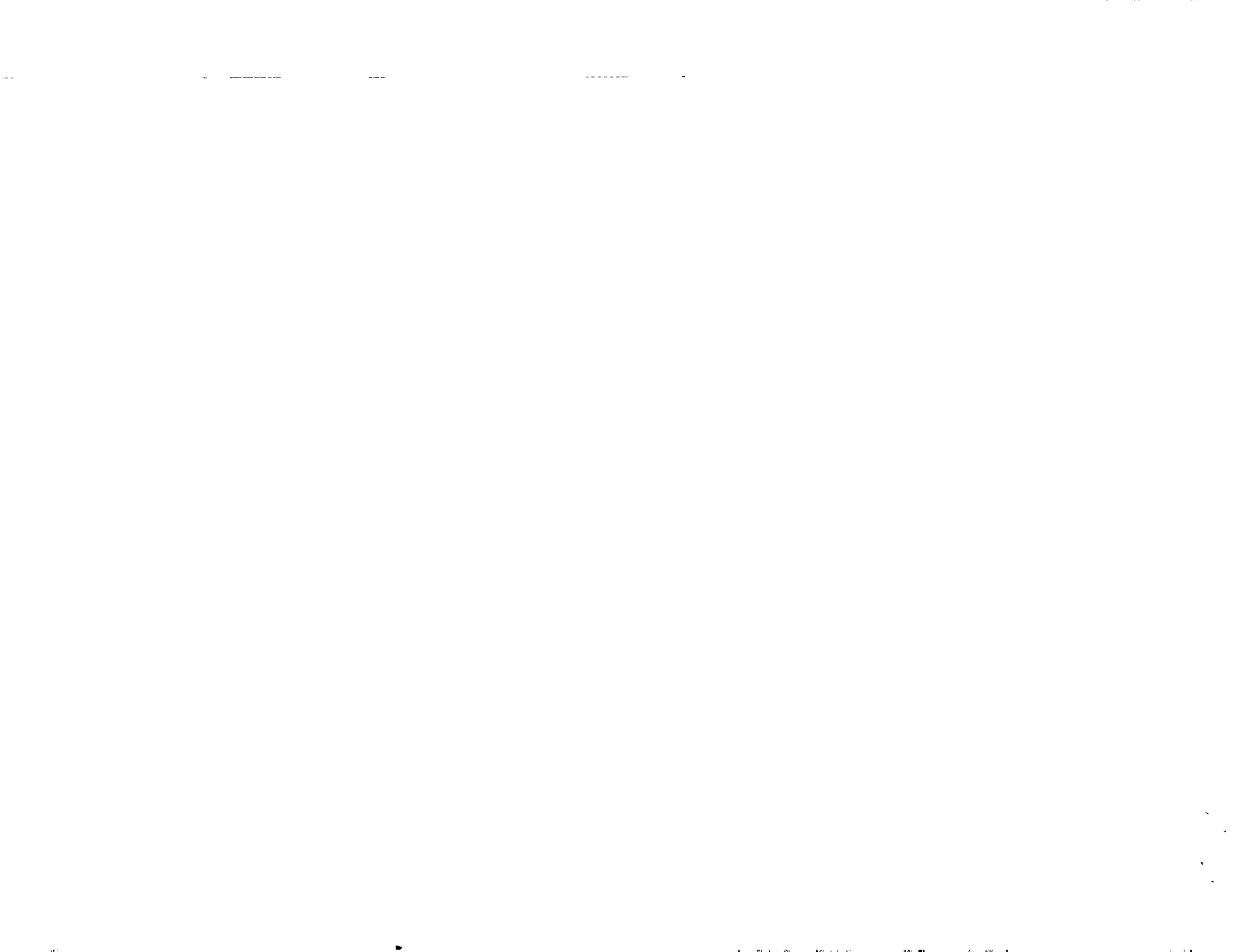
--December 15, 1986

Drawings in the hands of the successful bidder were exchanged for sanitized drawings at a meeting held in Nicosia, Cyprus

The following are GAO's comments on the Department of State's letter dated January 9, 1987.

GAO Comments

1. In a subsequent discussion, the Department withdrew this comment and agreed with the original statement.
2. According to the State Department's official publication Patterns of Global Terrorism: 1984, 14 persons, including 2 Americans, were killed.
3. These statements provided additional facts on the construction of the PCC in Beirut. Our comments related to the design of the PCC, rather than the construction.



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