



# HOUSE COMMITTEE ON OVERSIGHT AND REFORM

## **Fact Sheet: State Department and Contractor Failures Led to Excessive Delays and Millions of Dollars in Waste During Construction of New Embassy Compound in Ashgabat, Turkmenistan**

In September 2014, the State Department Bureau of Overseas Buildings Operations (OBO) [awarded](#) a \$196 million contract to [Caddell Construction Co., LLC](#) to design and construct a new embassy compound (NEC) in Ashgabat, Turkmenistan. The NEC will replace existing U.S. diplomatic facilities in Turkmenistan’s capital that are currently dispersed throughout the city, overcrowded, and potentially unsafe due to seismic activity.

Initially, the Department estimated the project would cost **\$196 million** and be completed by **July 2018**.

Today—eight years after the State Department awarded the initial contract—the NEC remains unfinished and is now expected to [cost at least \\$327.5 million](#)—\$131 million more than first anticipated. In addition, the State Department estimates the compound will not be complete until **sometime in 2026**.

The NEC has suffered from years of construction errors, significant gaps in administrative oversight, and wasteful spending, exposing the need for greater Congressional oversight of embassy construction projects.

### **Contractor Errors Resulted in Halt to NEC Construction:**

- In July 2016, the Government of Turkmenistan ordered the State Department and Caddell to suspend construction on the NEC, because its chancery—officially known as the new office building (NOB)—was not being built in accordance with local regulations.
- At issue was a Turkmen Government regulation, informally known as the “red line,” which [requires](#) all buildings in Ashgabat to be set back a specific distance from the road for consistency and aesthetic purposes. When Caddell began construction on the NOB in July 2016, it incorrectly placed the NOB beyond this “red line.”
- Although construction on the remainder of the NEC was ultimately permitted to resume, progress on the NOB remained stalled for years—well beyond the Department’s original estimated date of completion.
- By 2019, the former U.S. Ambassador to Turkmenistan [reportedly told](#) OBO officials “that he saw no realistic chance the Turkmen Government would allow the building to be completed in its current location, and he advised OBO that the only path forward was to demolish the NOB and rebuild it in accordance with the Turkmen Government’s red line requirement.”
  - Despite the Ambassador’s assessment, the Department did not demolish the NOB and proceed with reconstructing the chancery until January 2021, according to information obtained by the Subcommittee.

## Department and Contractor Failures Contributed to Excessive Delays and Cost Overruns:

- In February 2020, the State Department Office of Inspector General (OIG) released a [report](#) that examined the factors that contributed to delayed construction of the NEC.
  - The OIG [found](#) that Caddell “failed to obtain required construction permits from the Turkmen Government prior to initiating construction,” which contributed to Caddell constructing the embassy’s NOB in a location that violated the “red line” regulation.
  - The OIG also found that the State Department failed to conduct sufficient oversight of Caddell and the NEC project, which contributed to the latter’s failure to obtain and verify the necessary permits. In addition, the OIG found that, once the error was identified, the State Department was [unable](#) to reach an expedient agreement with the Turkmen Government that would have allowed Caddell to resume construction on the NOB as originally designed.
- After the OIG released its report, the State Department hired McDonough Bolyard Peck (MBP), a construction management company, to assess the Department and Caddell’s respective liabilities.
  - In an initial assessment from June 2020, MBP reported that “both OBO and Caddell contributed to the errors that led to the construction of the NOB in the wrong location, resulting in disruption, delay, and unnecessary design and construction costs, but OBO had primary responsibility.” MBP also reported that “[w]hile Caddell was not found to be primarily responsible for the incorrect location of the NOB, Caddell carries responsibility for delay in design and construction and wasted construction effort.”
  - In April 2022, MBP submitted a final assessment to the Department, finding that Caddell was required to verify the existence of all permits required for the Ashgabat NEC project, which the company failed to do. MBP’s assessment also found that “Caddell did not conduct the necessary due diligence required by its Contract with OBO” and instead “Caddell proceeded with construction of the Project and more specifically construction of a substantial portion of the NOB structure without the requisite construction permit issued by local City authorities.”
  - MBP also found the Department used confusing language in directives and contract documents provided to Caddell and that it “did not hold Caddell to the stated performance expectations.”

## U.S. Taxpayers Are Ultimately Paying the Price for State Department and Contractor Failures

- According to information obtained by the Subcommittee, in August 2021, the Department began negotiations with Caddell to determine liability for the misplacement of the NOB and resulting delays, as well as to determine any outstanding costs required to finish construction of the NOB.
- In September 2021—more than five years after construction on the NOB stopped—the Department issued a contract modification to reconstruct the NOB, adding \$114.8 million to the project’s cost.
- In June 2022, the Department and Caddell executed an agreement based on what the Department called “a model of shared responsibility.” This agreement settled both parties’ claims against the other related to the misplacement of the NOB and subsequent delays. The Department then issued a second contract modification that increased the project’s total cost by \$4.8 million.
- Combined, the Department and Caddell’s failures have led to about \$120 million in additional costs to construct the Ashgabat NOB that U.S. taxpayers must now shoulder to complete the embassy project.