



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 7, 2014

Lieutenant General Thomas P. Bostick
Commanding General and Chief of Engineers,
U.S. Army Corps of Engineers

Mr. William Hammink
USAID Mission Director for Afghanistan

Dear General Bostick and Mr. Hammink:

I am writing to inquire about the termination of a U.S. Army Corps of Engineers (USACE) contract with Perini Management Services (Perini) for services pertaining to the South East Power System (SEPS) program.¹ During my most recent trip to Afghanistan, I was told by a USAID official that a request by Perini for an additional \$30 million to cover security costs may have prompted termination of this contract.²

I have previously reported on the impact of the coalition troop drawdown on security in Afghanistan and on the reconstruction effort.³ Given the ongoing drawdown of military forces from Afghanistan, I am seeking information regarding how increased security costs may lead to the termination of this and other contracts supporting Afghanistan reconstruction programs funded by USACE or USAID. Therefore, please provide the requested information and answer the following questions:

- A copy of the terminated Perini contract, including copies of all documents relating to the termination and close out (including the final cost of the contract) as well as the reasons for the contract's termination.
- Did Perini receive any of the additional \$30 million dollars it requested for security?
- What portion of the work under the Perini contract remains uncompleted? What plans, if any, are there for completing the work by another contractor?
- What are USACE's and USAID's plans to cope with the likely increased costs of security resulting from the military drawdown? Will requests by contractors for additional security— or financial compensation for such security—be evaluated on a case-by-case basis, or are there established criteria or policies for evaluating such requests? If the latter, please provide copies of those written criteria or policies.
- What impact, if any, will termination of this contract have on the overall progress of SEPS?

¹"The South Electrical Power System (SEPS) serves Helmand and Kandahar Provinces. SEPS's power demand is 125 megawatts but the power supply is limited to 60 megawatts—30 from Kajaki Dam and 30 from costly diesel generator power plants. Delivery of low-cost grid power from NEPS to SEPS is a top priority for both Afghanistan and the United States." See *Frontlines online edition*, "Powering Up Afghanistan," January/February 2014.

² At the time of my June 2014 visit, the decision to terminate the project had been made and the contract termination process had begun. However, the process of officially terminating the contract had not been completed.

³ SIGAR Special Project 14-04- SP, *Oversight Bubble Inquiry*, October 10, 2013; SIGAR Special Project 14-28-SP, *USACE Projects & Kajaki Dam*, January 22, 2014.

Please respond no later than October 21, 2014. I am submitting this request pursuant to my authority under Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Please contact Mr. Jack Mitchell, Director of Special Projects, at [REDACTED] or [REDACTED] should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'John F. Sopko', with a long horizontal flourish extending to the right.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

cc:

Dr. Rajiv Shah
Administrator
U.S. Agency for International Development