WASHINGTON SAVANNAH RIVER COMPANY AGREES TO PAY $2,422,000 AND ABANDON $35 MILLION DOLLAR CLAIM TO SETTLE GOVERNMENT'S ALLEGATIONS OF FRAUD DURING PENSION NEGOTIATIONS

COLUMBIA, South Carolina ---- United States Attorney W. Walter Wilkins stated today that Washington Savannah River Company (WSRC), the management and operations contractor for the Savannah River Site, has agreed to pay the United States $2,422,000 to resolve allegations of fraud involving WSRC’s failure to disclose projected pension fund increases during contract negotiations. Additionally, WSRC has agreed to withdraw claims for an additional $35,670,000 from the Department of Energy (DOE) to cover the rise in its pension costs, making the total value of the settlement to the government $38,092,000.

Today’s settlement resolves allegations that WSRC, during contract
negotiations with the DOE over its SRS employee pensions, failed to inform the government of substantial projected increases in the required contribution to the WSRC pension fund, information that had been previously provided to WSRC. After entering into the 2005 contract with the DOE, WSRC sought and received a $1.2 million equitable adjustment to the contract to cover what the DOE believed were unexpected increases in required pension funding. As the contract progressed, the pension fund contribution requirements continued to rise as WSRC’s actuarial predicted. As a result of this rise in the cost of pension funding, WSRC requested an additional equitable adjustment of $35,670,000 from the DOE.

The False Claims Act prevents a government contractor from presenting a false claim to the government for payment. In this matter, the government alleged that when WSRC requested an equitable adjustment to the contract to compensate it for rising pension costs, it violated the False Claims Act.

An equitable adjustment to the contract is appropriate in a limited set of circumstances. One such circumstance is that the rise in costs is unexpected by both parties. Here the equitable adjustment request was allegedly false because WSRC had knowledge of the future pension costs before it entered into the contract with the Department of Energy.

Mr. Wilkins stated, “This is a significant settlement. When negotiating contracts with the government, private parties need to act in good faith. A number of attorneys here and in Washington have worked very hard on the investigation and on the negotiations that resulted in this settlement. I commend Assistant U.S.
Attorneys Fran Trapp and Jennifer Aldrich, and Department of Justice Trial Attorney Don Williamson for their extraordinary efforts in this case. In addition, Lucy Knowles, Chief Counsel, Department of Energy Savannah River Operations Office, Craig Armstrong Department of Energy Contracting Officer, and Special Agents from the Department of Energy’s Office of Inspector General deserve great credit for their diligence and expertise in this case. Their combined efforts resulted in a settlement that we believe fairly resolves the investigation.”

The settlement is the culmination of a joint investigation involving investigators, attorneys and auditors from the United States Attorney’s Office in Columbia, the Department of Justice in Washington, D.C., the Department of Energy Office of the Inspector General, and the Department of Energy’s Savannah River Operations Office.

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