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Carbon-Based CH2M Hill Agrees to Pay United States $1.5 Million to Resolve False Claims Act and Anti-Kickback Act Liability

Company Was Contractor at Hanford Nuclear Site in Washington State

WASHINGTON - CH2M Hill Hanford Group Inc., a wholly-owned subsidiary of Colorado-based CH2M Hill Companies Ltd., has agreed to pay the United States $1.5 million to resolve allegations that it knowingly submitted false claims and paid kickbacks relating to a contract to operate and manage mixed radioactive waste at the Department of Energy’s (DOE) Hanford Nuclear Site in the state of Washington, the Department of Justice announced today.

Between 2003 and 2005, the engineering and construction firm employed two individuals whose responsibilities included purchasing supplies for use by CH2M on its DOE contract. The government alleges that, during that period, these two individuals improperly made more than 200 purchases from companies owned and run by their spouses and charged the cost to DOE. At the time, CH2M was a DOE prime contractor responsible for management, maintenance and cleanup of the Hanford “Tank Farms,” which consist of more than 170 underground tanks storing mixed radioactive and hazardous waste at DOE’s Hanford Nuclear Site.

As early as 2002, and again in 2003, 2004, and 2005, internal audits conducted by CH2M alerted it to weaknesses in its purchase card controls, weaknesses exploited by these schemes. Nonetheless, CH2M failed to address these weaknesses, allowing these schemes to go undetected for years.

“Companies that do business with the government must ensure that their employees are acting fairly, not lining their own pockets,” said Tony West, Assistant Attorney General for the Justice Department’s Civil Division. “Kickback schemes undermine the integrity of the public contracting process and leave taxpayers footing the bill.”

One of the involved individuals, Gregory Detloff, allegedly accomplished his scheme by routing his purchases through a company known as Kennewick Industrial and Electric Supply (KIE), through an agreement with KIE salesman Martin Perez. Both Detloff Industrial, the company owned by Detloff and his wife, and KIE substantially marked up the cost of these goods, leading the government to pay more than twice what the goods were worth. The other CH2M employee used a company known as AMG Marketing and owned by the CH2M employee and his wife to charge DOE for goods. Unlike Detloff Industrial, AMG Marketing did not provide any goods to the government for these fraudulent purchases.

Four individuals have been indicted on fraud charges for their participation in the fraudulent schemes. Three, including Detloff and Perez, have pleaded guilty, with the fourth awaiting trial.

“Government contractor fraud at Hanford simply will not be tolerated,” said Michael C. Ormsby, U.S. Attorney for the Eastern District of Washington. “This resolution demonstrates that corporations will be held accountable when they turn a blind eye to fraud and self-dealing.”

“The settlement with CH2M Hill is the culmination of hard work by DOJ Attorneys and IG Special Agents,” said Gregory H. Friedman, the Department of Energy Inspector General. “Settlements like this send a strong message of deterrence to those who may be inclined to violate the public trust by attempting to defraud the Department of Energy.”

This agreement is the third civil settlement in a series of related cases stemming from government purchase card fraud at DOE’s Hanford Site. In June 2011, Fluor Hanford Inc., another DOE Hanford
Site contractor, agreed to pay $4 million to resolve its liability for the KIE and AMG Marketing schemes as well as two additional fraudulent schemes. In July 2011, KIE agreed to pay $515,000 to resolve its liability.

The government’s investigation was conducted by the Civil Division of the U.S. Department of Justice, the U.S. Attorney’s Office for the Eastern District of Washington, and the DOE Office of Inspector General.

Since January 2009, the Department of Justice’s total recoveries have exceeded $7.6 billion.