Washington, announced today that Colorado-based CH2M Hill Hanford Group Inc. (CHG) and its parent company, CH2M Hill Companies Ltd. (CH2M Hill) have agreed that CHG committed federal criminal violations, defrauding the public by engaging in years of widespread time card fraud. In order to resolve CHG’s civil and criminal liability, CH2M Hill has agreed to pay a total of $18.5 million, commit an additional $500,000 towards accountability systems, consent to a corporate monitor, and to continue actively cooperating with the ongoing fraud investigation.

Between 1999 and 2008, CH2M Hill had a Department of Energy contract to manage and clean 177 large underground storage tanks containing mixed radioactive and hazardous waste at the Department of Energy’s Hanford Nuclear Site in southeastern Washington (the Tank Farms Contract). The Hanford Site was used for the production of nuclear weapons during World War II and the Cold War. According to the statement of facts agreed to by the United States and CH2M Hill, CHG hourly employees involved in the cleanup routinely overstated the number of hours they worked, and CHG management condoned the practice and submitted inflated claims to the Department of Energy that included the fraudulently claimed hours.

Specifically, CH2M Hill and the United States agreed that CHG’s hourly workers “consistently refuse[d] to perform any overtime work unless that overtime was offered, or ‘called out,’ in 8 hour blocks.” As stated in the agreed statement of facts, “[t]he inability of CHG’s upper management to secure the necessary overtime volunteers for various jobs threatened CHG’s ability to complete various projects linked to the Tank Farms Contract performance incentives. This in turn threatened CHG’s ability to earn certain fees, and therefore profits under the Tank Farms Contract.” According to the agreed statement of facts, the inability to obtain performance based incentives would have directly impacted the personal corporate bonuses of certain members of CHG’s upper management. Consequently, “certain members of CHG’s upper management, certain direct supervisors of the hourly workers, and certain other supervisory personnel, accepted the practice of hourly workers only working until the particular overtime job was completed, leaving Hanford, and falsely claiming a full 8 hours even when the job took less than 8 hours,” according to the agreed statement of facts.

Unfortunately, the widespread time card fraud at CHG was not limited to overtime abuse and had occurred for many years, in some instances even pre-dating the Tank Farms Contract, as stated in the agreed statement of facts. Further the agreed statement of facts provides that, “[c]ertain members of CHG’s upper management, certain direct supervisors of hourly employees, and other certain supervisory personnel, did not discipline, formally or informally, CHG hourly workers for routinely engaging in known time card fraud. In fact, certain of CHG’s direct supervisors of hourly workers engaged in patterns designed to avoid the detection of the routine time card fraud by law enforcement and internal auditors.” In this manner, as CH2M Hill agrees, CHG “knowingly, willfully, and with intent to defraud, facilitated CHG’s hourly workers routinely getting paid for hours they did not work and combined, conspired, and agreed with CHG hourly workers to accomplish the same, all at the sole expense of the citizens of the United States.”

“Contractors owe a duty to the taxpayers to accurately bill the United States for work performed,” said Stuart F. Delery, Principal Deputy Assistant Attorney General for the Civil Division of the Department of Justice. “This settlement demonstrates that the Department of Justice, working together with its law enforcement partners, will hold contractors accountable for false billing and restore wrongly taken funds to the Treasury.”

“This sort of systemic fraud is an appalling abuse of the trust we place in our contractors at Hanford and it simply will not be tolerated,” said Michal C. Ormsby, U.S. Attorney for the Eastern District of Washington. “However, we are pleased that CH2M Hill has stepped up and admitted to the criminal...
conduct of its subsidiary and has agreed to pay back a good faith estimate of what was taken, including criminal proceeds from the conspiracy.” U.S. Attorney Ormsby went on to outline that pursuant to the global agreement, “CH2M Hill has also agreed to take substantial remedial steps going forward including having its remaining subsidiary at the Hanford Site, CH2M Hill Plateau Remediation Company, consent to a corporate monitor for 3 years, and to commit an additional $500,000 towards making sure something like this does not happen again.” U.S. Attorney Ormsby also noted that, “under this global resolution, CH2M Hill will continue its commendable cooperation and help ensure that all individuals who participated in this conspiracy and profited from it will be brought to justice as well.”

“I am pleased with today’s announcement. I would like to express my thanks to the entire team – including Inspector General Special Agents, the United States Attorney’s Office, the Department of Justice Civil Frauds Division and the FBI—for their efforts on this investigation,” said Gregory H. Friedman, the Department of Energy Inspector General. “It is essential that Department of Energy contractors be held accountable for effective stewardship of U.S. taxpayer dollars.”

The global resolution consists of CH2M Hill paying $16,550,000 to resolve its civil liability under the False Claims Act. In addition, CH2M Hill entered into a Non-Prosecution Agreement with the United States Attorney’s Office for the Eastern District of Washington to resolve its criminal liability. Under the terms of that agreement, CH2M Hill will refund an additional $1.95 million in wrongly obtained profits, dedicate $500,000 to foster increased accountability at the Hanford Site, and pay for independent monitoring to ensure that CH2M Hill takes adequate corrective actions. To date, eight individuals have pleaded guilty to engaging in the same time card fraud scheme and conspiracy that CH2M Hill has now admitted CHG itself was a conspirator in.

The civil fraud allegations under the False Claims Act resolved by today’s settlement were initially alleged in a whistleblower lawsuit filed by Carl Schroeder, a former employee of CH2M Hill and one of those who pleaded guilty to the scheme. Under the False Claims Act, private citizens can sue on behalf of the United States and share in the recovery. The act, however, bars whistleblowers from recovering if they were convicted based on their role in the scheme.

This case was handled by the Civil Division of the Department of Justice and the U.S. Attorney’s Office for the Eastern District of Washington, with investigative assistance provided by the Department of Energy Office of Inspector General and the FBI.

The False Claims Act suit was filed in the United States District Court for the Eastern District of Washington, and is captioned United States ex rel. Schroeder v. CH2M Hill, No. 09-cv-5038 (E.D. Wash.).