

June 2, 2008

Fluor Corporation  
6700 Las Colinas Blvd  
Irving, TX 75039

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Fluor Corporation. On October 18, 2005 and November 15, 2006, we sent Fluor information regarding findings in POGO's database. We received a response from you on November 15, 2005. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Fluor, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon  
Investigator

Enclosure

## **Instances**

### 1. Breach of Contract

Date: 09/29/2005 (Date of Settlement)

Misconduct Type: Poor Contract Performance

Enforcement Agency: Non-Governmental

Contracting Party: International

Court Type: Civil

Amount: Unknown

Disposition: Settlement

Synopsis: On June 23, 2005, "Fluor Daniel Caribbean, Inc., a wholly owned subsidiary of Fluor Corporation, received [a]... jury verdict awarding \$28.8 million to the developer of a resort hotel project in the Caribbean. Fluor Daniel Caribbean, Inc. was the general contractor on the project, which is located in the Cayman Islands." "As a consequence, in its second quarter the company recorded a \$65 million charge consisting of the jury award, estimated attorney fees and pre-judgment interest, and accounts receivable." "During the course of the project, Fluor ceased work on extra facilities the developer added to the project scope without demonstrating the availability of funding to pay for such extra work. Fluor continued to perform the original contract base work. In January 2004, Fluor filed suit to force collection of invoices for work that had been performed by Fluor. Subsequent to the filing of the suit, the developer terminated Fluor, claiming that Fluor's lack of progress constituted a material breach of the contract." However, on "September 15, 2005, the judge who tried the case granted Fluor's motion for a new trial, setting aside the unfavorable verdict in its totality. On September 29, 2005, in lieu of a new trial, the parties have stipulated to a judgment of no liability in favor of either side, and the action has been dismissed with prejudice." This settlement "resulted in the reversal of \$32.9 million of" the original \$65 million charge.

### 2. Coleman v. Fluor (Violations of the False Claims Act)

Date: 10/31/2005 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Multiple Agencies

Contracting Party: Multiple Agencies

Court Type: Civil

Amount: \$12,500,000

Disposition: Settlement

Synopsis: Fluor agreed to a \$12.5 million settlement in a suit filed under the Federal False Claims Act (False Claims Act, 31 U.S.C. § 3729). "The suit filed on behalf of Cosby Coleman, a 15- year employee who worked in the company's government contracting office, contended that from 1995 to 1998 Fluor knowingly over billed the government under the many cost-reimbursable contracts held by its Fluor Daniel subsidiary (now known as Fluor Enterprises) with the Departments of Energy and Defense...The costs disputed by Coleman included multi-million dollar bonuses paid to Fluor's management, \$13.2 million invested in raw land, \$7.3 million spent for improvements to office buildings Fluor leased to other companies, \$2.6 million spent for construction of a parking garage Fluor leased to another company, \$410,000 spent for luxury condos in Palm Springs, \$1.8 million spent on a fine art collection, \$75,000 spent for a Mercedes Benz convertible driven by the company's President and \$20,000 spent for an antique

Chippendale chair. Coleman alleged that he made numerous attempts to point out the violations to senior management, but no action was taken.”

### 3. Design and Construction Failures

Date: 05/16/2002 (Date of Arbitration Decision)

Misconduct Type: Poor Contract Performance

Enforcement Agency: Non-Governmental

Contracting Party: International

Court Type: Administrative

Amount: \$24,000,000

Disposition: Settlement

Synopsis: “CMM... received full payment of an award settlement for approximately US \$24 million from Fluor Daniel Chile Ingenieria y Construccion S.A, Fluor Daniel Corporation, and Fluor Daniel Wright Ltd. (“Fluor”). In April of 1999 CMM initiated formal arbitration proceedings, against Fluor, to recover damages related to numerous design and construction failures at the Refugio Mine located in Northern Chile. In May of 2002, binding arbitration in Chile ruled in favor of CMM for these damages.”

### 4. Equipment Safety Violations

Date: 07/25/2000 (Date of Consent Order)

Misconduct Type: Health

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$100,000

Disposition: Settlement

Synopsis: Department Of Energy investigations “identified multiple deficiencies with [Fluor Federal Services (FFS)] procurement of safety class piping for the W-314 Project and programmatic weaknesses in its procurement program that affect or potentially affect its DOE prime contractors. DOE is concerned because the deficiencies are significant. In the case of the safety class piping, the quality deficiencies could have resulted in significant consequences to the public and the environment... As provided in the ...Consent Order, FFS will remit the \$100,000 monetary remedy payable to the Treasurer of the United States.”

### 5. Failure to Post Radiation Notices

Date: 08/18/2003 (Date of Consent Order)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$40,000

Disposition: Settlement

Synopsis: “Fluor Fernald... agreed to remit a \$40,000 monetary remedy, payable to the Treasurer of the United States” for unposted High Radiation Area adjacent to the small concrete building... currently used for thermoluminescent dosimeter (TLD) irradiations. This unposted

condition, present during irradiator operations, existed for over a year before discovery by DOE on March 27, 2003.”

6. Hoefer v. Fluor Daniel (Overcharging the Government)

Date: 05/07/2001 (Date of Settlement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Multiple Agencies

Contracting Party: Multiple Agencies

Court Type: Civil

Amount: \$8,500,000

Disposition: Settlement

Synopsis: According to the US Attorney’s Office for the Central District of California, Fluor paid \$8.2 million plus \$300,000 in attorney’s fees to settle allegations of overcharging the Government. “During 1995 and 1996, Fluor Daniel charged millions of dollars of commercial costs to its federal cost reimbursement contracts, and then certified to the United States that the charges were proper, according to the government’s complaint. But, according to the lawsuit, the corporation knew that the charges violated the Federal Acquisition Regulation (FAR) and the federal Cost Accounting Standards (CAS). The allegedly improper costs consisted of overhead attributable to the operations of a Fluor Daniel division called Technology Operating Company (TOC).”

7. Holbrook v. Fluor Daniel Northwest, Inc. (Employee Protection)

Date: 03/24/1998 (Date of Settlement Approval)

Misconduct Type: Labor

Enforcement Agency: Labor

Contracting Party: None

Court Type: Civil

Amount: Undisclosed

Disposition: Settlement

Synopsis: “This case arises under the Energy Reorganization Act of 1974 (ERA), as amended, 42 U.S.C. §5851 [Nuclear Whistleblower Protection]. The parties submitted a Settlement Agreement seeking approval of the settlement and dismissal of the complaint. The Administrative Law Judge issued a Recommended Order of Dismissal on March 2, 1998 approving the settlement.”

8. Hanford Pipefitter Whistleblower Litigation

Date: 09/02/2005 (Date of Verdict)

Misconduct Type: Labor

Enforcement Agency: Non-Governmental

Contracting Party: Energy

Court Type: Civil

Amount: \$4,760,000

Disposition: Judgment Against Defendant

Synopsis: Several former Hanford pipefitters sued Fluor Hanford and Fluor Federal Services, alleging a conspiracy to fire them in retaliation for raising safety concerns about the Richland,

Washington facility. In September 2005 the jury found in favor of the plaintiffs and awarded them \$4,760,000 in damages.

#### 9. Project Dispute

Date: 05/04/2004 (Date of Settlement)

Misconduct Type: Poor Contract Performance

Enforcement Agency: Non-Governmental

Contracting Party: International

Court Type: Civil

Amount: \$123,000,000

Disposition: Settlement

Synopsis: "Fluor Corporation (NYSE: FLR) announced today that Fluor Australia Pty Ltd. has resolved its dispute with Anaconda Operations Pty Ltd. on claims related to the Murrin Murrin nickel cobalt project in Australia. Fluor Australia will pay the equivalent of approximately US\$123 million to end all remaining claims, including those covered under Phase II of an ongoing arbitration of the dispute."

#### 10. Project Quality Deficiencies/Nuclear Violations

Date: 05/26/1999 (Date of Preliminary Notice of Violation)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$330,000

Disposition: Fine

Synopsis: DOE issued a Preliminary Notice of Violation (PNOV) to Fluor Daniel Hanford, Inc. for "involved work process, design, procurement, and quality improvement deficiencies in the Spent Nuclear Fuels Project (SNFP), K-Basins, and other Project Hanford Management Contract (PHMC) facilities." "The quality deficiencies [found by DOE] include (1) failure to adhere to work process procedures and controls; (2) failure to adequately qualify and provide oversight of subcontractors; (3) failure to control design information; and (4) failure to establish an effective quality improvement process to prevent recurrence of these deficiencies."

#### 11. Radioactive/Nuclear Safety Deficiencies

Date: 07/29/1997 (Date of Preliminary Notice of Violation)

Misconduct Type: Environment

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$10,000

Disposition: Fine

Synopsis: The Department Of Energy issued a Preliminary Notice of Violation to Fluor Daniel Fernald Inc. (FDF) for "deficiencies in... radioactive waste and nuclear material inspection records maintained by FDF for two types of nuclear material storage containers (T-hoppers and J-hoppers)." The DOE proposed a \$10,000 fine because on "March 18, 1997, FDF advised the DOE Fernald Project Office that all corrective actions pertaining to the outstanding

noncompliance were completed. DOE Fernald Project Office conducted a sampling of the corrective actions and established that several of these actions with respect to the inspection program had not been effectively implemented since DOE found that deficiencies were continuing to occur.”

#### 12. Radiological Violations

Date: 01/04/2002 (Date of Preliminary Notice of Violation)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$55,000

Disposition: Fine

Synopsis: The Department Of Energy issued a Preliminary Notice of Violation (PNOV) to Fluor Fernald for violations including: “elevated airborne radioactivity levels at the [Waste Pits Remedial Action Project (WPRAP)] T321 trailer,... [resulting] in a significant number of workers receiving unplanned and unmonitored radiation exposures.” In addition, the PNOV cited “deficiencies in the quality improvement area. Specifically, examples were noted in which Fluor Fernald processes were not effective in controlling and resolving identified deficiencies in a timely manner. These examples include (1) the failure to ensure that issues identified in the ConOps Monitor Reports were placed in an appropriate corrective action process; (2) the failure to correct deficiencies initially identified by Fluor Fernald relating to the operator training program; and (3) the failure to take sufficient corrective actions following an earlier WPRAP airborne radioactivity event to preclude or correct in a more timely fashion the subsequent T321 problem.”

#### 13. Radiological Violations (2005)

Date: 08/25/2005 (Date of Preliminary Notice of Violation)

Misconduct Type: Environment

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$33,000

Disposition: Fine

Synopsis: A Department of Energy Preliminary Notice of Violation (PNOV) fined Fluor subsidiary Fluor Fernald \$33,000 for alleged violations 10 C.F.R. § 835 and 10 C.F.R. § 830 Subpart A. The PNOV cites numerous violations involving Fernald Radiological Work Permits, implementation of a self-assessment program, and quality improvement programs.

#### 14. Violations of Nondestructive Assay Equipment Standards

Date: 08/12/2002 (Date of Preliminary Notice of Violation)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$137,500

Disposition: Fine

Synopsis: DOE issued Fluor Hanford a Preliminary Notice of Violation (PNOV) for violations of 10 CFR § 830.120. “The violations involved deficiencies in the Fluor Hanford, Inc. (FHI), work process controls including failures to (1) adequately establish a program for the calibration for the portable [nondestructive assay (NDA)] equipment, (2) follow established procedures related to software quality assurance, (3) procedurally establish a Measurement Control Program, and (4) evaluate the appropriateness of portable NDA equipment.”

#### 15. Violations of Nuclear Safety Requirements

Date: 07/14/2004 (Date of Preliminary Notice of Violation)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$935,000

Disposition: Fine

Synopsis: “The DOE-issued Preliminary Notice of Violation (PNOV) describes examples of the numerous violations of DOE nuclear safety requirements [by Fluor Hanford Inc. (FHI)] that occurred during the design and construction of the [Sludge and Water System (SWS)]. Specifically, violations were identified in the following areas: (1) management processes/personnel training and qualification--the failure by FHI management to establish integrated schedules and ensure adequately trained and qualified personnel were assigned to supervise and perform the work; (2) quality improvement--the failure to ensure that corrective actions from a prior enforcement action and Compliance Order were effective in preventing the recurrence of quality problems, and the failure to identify and correct deficiencies at SWS that occurred over a long period of time; (3) design—significant design deficiencies with the as-built SWS that, in some cases, would have rendered safety-significant equipment and instrumentation incapable of performing their safety function

#### 16. Violations of Radioactive Safety Procedures

Date: 03/26/1998 (Date of Preliminary Notice of Violation)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$140,625

Disposition: Fine

Synopsis: The DOE issued a Preliminary Notice of Violation to Fluor Daniel Hanford, Inc. “[V]iolations described in Section I of the...Preliminary Notice of Violation (PNOV) involve multiple and recurring violations of criticality safety procedures and posting limits at the PFP Facility in 1996 and 1997 which include the following: (1) placing containers of [radioactive] material in temporary storage in a Fixed Array Wagon and transporting the material in violation of criticality safety administrative controls; (2) multiple examples of subcontractor violations of a PFP criticality safety procedure (as it was applied to [a glovebox]) which requires all personnel to know and comply with criticality limits and postings; and (3) multiple examples of subcontractor failure to identify and correct criticality safety infractions.” “The violations

described in Section II of the... PNOV include a number of work control failures that occurred shortly before or in response to [a facility] tank explosion in May 1997. These violations involved several examples of failure to comply with... approved operating procedures, and include (1) failure to perform surveillance of emergency breathing apparatus devices in accordance with your established surveillance frequency, (2) failures to make proper and timely notifications of the emergency condition, (3) not performing proper radiological surveys prior to personnel being released from the site, and (4) several instances of personnel failure to take cover when a "Take-Cover" condition was instituted."

17. Watt v. Fluor Daniel Fernald (Violations of the False Claims Act)

Date: 06/19/1997 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Civil

Amount: \$8,400,000

Disposition: Settlement

Synopsis: On June 19, 1997, Fluor Daniel Fernald agreed to settle allegations of violating the False Claims Act (31 U.S.C. § 3729, et seq.) by creating phony financial and performance reports that hid billing improprieties and retaliating against a whistleblower. According to media accounts, Fluor paid \$5.4 million to settle the False Claims Act allegations and an additional \$3 million to settle William Watt's retaliation claim.

18. Good v. Fluor Daniel Corp. (Worker Safety)

Date: 03/23/2007

Misconduct Type: Labor

Enforcement Agency: Non-Governmental

Contracting Party: Energy

Court Type: Civil

Amount: Undisclosed

Disposition: Settlement

Synopsis: Eleven former Fluor Daniel employees claimed damages from a chemical tank explosion at the Hanford nuclear facility in May 1997 and that they were harassed by the company when they pushed for answers. They brought suit in federal court in Washington. The parties resolved the matter in December 2003 pursuant to an undisclosed settlement.

19. Violations of Technical Safety Requirements

Date: 12/16/2005 (Date of PNOV)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$206,250

Disposition: Fine

Synopsis: On December 16, 2005, the Department of Energy issued a Preliminary Notice of Violation to Fluor Hanford, Inc. for violations of Technical Safety Requirements from

September 2003 to July 2005. The violations included an event “in which several personnel received low level radioactive exposure”. The total civil penalty for these violations was \$206,250.

#### 20. Emergency Planning and Community Right-to-Know Act Violations

Date: 02/27/2003 (Date of Violation Disclosure)

Misconduct Type: Environment

Enforcement Agency: EPA

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Administrative Agreement

Synopsis: “Duke/Fluor Daniel Operating Services LLC self-disclosed EPCRA violations at the McKee Run Generating Station in Dover, Delaware. The company reportedly failed to submit annual reports of releases of two hazardous chemicals – polycyclic aromatic compounds (“PAC’s”) and benzo (g,h,i) perylene in 2000. Penalty waiver: \$36,936.”

#### 21. Pitt v. FD Services, Inc. (Overcharging the Government)

Date: 04/26/1996 (Date of Settlement - approximate)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Non-Governmental

Contracting Party: Defense - Navy

Court Type: Civil

Amount: \$3,200,000

Disposition: Settlement

Synopsis: Two whistleblowers alleged FD Services, a subsidiary of Fluor, overcharged the federal government for cleanup work at military bases in South Carolina after Hurricane Hugo struck in 1989. In May 1994, a jury found in favor of the plaintiffs on some of their False Claims Act allegations and awarded damages in excess of \$2 million. According to media accounts, in 1996, Fluor agreed to pay \$3.2 million to settle the suit.

#### 22. Federal PCB Violations

Date: 11/01/2007 (Date of Announcement)

Misconduct Type: Environment

Enforcement Agency: EPA

Contracting Party: Energy

Court Type: Administrative

Amount: \$54,800

Disposition: Fine

Synopsis: Fluor-Hanford and Twin City Metals agreed to pay the Environmental Protection Agency \$54,800 and \$30,000, respectively, in penalties for mishandling transformers contaminated with polychlorinated biphenyls (“PCBs”), which are believed to cause liver damage or cancer in humans. In May 2006, Fluor, the primary clean-up contractor at the Department of Energy’s Hanford Reservation, transported 60 transformers from Hanford to Twin City Metals, a Richland, Washington metal recycler. One of the transformers contained approximately 50 gallons of fluid contaminated with PCBs. The next day, as TCM was handling

the transformers, fluid was spilled from the PCB-contaminated transformer. According to investigators, TCM notified Fluor later that day, but Fluor took no immediate action to limit or abate the spill, which contaminated the soil and other surfaces and may have exposed workers to PCBs.

### **Pending Instances**

Jones, et al. v. Fluor Daniel Services (Racial Discrimination)

Date: 06/21/2007 (Date of Appellate Decision)

Misconduct Type: Labor

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: In June 2007, the Mississippi Supreme Court reinstated a racial discrimination lawsuit filed against Fluor Daniel Services Corp. by African-American workers. The plaintiffs claim a supervisor referred to them with a racial slur and forced them to do harder jobs than a group of Mexican employees. The suit was dismissed by the Jasper County Circuit Court in 2005, but the Supreme Court ruled the plaintiffs raised issues of fact that should go before a jury.

Seegerstrom Concert Hall Cost Overruns and Design Flaws

Date: 08/10/2007 (Date of Filing)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Non-Governmental

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: The Orange County Performing Arts Center sued an architect and Fluor Corp. in Orange County Superior Court, blaming them and subcontractors for more than \$30 million in cost overruns and design flaws in the new Renée and Henry Segerstrom Concert Hall in Costa Mesa, California. The suit questions costs that swelled from a planned \$200 million to approximately \$240 million and claims various irreversible design flaws have resulted in obstructed sight lines and a lack of legroom in certain seats.