Washington Closure Hanford Agrees to Pay $3.2 Million to Settle Hanford Subcontract Small Business Fraud Allegations

Spokane – Joseph H. Harrington, United States Attorney for the Eastern District of Washington, announced today that Washington Closure Hanford, LLC (WCH), a prime contractor at the Department of Energy’s Hanford Site, has agreed to pay $3.2 million to resolve allegations that WCH violated the False Claims Act in connection with a number of small business subcontracts. The case originally arose out of a whistleblower complaint filed by Savage Logistics LLC, a Hanford-area small business, and Salina Savage, its owner.

Between 2005 and 2016, WCH, a joint venture owned by AECOM (formerly URS Corporation), Bechtel National Inc., and CH2M Hill Companies Ltd., was a DOE prime contractor at the Hanford Site responsible for environmental remediation and cleanup of the Columbia River Corridor. Pursuant to its contract, DOE fully reimbursed WCH for hundreds of millions of dollars in subcontracts awarded by WCH. Accordingly, WCH’s contract required that WCH make efforts to award a certain percentage of those subcontracts to small businesses and to small disadvantaged businesses, including woman-owned small businesses.

In December 2013, the United States filed a Complaint in Intervention alleging that WCH, Federal Engineers & Constructors, (FE&C) a non-small disadvantaged business that performed work for WCH, Sage Tec LLC, a purported small disadvantaged business, and Laura Shikashio, the owner of Sage Tec, violated the False Claims Act with respect to two subcontracts between WCH and Sage Tec. The Complaint alleged that WCH, FE&C, Sage Tec, and Laura Shikashio knowingly misrepresented Sage Tec to be a legitimate and eligible small disadvantaged business in order to receive two multi-million dollar subcontracts that were reserved for small disadvantaged businesses. The Complaint further alleged that Sage Tec was not a legitimate small disadvantaged business but was instead a pass-through front company for FE&C, which performed substantially all of the work on the subcontracts.

According to information disclosed during court proceedings, this settlement resolves WCH’s liability for the alleged conduct set forth in the United States’ Complaint, bringing the United States’ total recoveries in this case from all defendants to more than $5.5 million. In August 2017, the Court denied WCH’s motion to limit the United States’ damages to those remedies set forth in WCH’s contract, holding that damages could be measured by the entire amount of the fraudulently-obtained Sage Tec contracts. In September 2017, in separate settlements, FE&C paid $2 million to resolve its liability, and Sage Tec and Shikashio paid $235,000 to resolve their liability. WCH was the sole remaining defendant with respect to the United States’ claims.
United States Attorney Harrington said, “Small business fraud not only harms the taxpayers and the vital cleanup mission at Hanford, but legitimate small disadvantaged businesses that do not have the opportunity to fairly compete for and perform subcontracts. I commend the outstanding investigative work performed by the Department of Energy Office of Inspector General and Small Business Administration Office of Inspector General, which made this resolution possible. The United States Attorney's Office for the Eastern District of Washington will pursue aggressively those who defraud and take advantage of programs designed to help legitimate small disadvantaged businesses.”

“Providing false representations to the Government in order to conceal the true nature of small business subcontractor involvement will result in severe consequences,” said SBA Acting Inspector General Hannibal “Mike” Ware. “SBA OIG is committed to protecting the integrity of SBA's preferential contracting programs. I want to thank the Department of Justice and our law enforcement partners for their dedication and hard work in achieving this settlement.”

Department of Energy Principal Deputy Inspector General April G. Stephenson said, “The Department of Energy Office of Inspector General is committed to ensuring the integrity of Departmental contracts and financial expenditures. We will continue to investigate allegations of fraudulent diversion of tax dollars throughout DOE programs. This settlement is a result of our staff's dedicated work to ensure public funds are used for the mission-related purposes for which they are intended. We appreciate the collaboration with our law enforcement partners and the support of Department of Justice attorneys in these matters.”

SBA's General Counsel, Chris Pilkerton, said, “These successful prosecutions demonstrate the tremendous results achieved through the combined efforts of federal agencies to uncover and forcefully respond to procurement fraud. SBA is strongly committed to identifying and aggressively pursuing instances of fraud perpetrated by those participating in SBA's Small Business programs.”

The case is captioned as United States of America ex rel. Salina Savage, Savage Logistics LLC, vs. Washington Closure Hanford LLC, Federal Engineers and Constructors, Inc., Sage Tec LLC, and Laura Shikashio, CV-10-5051-SMJ. The whistleblowers will receive $643,000 as a result of the settlement. The investigation was conducted by the Department of Energy Office of Inspector General and the Small Business Administration Office of Inspector General. This case was prosecuted by Assistant United States Attorneys Tyler Tornabene, Vanessa Waldref, and Dan Frchter, with analytical support from Affirmative Civil Enforcement Investigative Analyst Jeanne Harkleroad.

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