

Hanford. Again.

Written by Nick Sanders
Wednesday, 09 June 2021 00:00

Some places just keep coming up over and over again on this blog. Hanford, Washington, is one of those places. From a quick search, it looks like our first article set in this locale was published in 2013. It concerned time card fraud. Other articles followed. The former plutonium manufacturing site just seems to be a hotbed for corruption. It got to the point where, in 2017, we guessed the cause: “it must be something in the water.”

It’s not necessarily all about corruption in the classic sense of the term. The Dept. of Energy Inspector General has published reports critical of various Hanford contractors’ activities without explicitly calling those activities “corrupt.” For example, in 2020, we [reported](#) that the DOE IG had expressed concerns with two contractors’ small business reporting accuracy. One of those contractors was CH2M HILL Plateau Remediation Company (CHPRC). CHPRC is a wholly owned subsidiary of CH2M (formerly CH2M Hill), which is now a wholly owned subsidiary of Jacobs Engineering Group (Jacobs). If you want to know the details, follow the link to our blog post.

Now, about a year later, CHPRC is back in the news. Or, at least, the subject of a Dept. of Justice [press release](#). According to the press release, CHPRC agreed “to pay \$3,038,270 million to resolve allegations that CHPRC violated the False Claims Act by submitting false and fraudulent small business subcontract reports.”

Are the issues the formed the basis of the fraud allegations the same as the ones that DOD IG reported on a year ago? They don’t seem to be.

Instead—

This settlement resolves allegations that CHPRC falsely reported to DOE regarding its HUBZone subcontracting efforts. Specifically, the settlement resolves allegations that CHPRC falsely represented that subcontract awards to two companies, Indian Eyes, LLC, and Phoenix-ABC A Joint Venture (“PABC”), were to HUBZone businesses, when in fact CHPRC knew that both entities did not have HUBZone status during the time period of the subcontracts.

Why would CHPRC want to “falsely represent” that certain subcontract awards were made to

Hanford. Again.

Written by Nick Sanders

Wednesday, 09 June 2021 00:00

HUBZone businesses? According to the DoJ, “CHPRC’s contract provided for fee-based incentives regarding CHPRC’s success in subcontracting to HUBZone businesses, and for the imposition of monetary penalties if CHPRC missed its goals and failed to exercise good faith efforts to award HUBZone subcontracts.” In other words, CHPRC’s profit could vary based on the entities that received subcontracts.

As with many False Claims Act settlements, this one started with a *qui tam* suit. Apparently, the original 2014 suit was filed by “a Hanford-area small business” that is now known as Apogee Logistics. Let me assure you that Apogee Consulting, Inc. is not connected in any way with Apogee Logistics.

As we noted, CHPRC is owned by CH2M, which is in turned owned by Jacobs Engineering. Did Jacobs Engineering know about the 2014 suit when it acquired CH2M? Maybe. Maybe not.

But if it was aware of the pending litigation, it certainly could have established a settlement reserve. Had it done so, payment of the \$3 million (and associated attorney fees) might not impact corporate earnings whatsoever. Investors will have to wait for the next quarterly earnings report to see if that’s the case.