

At Hanford, It Must be Something in the Water

Written by Nick Sanders

Thursday, 26 January 2017 00:00

Readers may recall one or two articles discussing allegations of endemic and systemic timekeeping fraud at the Department of Energy's Hanford site. A website search of our News Archive using the term "Hanford" yields 10 results. They are not all about timekeeping/labor charging issues. Still, the \$19 million settlement payment by one contractor related to allegations of timekeeping fraud led to more than one story.

Well, today we are back with yet another story of a legal settlement related to allegations of timekeeping fraud by a Hanford site contractor. We're convinced it must be something in the water up there that leads to such issues. Certainly it can't be the culture, can it?

Washington River Protection Solutions LLC (WRPS) was awarded a contract from DOE for environmental remediation work at Hanford in October, 2008. Allegedly, at the time of contract award, "WRPS was advised by law enforcement of specific concerns about systemic timecard fraud being committed by the previous contractor at the Tank Farms, many of whose employees and procedures were retained by WRPS."

Let's stop right there.

You are the new contractor at a DOE facility and you are taking over the incumbent workforce. This is a common thing; it happens frequently. We all know how to do this. You rebadge the employees and you tell them things are going to be different now. (Hopefully better, but you never know.) You introduce them to your systems and your procedures and, with a lot of hard work and a bit of luck, you get them to be productive employees doing their jobs with a certain amount of morale.

What you *don't* do is retain the same procedures that got the last contractor in trouble. Those are the ones you target for immediate change, because if they didn't work for the last guy, they are not going to work for you.

And yet, according to the story, WRPS (allegedly) kept in place the same timekeeping and labor charging procedures that brought the previous contractor to law enforcement's attention.

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Think about that for a moment.

Okay, back to the story.

Well, that first part was not exactly completely 100% accurate. WRPS did change its timekeeping procedures, in July, 2013—nearly five years after it inherited the incumbent workforce and its timekeeping procedures. So, yes. It did make changes. It just took *five years* to make them. As a result of the rather lengthy delay in implementing revised procedures, “the government alleged that WRPS knowingly charged DOE for overtime for busy work or for work that was not actually performed and premium emergency call-in pay that was not authorized by the Tank Farms Contract.”

That was [a problem](#), according to the U.S. Department of Justice.

But that was not the only problem.

The DOJ alleged that WRPS installed a fraudulent Internal Audit function. Apparently it was a contract requirement that the contractor have a bona fide internal audit function. “The government alleged that this knowing violation of an important safeguard in the contract enabled the extensive timecard fraud.” The interesting thing about this alleged sham Internal Audit function was that it was headed by the WRPS General Counsel for the first three years of the contract. According to the DOJ: “WRPS allegedly installed as the head of the contractually required Internal Audit Department for the first three years of the Tank Farms contract its own general counsel, who allegedly had no auditing experience and failed to provide any meaningful oversight of the Audit Department.”

Now we’ve heard of Internal Audit functions that report to the General Counsel before. Companies do this for a reason: It’s a handy way to put problematic internal audit reports under privilege, and thus protect them from discovery. However, this is the first time we’ve heard of that practice having such repercussions.

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Recently I attended ethics training and received my Certified Compliance and Ethics Professional (CCEP) designation. During that training we were told that the best practice is not to have the Chief Ethics Officer report to the General Counsel, because there is somewhat of a tension between what must be discussed and disclosed, and what should not be. (FYI: The best practice is to have the Chief Ethics Officer report directly to the Board of Directors.) And now we have tangible proof that the same principle applies to the Internal Audit function as well.

To conclude the story: “WRPS ... agreed to pay the United States \$5.275 million to settle allegations that WRPS knowingly submitted false claims to the DOE for overtime and premium pay and also failed to comply with the contract’s internal audit requirements.”

Is \$5.3 million a lot of money to WRPS? We don’t know. But it seems like a decent amount of money to us. You could hire quite a few really well-trained internal auditors for that kind of money.