

October 18, 2005

Fluor Corporation
Attn: General Counsel's Office
One Enterprise Drive
Aliso Viejo, CA 92656-2606

Dear General Counsel of Fluor:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database (www.pogo.org/db/index.cfm), a compilation of information from public resources regarding government contractors, including Fluor. I have enclosed the findings relevant to Fluor and am requesting verification or refutation of the data from you by Friday, November 4, 2005.

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.

Changes to the database include: the addition of more current instances, removal of Superfund cleanup costs, and removal of information that could not be verified with official documents. Additionally, pending cases will still be included, but this information will be kept separate from the resolved cases and will not be included in any totals.

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

Sincerely,

Kevin L. Phelps
Project Director

Enclosure

Instances of Misconduct

1.

Case Name: N/A

Date: 8/25/2005, Date of PNOV

Misconduct Type: Labor

Contracting Party: Government Civilian

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.

Documents:

DOE PNOV

<http://www.eh.doe.gov/enforce/eas/EA-2005-05.pdf>

2. ****changed, see instances****

Case Name: Unknown

Date: 6/23/2005, Date of Judgment

Misconduct Type: Other

Contracting Party: International

Court Type: Civil

Amount: \$28,800,000

Disposition: Judgment against defendant

Synopsis:

On June 23, 2005, "Fluor Daniel Caribbean, Inc., a wholly owned subsidiary of Fluor Corporation (NYSE: FLR), 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.

"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."

Documents:

Fluor Press Release <http://investor.fluor.com/news/20050624-167040.cfm>

3.

Case Name: N/A

Date: 7/14/2004, Date of PNOV

Misconduct Type: Labor

Contracting Party: Government Civilian

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; (4) inspection and acceptance testing--failures to establish an integrated test plan for the SWS and to adequately test safety-significant equipment; (5) work processes--several instances in which personnel failed to perform work in compliance with approved procedures and administrative controls; (6) documents and records-- numerous deficiencies with design documents and records that were found to be incomplete and inaccurate in representing the SWS’s as-built design; (7) unreviewed safety question (USQ) process--failures to perform required and necessary USQ safety reviews, and USQ safety reviews that did not adequately consider SWS hazards; and (8) information requirements--the failure to ensure that complete and accurate information concerning the SWS was maintained in that FHI certified that the SWS was in conformance with its safety basis criteria following its inspection of the as-built SWS; however, some safety-significant equipment was either not installed or installed but not able to perform its intended function.”

Documents:

DOE PNOV

<http://www.eh.doe.gov/enforce/eas/EA-2004-06.pdf>

4.

Case Name: N/A

Date: 8/18/2003, Date of Consent Order

Misconduct Type: Labor

Contracting Party: Government Civilian

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.”

Documents:

DOE Consent Agreement
<http://www.eh.doe.gov/enforce/eas/ea200305.pdf>

5.

Case Name: N/A
Date: 8/12/2002, Date of PNOV
Misconduct Type: Labor
Contracting Party: Government Civilian
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.”

Documents:

DOE PNOV
<http://www.eh.doe.gov/enforce/eas/EA-2002-03ws.pdf>

6.

Case Name: N/A
Date: 5/16/2002, Date of Arbitration Decision
Misconduct Type: Other
Contracting Party: International
Court Type: Administrative
Amount: \$24,000,000
Disposition: Judgment against defendant

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 favour of CMM for these damages.”

Documents:

Kinross Press Release <http://www.kinross.com/news/190902-1.pdf>

Fluor Press Release <http://investor.fluor.com/news/20020516-80836.cfm>

7.

Case Name: N/A

Date: 1/4/2002, Date of PNOV

Misconduct Type: Labor

Contracting Party: Government Civilian

Court Type: Administrative

Amount: \$55,000

Disposition: Fine

Synopsis:

DOE 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.”

Documents:

DOE PNOV

<http://www.eh.doe.gov/enforce/eas/EA-2001-06r01.pdf>

8.

Case Name: United States ex rel Hoefler v. Fluor Daniel

Date: 5/7/2001, Date of Settlement

Misconduct Type: Government Contract Fraud

Contracting Party: Government Civilian

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). Founded in mid-1994, TOC's primary mission was to find and evaluate new technologies for use mainly in Fluor Daniel's commercial work. If TOC found a technology that appeared to be potentially profitable, Fluor Daniel was supposed to acquire the right to use it or invest in it. TOC ultimately failed, but during its existence from 1994 through early-1997 it incurred millions of dollars of overhead costs.

"Fluor was obliged by FAR, CAS and the terms of its federal contracts to distribute TOC's overhead costs equitably among those contracts that benefitted from them. According to the lawsuit, TOC's operations and overhead supported Fluor Daniel's business operations as whole, which at the time were 90 percent to 95 percent commercial, and only about 5 percent to 10 percent federal. Fluor Daniel nevertheless charged the vast bulk of TOC's overhead solely to its federal contracts, allegedly with knowledge that the charges were excessive and violated the law."

Documents:

USOA CD CA press release- 5/7/2001

9.

Case Name: N/A

Date: 7/25/2000, Date of Consent Order

Misconduct Type: Labor

Contracting Party: Government Civilian

Court Type: Administrative

Amount: \$100,000

Disposition: Settlement

Synopsis:

DOE 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."

Documents:

Consent Order

<http://www.eh.doe.gov/enforce/eas/ea-2000-10R01.pdf>

10.

Case Name: N/A

Date: 5/26/1999, Date of PNOV

Misconduct Type: Labor

Contracting Party: Government Civilian

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.”

Documents:

DOE PNOV

<http://www.eh.doe.gov/enforce/eas/ea1999-04R01.pdf>

11.

Case Name: N/A

Date: 5/26/1998, Date of PNOV

Misconduct Type: Labor

Contracting Party: Government Civilian

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.”

Documents:

DOE PNOV

<http://www.eh.doe.gov/enforce/eas/ea9802R1.pdf>

12.

Case Name: N/A

Date: 7/29/1997, Date of PNOV

Misconduct Type: Labor

Contracting Party: Civilian Government

Court Type: Administrative

Amount: \$10,000

Disposition: Fine

Synopsis:

DOE 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).”

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.”

Documents:

DOE PNOV

<http://www.eh.doe.gov/enforce/eas/ea9705R1.pdf>

13.

Case Name: United States ex rel Watt v. Fluor Daniel Fernald

Date: 6/19/1997, Date of Settlement

Misconduct Type: Government Contract Fraud

Contracting Party: Government Civilian

Court Type: Civil

Amount: \$8,400,000

Disposition: Settlement

Synopsis:

On 6/19/1997, Fluor Daniel Fernald agreed to pay \$8.4 million to settle allegations of False Claims Act violations. The relator's "claims against the company ranged from allegations concerning cost estimating methodology to assertions that Fluor Daniel Fernald sought government reimbursement for an employee pizza party."

Documents:

Flour Press Release

<http://investor.fluor.com/news/19970619-31395.cfm>

Pending Cases

1.

Case Name: In re Hanford Litigation

Synopsis:

This class action suit alleges the companies didn't run the Hanford Nuclear Reservation plant safely and failed to inform the public of the health risks.