



Savannah River Site Watch

**Savannah River Site Watch
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Review of “Accuracy” of CB&I Areva MOX Services Payments to HVAC Contractor Intermech by DOE’s NNSA Reveals “Lack of Due Diligence,” Questionable Payments, Faulty Work; Document Obtained by SRS Watch Raises Similar Concerns as Federal Fraud Case involving MOX Services and Wise Services

“Concerns” and “Findings” in “Assessment Report” by NNSA of Management by MOX Services of Intermech Subcontract Underscores Need for Deeper Investigations into Possible Fraud, Waste, Abuse & Mismanagement at Terminated Plutonium Fuel (MOX) Project at Savannah River Site

Columbia, SC – The U.S. Department of Energy determined in a 2017 financial review that management by CB&I Areva MOX Services of Intermech HVAC subcontractor was “inadequate,” causing unwarranted payments of millions of dollars. The questionable performance of MOX Services and Intermech resulted in not only large cost increases to the government but also “the failure to deliver HVAC fabricated ducts on scope, on schedule, and on budget” for the bungled plutonium fuel (MOX) project at the Savannah River Site.

The DOE’s National Nuclear Security Administration’s “assessment report,” which is centered on the performance of MOX Services in managing costs and performance by Intermech, was provided to Savannah River Site Watch by a former MOX worker concerned about questionable financial activities involving MOX Services and Intermech at the now-terminated MOX project.

NNSA’s MOX Project Management Office conducted the assessment and determined that there was a “lack of due diligence in contract administration” by MOX Services, resulting in substantial and unjustified costs to the government. This newly obtained report parallels similar concerns in a federal fraud case filed on February 14, 2019 against MOX Services for unwarranted payments and poor oversight of contractor Wise Services.

NNSA determined that HVAC costs with Intermech increased by about \$29 million, which were “not compliant” with the contract between NNSA and MOX Services. Likewise, MOX Services did not properly estimate “closeout” costs of the contract, to the disadvantage of the government. Additionally,

NNSA determined that additional changes to the “firm fixed price” subcontract of about \$2 million by Intermech were not substantiated to MOX Services and “does not have merit.”

To highlight how the subcontract with Intermech resulted in problems, the original cost of around \$18.5 million for 1.3 million pounds of HVAC duct ballooned to \$48.1 million for 1 million pounds of duct, with schedule slippage from 42 months to 83 months. NNSA assessed that the increase of \$29.6 million in the cost was due to failure of MOX Services to comply with subcontract requirements.

“This assessment reveals a troubling and negligent pattern of project oversight by MOX Services, resulting in large additional and unwarranted costs to the MOX project, a matter that demands further investigation,” said Tom Clements, director of the public interest organization Savannah River Site Watch. “Though the MOX project has rightly been terminated there is a lingering concern about project administration and design concerns and construction problems that might impact future use, necessitating further review by Congress, oversight agencies and federal investigators,” added Clements.

NNSA does not allege fraud or kickbacks in the “assessment report” though former MOX workers have indicated this could be the case. While it could not be verified by SRS Watch, workers report that Mr. Ed Najmola, former Vice President of Construction for MOX Services, was a contact with Intermech. Mr. Najmola was named as taking kickbacks in the federal fraud case against MOX Services and Wise Services filed in federal court in Columbia, SC. In the opinion of Clements, the activities of Mr. Najmola at the MOX project warrant further investigation.

In the assessment report, the NNSA went on to find that MOX Services “did not take action to identify failures” in HVAC design by Intermech, resulting in “numerous and on-going design changes” and “fabrication errors” and “significant cost increases” to the MOX project. And, Intermech was allowed by MOX Services to produce far less duct work per month than stipulated in its contract and the company was able to charge for what NNSA called “rework” (“Intermech fabrication errors or MS design changes”), a problem that plagued the MOX project as a whole and resulted in large costs increases.

NNSA determined that MOX Services failed to obtain written consent by the NNSA contracting officer for “subcontract modifications,” resulting in a “cumulative value” increase between 2012 to 2014 of \$25 million. NNSA also cited a litany of contract non-compliance and irregularities and “overstated” costs not allowed by the fixed price contract.

Further, NNSA determined that MOX Services management of changes modifications was “inadequate” and “obscured actions that were not in the scope of the subcontract.” NNSA stated that it has “substantial concerns” about the methods used for assessing costs and if they served “the best interest of the government.” It is unclear how the concerns raised in the assessment were resolved.

Intermech was evidently located off the MOX site in Aiken, South Carolina and interacted with Superior Air Handling, a company which performed HVAC work on site at the MOX project. Workers have reported that Superior Air Handling, which left the project and the work was taken over by CB&I Project Services Group, botched HVAC construction and was responsible for much costly “rework.”

In a search on the Secretary of State's "Business Entities Online, Intermech was "dissolved" in South Carolina on October 10, 2018, just after termination of the MOX project.

That an NNSA "assessment report" of MOX Services and Intermech exists raises the question if more such reports on a host of subcontracts also exist. An in-depth investigation into possible fraud, waste, abuse and mismanagement at the MOX project must involve a thorough review of such reports, according to Clements of SRS Watch.

"With the filing of the federal fraud case involving MOX Services and Wise Services and the assessment report of Intermech now being public, we may be seeing only the tip of the iceberg with problems related to management and unjustified costs at the MOX project," said Clements. "Given what has now been revealed, it's clear that MOX project begs for an in-depth review of all aspect of project administration and accounting by NNSA and contractors."

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Notes:

NNSA "assessment report" of MOX Services' management and payments to subcontractor Intermech, June 26, 2017, obtained by SRS Watch:

http://www.srswatch.org/uploads/2/7/5/8/27584045/intermech_assessment_report_by_nnsa_june_2017.pdf

Intermech website:

<https://intermechinc.com/projects/federal-contracting/savannah-river-site-fabrication-facility>

SRS Watch news release, March 23, 2018, "**Memo on Needed "Rework" at MOX Plant Obtained via FOIA Request, Gives Hint at Extent of Construction Problems and Who Might Pay - Rework and Contractor Performance Merit Investigation**"

http://www.srswatch.org/uploads/2/7/5/8/27584045/srs_watch_on_no_resident_mox_inspector_and_rework_march_23_2018.pdf

Federal fraud case against MOX Services and Wise Services expenses, February 14, 2019, names Ed Najmola, VP of Construction for MOX Services from 2009-2015 as taking kickbacks; Najmola has been mentioned by various MOX workers over the years as being engaged in questionable activities, including with Intermech, but SRS Watch has not been able to document this; merits investigation

http://www.srswatch.org/uploads/2/7/5/8/27584045/us_compliant_vs_mox_services_wise_services_fe_b_14_2019.pdf

NRC MOX inspection report, October 29, 2010, Intermech meets quality assurance standards:

<https://www.nrc.gov/docs/ML1030/ML103060343.pdf>

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