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**FERNALD CITIZENS TASK FORCE ANNOUNCEMENTS AND  
NEWSCLIPPINGS MAILED TO TASK FORCE MEMBERS**

05/24/96

**APPLEGATE    TASK FORCE  
5  
ANNOUNCEMENT**



# FRIDAY MAILING

5/24/96

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## INCLUDED IN THIS MAILING ARE:

- News Clippings

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## ANNOUNCEMENTS:

- Please also note the following upcoming meetings:

DOE Public Meeting on 60% Design of On-Site Disposal Facility  
June 4, 1996, 7:00 p.m., The Plantation

Full Task Force Meeting. June 8, 8:30 a.m. **Alpha Building**

DOE Roundtable on Waste Recycling Policy  
June 11, 1996, 7:00 p.m. (location TBA)

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**QUESTIONS:** ■ Please call John (556-0114) or Doug (648-6478) with questions or concerns.

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**May 18, 1996**  
**THE JOURNAL NEWS**  
**Local, A3**  
**"DOE reviews cost overrun at Fernald"**  
**Reporter: Associated Press**

## **DOE reviews cost overrun at Fernald**

**The Associated Press**

### **FERNALD**

The U.S. Department of Energy is reviewing a request for an additional \$14 million for a pilot cleanup plant at the former Fernald uranium refinery.

The Fernald Environmental Restoration Management Co. has proposed transferring the money from other projects in the \$2.2 billion cleanup job.

The cost of completing the pilot project has risen to \$56 million from the \$42 million estimated during the past year, according to the contractor's internal reports. In 1993 FERMCO estimated the entire cost of the pilot plant at \$14.4 million.

Officials at the Energy Department, which owns the Fernald site, confirmed the latest cost estimate.

Fernald processed uranium from 1951 to 1989. In 1992 FERMCO won the contract to manage the cleanup of radioactive waste.

Design, construction and testing problems already have caused FERMCO to miss two deadlines — in November and March — to start testing material through the pilot plant. The Energy Department penalized FERMCO \$675,000 in November for missing that startup.

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May 19, 1996  
CINCINNATI ENQUIRER  
Front Page  
"Millions wasted on Fernald buyouts"  
Reporter: Mike Gallagher

# Millions wasted on Fernald buyouts

## Inspector general's report blasts Energy Department, FERMCO

BY MIKE GALLAGHER

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Almost \$16 million was wasted in employee buyouts at Fernald by the U.S. Department of Energy and the company cleaning up the nuclear site, according to a special investigation by the department's inspector general.

Fernald Environmental Restoration Management Co. (FERMCO) refilled most of the terminated positions — actions never challenged by the Energy Department watchdogs at Fernald, according to the inspector general report.

The taxpayer-funded buyouts are part of

an Energy Department program used by FERMCO to reduce the work force and save labor costs. Despite the waste, FERMCO was given an "excellent" rating for its work force restructuring efforts and invested \$405,000 in performance fees by the Energy Department's Fernald staff, the report found.

The inspector general's 18-page report on two buyouts since 1993 was released Friday.

"The funds spent on these restructurings, that provided little or no benefit to the department, cannot be recouped," the report stated.



"FERMCO's restructuring efforts have not accomplished the objectives. The first restructuring neither significantly reduced the staffing nor substantially changed the mix of workers' skills. The second restructuring, like the first, might neither reduce overall staffing nor change the mix of workers' skills," the report said.

The inspector general's findings substantiate a Feb. 14 Enquirer article that brought the problem to light and questioned the practice. That story revealed the Energy Department authorized \$12.9 million, or an average of \$27,000, in severance to 476 salaried employees in January and

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"Millions wasted on Fernald buyouts"

Reporter: Mike Gallagher  
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February 1996. All terminated employees were guaranteed at least \$15,000 in the buyout plan.

The *Enquirer* also reported that the Energy Department paid about \$2.9 million to 255 employees in a similar 1993 FERMCO severance buyout, or "work force reduction" project. The article revealed how FERMCO had refilled many of the jobs and that the Energy Department's Fernald staff provided little oversight.

The newspaper also reported that similar Energy Department employee severance programs nationwide had cost taxpayers more than \$350 million since 1993.

Shortly after *The Enquirer* article ran, both Energy Department and FERMCO officials said the newspaper "failed to understand the severance program" and called the story "inaccurate and misleading."

(Please see FERMCO, Page A10)



► The Energy Department's Office of Inspector General's report on buyouts is the most recent finding that substantiates earlier *Enquirer* reports, like the article above, about financial mismanagement and safety problems at Fernald. Inside/A10

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"Millions wasted on Fernald buyouts"

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# Fernald: Millions wasted on buyouts

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The inspector general's report not only confirmed *Enquirer* findings, but also found other problems.

For example, inspector general investigators found that in some cases, FERMCO terminated employees who had been hired by its predecessor at Fernald, and replaced them with workers "transferred in from other components of Fluor Daniel Inc.," FERMCO's parent company.

Additionally, the inspector general "referred an allegation of improper benefit payments to specific workers" to the Energy Department's Office of Worker and Community Transition. That investigation is ongoing.

According to the inspector general report, the Energy Department's Fernald staff "agreed there were some deficiencies in the restructuring process," and agreed to make changes.

The Energy Department's director at Fernald blamed problems on "budgetary fluctuations, work-scope changes and labor relations developments." The director said his staff was taking corrective actions, according to the report.

FERMCO officials could not be reached for comment.

## Poorly run program

The Inspector General Office started its investigation Jan. 12, 1995. According to the inspector general's report, the Energy Department's Fernald staff authorized the 1993 and 1995 work-force reductions "to reduce staffing levels and to modify the mix of workers' skills in response to budget cuts, facility closures and changes in the Fernald Project's mission."

But the inspector general's investigators found the department's Fernald

the report said.

The report said FERMCO's reductions and rehiring include:

- ▶ Terminating 14 secretaries during the first restructuring, but then hiring 19 new secretaries before the second restructuring;

- ▶ Terminating 15 clerk typists in the first restructuring and subsequently hiring eight new clerk typists before the second restructuring. In the second restructuring, FERMCO identified nine clerk typists for termination, three of whom were hired after the first restructuring. Since announcing the second restructuring, FERMCO has hired 17 new clerk typists.

- ▶ Terminating five procurement specialists during the first restructuring and subsequently hiring nine new procurement specialists before the second restructuring. Since announcing the second restructuring, FERMCO has hired four new procurement specialists.

Additionally, the inspector general report said:

"FERMCO did not propose to identify critical skills needed to meet the Fernald Project's future mission nor to identify employees who could be retrained or retrained rather than separated."

rated.

"The Fernald Area Office (Energy Department staff) should have determined that the restructuring plans did not meet the basic requirements of Section 3161 (Congress rules for work-force reduction at nuclear sites), especially the requirement to minimize layoffs...."

While criticizing both Fernald's Energy Department staff and FERMCO, the inspector general report also warned of the potential for future waste of taxpayers' money because "FERMCO still has not identified future staffing needs...."

The inspector general report recommended that the Energy Department's Fernald director:

- ▶ Require FERMCO to immediately perform a comprehensive skills analysis, review the skills of employees scheduled to be separated, and encourage employees with skills that are needed to retain their jobs.

- ▶ Develop future restructuring plans based on comprehensive skills analysis in accordance with (Energy Department) guidance.

- ▶ Monitor FERMCO's restructuring activities to ensure that the department's objectives are met.

staff failed to "require FERMCO to perform a skills analysis to identify which employees were needed to perform the Fernald Project's current (cleanup) mission."

The Energy Department's Fernald staff also failed to "effectively monitor FERMCO's restructuring efforts to ensure that the department's objectives were met," the inspector general report stated.

In the first work-force restructuring project, FERMCO terminated 255 employees in October 1993, but by Sept. 30, 1994, "all but 14 of the employees separated were either rehired or replaced by new employees with similar skills," according to the report.

After the January/February 1995 reduction, in which 476 employees were awarded severance packages, FERMCO hired 265 new employees by Sept. 30, 1995, the report showed. And current Energy Department and FERMCO records reveal that FERMCO has added about 100 employees to its work force since that time.

"Continuing to separate and replace employees with needed skills under the restructuring plan is, in our opinion, a material internal control weakness...." the inspector general report stated.

## Public's money wasted

FERMCO's failure to conduct a required skills analysis of its employees, the inspector general found, resulted in staff reductions of qualified employees who should have been retained.

"FERMCO separated employees with needed skills and hired new employees to replace those separated,"

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