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Federal Contractors Are Violating Workers' Rights and Harming the U.S. Government

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Introduction and summary

The federal government spends \$500 billion every year contracting out public work that ranges from the design and manufacture of sophisticated weapons systems to janitorial and maintenance operations.¹ Despite protections to ensure that federal contractors pay decent wages, provide safe workplaces, and respect workers' rights on the job, the government frequently contracts with companies with long records of workplace violations. New analysis from the Center for American Progress Action Fund finds that contracting with companies that break workplace laws also frequently results in poor performance of federal contracts and waste of public resources. Conversely, policy reforms that increase companies' compliance with worker protection laws may result in improved contract performance and support good value for public investments.

Numerous government studies have found that federal contractors are frequently among the worst violators of federal workplace laws but face few consequences.² The Trump administration exacerbated these problems with actions that weakened federal contract worker protections and oversight.³

According to a 2020 report from the U.S. Government Accountability Office (GAO), federal contractors agreed to pay approximately \$224 million in back wages to workers on federal service contracts from 2014 to 2019, yet in only 2 percent of cases where the Department of Labor uncovered lawbreaking did it prevent violators from receiving new contracts through debarment.⁴

A 2013 investigation from the Senate Committee on Health, Education, Labor, and Pensions (HELP) reviewed the 100 largest penalties for workplace safety and health standards and the 100 largest back pay awards issued by the Department of Labor (DOL) from 2007 to 2012. The investigation found that 49 separate government contractors were responsible for 58 of these penalties and back pay awards.⁵ In other words, nearly 30 percent of top 200 workplace violators were current government contractors that were receiving billions in taxpayer dollars.⁶

This CAP Action analysis builds on the Senate HELP Committee report. Among the 49 contractors that the HELP Committee identified as responsible for the worst violations of federal labor laws, CAP Action finds that a total of 14 companies—29 percent—had significant performance problems on subsequent government contracts. These findings are based on a review of government records, press accounts, and publicly available court filings and enforcement databases.⁷

These performance problems include contractors submitting fraudulent billing statements; falsifying qualifications for contract employees; accruing major cost overruns; and producing defective and sometimes dangerous equipment.

CAP Action has previously detailed several administrative reforms to improve the lives of contract workers by raising pay and benefits for them and holding accountable lawbreaking corporations that do business with the federal government.⁸ This latest analysis indicates that doing so will not only empower federal contract workers but may also help improve performance and increase the efficiency of the government contracting system.

A history of lawbreaking and poor contract performance

While the government does not make data on the frequency of contractor performance problems or labor law violations across federal contractors available to the public, the fact that 29 percent of contractors with previous egregious workplace law violations subsequently did not deliver on other contracting commitments is a cause for serious concern.⁹

Several previous reports have made this link between contractors treating workers poorly and providing bad value to the government and taxpayers. Nearly 40 years ago, the U.S. Department of Housing and Urban Development found a “direct correlation between labor law violations and poor quality construction” on HUD projects, as well as that these quality defects contributed to excessive maintenance costs.¹⁰ Similarly, a 2003 Fiscal Policy Institute survey of New York City construction contractors found that contractors with workplace law violations were more than five times more likely to receive a low performance rating than contractors with no workplace law violations.¹¹

Indeed, this report replicates analysis conducted in 2013 by CAP Action finding that 1 in 4 companies that committed the worst workplace law violations and later received federal contracts had significant performance problems.¹²

This indicates that reforms to ensure federal contractors respect workplace laws would raise standards for workers and may produce good value for publicly supported programs.

The Biden administration has already demonstrated a focus on raising standards for contract workers—for example, taking action to raise the contractor minimum wage to \$15 per hour; revise other contractor wage regulations to better reflect the modern economy; and repeal a Trump-era action to weaken anti-discrimination protections.¹³ The administration is also advancing measures to increase staffing in government offices charged with enforcing contract workers’ rights.¹⁴

In addition, the administration should adopt a series of reforms to prevent lawbreaking before it begins and empower workers to come forward to report violations. For example, companies should be required to submit labor cost estimates on proposed

projects so that public agencies can evaluate whether bids are sufficient to allow legal compliance. The Biden administration should also reassert the government's role in enforcing legal standards; ensure that workers are able to have their day in court when they are fired for asserting their rights or are otherwise retaliated against; and partner with community and worker organizations to confirm that workers know their rights and feel comfortable coming forward. CAP Action has previously detailed these policy reforms, but in order to maintain focus on the problems in the contracting system, the authors do not repeat the full recommendations here.¹⁵

Strengthening contract oversight will be essential to safeguard economic recovery funding so that it provides everyday workers high-quality jobs and results in good value for public dollars. It will also help spur economic recovery, since workers earning decent wages and benefits spread gains to their communities through increased local spending.

The Biden administration must undo the damage of the Trump administration, which weakened government oversight of contractors even while ramping up procurement spending, in part to support the federal response to the COVID-19 pandemic. For example, a GAO review of nearly \$18 billion in the first wave of federal COVID-19 contracts found that more than half of funds were awarded without competition, and the nonprofit investigative journalism outlet ProPublica has documented hundreds of instances of first-time contractors receiving COVID-19 contracts, often without thorough vetting, and demonstrated how this has led to waste, fraud, and abuse.¹⁶

Meanwhile, agencies charged with enforcing contract worker protections were beset by backlogs during the Trump administration, and enforcement did not target the industries and occupations in which violations are most frequent.¹⁷ Moreover, the Trump administration repealed reforms adopted during the Obama administration to help ensure that federal contractors comply with workplace laws and empower the Department of Labor to work with contracting agencies to improve compliance.¹⁸ Despite limited government capacity to hold lawbreaking contractors accountable and significant risk of retaliation, workers are expected to understand their rights under the law and feel comfortable coming forward to report violations.¹⁹

To be sure, not every contractor that violates workplace laws will break other laws or fall short of contract commitments. Yet the report indicates that many of them do. By strengthening enforcement of essential workplace protection laws and ensuring that prospective contractors incorporate the cost of compliance into their bids, the government may also help ensure that the public gets a good value for its investments. In the sections that follow, this report profiles the contractor performance problems revealed by CAP Action's analysis.

Contractor performance problems by company

In order to determine the top violators of workplace laws, the Senate Committee on Health, Education, Labor, and Pensions reviewed the 100 largest back pay awards against companies that violate wage protection laws enforced by the DOL's Wage and Hour Division (WHD)—including violations of the Fair Labor Standards Act (FLSA), the Service Contract Act, and Davis-Bacon and Related Acts—and the 100 largest penalties from the Occupational Safety and Health Administration (OSHA) over the six-year period from 2007 to 2012.²⁰ The findings, released in 2013, cross-referenced this list with USAspending.gov, the federal government's official open data source for federal spending information. This allowed the committee to discover whether the listed companies or their parent companies had lucrative government contracts.

Overall, the Senate HELP Committee found that a total of 49 separate parent companies hit with 35 of the top 100 back pay awards and 23 of the largest OSHA penalties benefited from government contracts in fiscal year 2012.²¹

Among these 49 contractors, CAP Action identified 14 companies—or nearly 30 percent—that also had significant performance problems, ranging from contractors failing to fulfill contract obligations and overbilling the government to dangerous defects or unsafe conditions that put the public at risk.

CAP Action did not limit its findings of performance problems to those where a corporation or employee made an admission of fault. It included government findings of performance problems, lawsuits alleging performance violations that were settled or decided in favor of the plaintiffs, and cases where an employee was found guilty of misconduct while carrying out contract duties. The goal is not to assign blame to specific contractors but to determine instances in which contracts were not executed as promised and as a result, the government received a poor value for its investment.

Currently, the federal government provides the public little information with which to evaluate the performance of contracts. The federal government tracks performance through its Contractor Performance Assessment Reporting System, but this information is not made available to the public.²²

Consequently, CAP Action relied on searches of publicly available websites—including federal enforcement sites, news searches, and publicly available websites that track government enforcement actions against corporations, such as the Project on Government Oversight’s Federal Contractor Misconduct Database and Good Jobs First’s Violation Tracker—to obtain performance information. As a result, this report may undercount performance problems, since many instances may not have been made public or may not have received significant media attention. The authors also list performance problems that occurred or were ongoing after the workplace violation profiled in the 2013 Senate HELP Committee report. (see the Appendix for more information on research methodology)

Like the HELP Committee report, this study identifies parent companies when possible and tracks the value of contract awards and performance problems across an entire corporate entity. The reported value of the federal contracts from FY 2013 to FY 2020 for each contractor comes from the USAspending.gov database.

Each contractor profile starts with a brief description of the company, including any parent company relationships; penalty or back pay assessed and the date that the case was closed or the findings end date, as reported in Appendix II of the HELP Committee report; and the total value of contracts awarded from FY 2013 to FY 2020.²³ The authors then detail the various performance problems of the contractor, subsequent to the workplace violation and penalty.

Avondale Industries Inc.

Avondale Industries Inc. was a ship design and construction company and a subsidiary of Huntington Ingalls Industries Inc. at the time of the violations. The Avondale facility ceased operations in 2014, but Huntington Ingalls Industries continues to exist and receive federal contracts.²⁴

Penalty profiled in Senate HELP report: The Avondale Industries Inc. Steel Sales Division was assessed \$717,000 in initial penalties for OSHA violations.²⁵

Value of federal contracts: Huntington Ingalls Industries was awarded about \$49.4 billion in federal contracts from FY 2013 to FY 2020.²⁶

Performance issue

› In August 2017, Huntington Ingalls Industries paid \$9.2 million to the federal government to resolve allegations that it violated the False Claims Act by knowingly overbilling the government for labor on U.S. Navy and Coast Guard ships at its shipyards in Pascagoula, Mississippi from 2003 through 2015. The civil settlement resolved “alleged labor mischarging on various U.S. Navy and Coast Guard contracts” but did not include a determination of liability.²⁷ In announcing the settlement, the special agent in charge of the Naval Criminal Investigative Service noted that, “Overcharging for work not done is not only criminal on its face, investigating those crimes siphoned resources and time which would have been better invested in protecting the nation.”²⁸ The U.S. attorney involved also noted that three Huntington Ingalls employees pleaded guilty in a related criminal matter in the Southern District of Mississippi.²⁹

Bath Iron Works

Bath Iron Works is a shipyard in Maine that builds U.S. Navy vessels and is a subsidiary of General Dynamics, one of the largest aerospace and defense contractors in the world.³⁰

Penalty profiled in Senate HELP report: Bath Iron Works was assessed a \$441,500 initial penalty for an OSHA violation. The case was closed June 24, 2010.

Value of federal contracts: Bath Iron Works was awarded about \$11.04 billion in federal contracts from FY 2013 to 2020.³¹ General Dynamics was awarded about \$136.8 billion during the same time period.³²

Performance issue

› In 2018, Bath Iron Works agreed to pay a \$355,000 penalty to settle claims that the company allegedly failed to submit Toxic Release Inventory reports to the U.S. Environmental Protection Agency (EPA) from 2013 to 2015. The EPA also alleged that Bath Iron Works failed to comply with the full requirements of its stormwater permit, which requires the shipyard to minimize waste from the shipbuilding process so that pollutants do not run into the Kennebec River.³³ The government’s announcement of the settlement did not reveal whether the company made an admission of fault.

BP PLC

BP PLC is a multinational oil and gas company that explores for, produces, and refines oil.

Penalties profiled in Senate HELP report: BP PLC was assessed \$57 million in initial penalties for four separate OSHA violations at its subsidiaries BP Products North America Inc. and BP-Husky Refining LLC. The cases were closed in 2008, 2009, and 2010.³⁴

Value of federal contracts: BP PLC was awarded about \$3.94 billion in government contracts from FY 2013 to FY 2020.³⁵

Performance issues:

› In 2015, the United States and five Gulf states reached a \$20.8 billion settlement with BP over claims arising from the 2010 Deepwater Horizon blowout, which led to one of the worst environmental disasters in U.S. history.³⁶ This settlement resolved “the governments’ civil claims under the Clean Water Act and natural resources damage claims under the Oil Pollution Act, as well as economic damage claims of the five Gulf states and local governments.”³⁷ In addition, BP pleaded guilty to several criminal charges related to the disaster.³⁸ As a result, the EPA announced in November 2012 that it was temporarily suspending BP from receiving new federal government contracts, grants, or other covered transactions until it could demonstrate that “it meets Federal business standards.”³⁹ In 2014, the EPA lifted all its suspension and debarment actions against BP after BP entered into a five-year administrative agreement with the government requiring ongoing safety and ethics improvements as well as an annual independent compliance audit.⁴⁰

› Several BP subsidiaries agreed to pay the U.S. government \$20.5 million in 2011 to resolve allegations that they had “knowingly underpa[id] royalties on natural gas produced from federal and Indian leases,” violating the False Claims Act.⁴¹ Oil companies that lease these lands are required to pay royalties on the value of the gas that is produced and report it monthly. The Department of Justice alleged that BP improperly reported costs to reduce royalty payments and failed to do proper accounting on certain federal leases.⁴² The government’s announcement of the settlement did not reveal whether the company made an admission of fault.

Computer Sciences Corp.

Computer Sciences Corp. (CSC) is an information technology services contractor that merged with Hewlett Packard Enterprise Services⁴³ in 2017 to create DXC Technology.⁴⁴

Penalty profiled in Senate HELP report: CSC was assessed \$1.45 million in back pay. The findings end date was November 30, 2007.

Value of federal contracts: CSC was awarded \$11.59 billion in federal contracts from FY 2013 to FY 2020.⁴⁵ DXC Technology won about \$2.4 billion in federal contracts from FY 2017 to FY 2020.⁴⁶

Performance issues

› In 2020, CSC reached a joint \$2.78 million settlement to resolve allegations of Medicaid billing fraud. The federal government and the state of New York brought a case against both CSC and New York City for ignoring requirements to take reasonable measures to obtain private insurance coverage before billing Medicaid for certain services. As part of the settlement, both CSC and the city made several factual admissions of insufficient outreach to private insurers and improper coding of procedures in the government database in order to receive Medicaid reimbursement and agreed to pay the U.S. government a total sum of nearly \$1.6 million.⁴⁷

› In 2018, CSC agreed to pay nearly \$390,000 to resolve allegations that its predecessor corporation submitted false claims to the U.S. Department of Energy. From 2005 to 2012, the department contracted with CSC to implement an electronic medical records system for workers at its Hanford, Washington, nuclear facility. A complaint alleged that, in 2012, the company falsely certified that the medical records system—important for tracking workers at risk for exposure to radioactive and hazardous materials—was fully operational.⁴⁸ CSC did not make an admission of liability as part of the settlement.

› CSC agreed to pay the U.S. government \$380,000 in 2015 to settle other allegations of false claims related to a contract with the U.S. Air Force to provide aircraft maintenance. The government alleged that CSC submitted claims for payment to the Air Force during the period from 2008 to 2013 for maintenance that did not occur.⁴⁹ CSC did not admit liability as part of the settlement.

› Also in 2015, CSC agreed to pay \$1.35 million to resolve allegations that it administered a security contract that used individuals who lacked security clearances to help maintain the global telecommunications network used by the U.S. Defense Department.⁵⁰ CSC and its subcontractor Netcracker Technology Corp. won a contract with the Defense Information Systems Agency (DISA) to implement software used to help manage the agency’s telecommunications network. The government alleged that, from 2008 to 2013, Netcracker knowingly violated contract terms requiring that employees have security clearances, which resulted in CSC “recklessly submitting false claims for payment.”⁵¹ In a 2015 *Washington Post* article detailing the allegations that Russians without security clearances were carrying out contract duties, CSC spokeswoman Heather L. Williams said, “CSC believes it is as much a victim of Netcracker’s conduct as is our DISA customer and agreed to settle this case because the litigation costs outweigh those of the settlement.”⁵²

› In 2014, CSC paid the United States \$1.1 million to settle allegations that the company falsified the qualifications of its employees in order to bill for labor costs at higher rates on a \$192 million contract with the U.S. Army Communications-Electronics Command to provide command, control, communications, computers, intelligence, surveillance, and reconnaissance services.⁵³ The settlement did not include a determination of liability.

Dismas Charities Inc.

Dismas Charities Inc. operates 33 state and federal residential re-entry centers and support offices serving approximately 8,000 people per year.⁵⁴

Penalty profiled in Senate HELP report: Dismas was assessed \$1.69 million in back pay on September 4, 2010.

Value of federal contracts: It was awarded about \$457 million from FY 2013 to FY 2020.⁵⁵

Performance issue

In May 2016, a former guard pleaded guilty and was sentenced to eight years in prison for sexually abusing six female residents at the Diersen Charities Halfway House in Albuquerque, New Mexico—a contracted Federal Bureau of Prisons residential re-entry center operated by Dismas Charities—from 2012 to 2014.⁵⁶

Electronic Data Systems Inc. (EDS)

EDS is the former name of an information technology services company acquired by Hewlett-Packard (HP) in 2008. In 2009, EDS became HP Enterprise Services.⁵⁷ In 2017, HP Enterprise Services spun off from HP and merged with Computer Sciences Corporation to form DXC Technology.⁵⁸

Penalty profiled in Senate HELP report: EDS was assessed \$5.37 million in back pay on November 10, 2007.

Value of federal contracts: Perspecta Enterprise Solutions, the name under which EDS received contracts in the USA Spending.gov database, was awarded about \$16.1 billion in federal contracts from FY 2013 to FY 2020.⁵⁹ DXC Technology, the parent company as of 2017, won about \$2.4 billion in federal contracts from FY 2017 to FY 2020.⁶⁰

Performance issues

› In 2014, Hewlett-Packard Co., a subsidiary of HP Enterprise, agreed to pay \$32.5 million to settle allegations that the company overcharged the U.S. Postal Service (USPS) for products by failing to comply with the pricing terms of the contract, thereby violating the False Claims Act.⁶¹ After a joint investigation by the Major Fraud Investigations Division within the Postal Service Office of Inspector General and the Department of Justice’s Civil Division, the government alleged that HP made misrepresentations on its pricing during contract negotiations and failed to comply with contract terms requiring the USPS to be charged prices no greater than those charged on comparable contracts. The overcharges allegedly took place from October 2001 to December 2010. The settlement included no determination of liability.

› According to NASA’s Inspector General, HP Enterprise Services “encountered significant problems implementing [NASA’s Agency Consolidated End-User Services] contract.”⁶² HP Enterprise Services won a four-year, \$2.5 billion contract in 2010 to provide computers, equipment, mobile devices, and ongoing end-user services, such as help desk and data backup services, for NASA employees and contractors.⁶³ NASA officials had hoped that the agency could save money and enhance security by standardizing the agency’s information technology (IT) architecture. However, a 2014 performance review of the contract found that HP Enterprise Services failed to replace or “refresh” computers across the agency at the start of the contract as promised; failed to maintain a complete and accurate inventory of IT equipment; and inaccurately billed invoices. The Inspector General concluded that “HP’s failure to meet important contract objectives has resulted in the contract falling short of Agency expectations.”⁶⁴ At the time of the incident, *Federal Computer Week* reported that the company said in a statement, “we will continue working together to ensure the success of the project.”⁶⁵

Lockheed Martin and its subsidiary Sandia Corp.

Lockheed Martin is a global aerospace, defense, security, and advanced technology company. Sandia Corp. was a wholly owned subsidiary of Lockheed Martin that operated Sandia National Labs until Honeywell International won the contract to take over operation in December 2016.⁶⁶

Penalties profiled in Senate HELP report: Lockheed Martin Operations Support Inc. was assessed \$723,686 in back pay on February 13, 2009, and its subsidiary Sandia Corp. was assessed \$2.02 million in back pay on May, 21 2008.

Value of federal contracts: Lockheed Martin Corp. was awarded \$374.8 billion from FY 2013 to FY 2020.⁶⁷

Performance issues

› In recent years, the Department of Defense has had ongoing problems on contracts with Lockheed Martin for its F-35 stealth combat aircraft, including difficulty sourcing and tracking parts, cost overruns, and a high portion of aircraft that are unready to fulfill government missions.⁶⁸ For example, a 2019 report from the GAO found that only half of all F-35s were mission ready over a six-month period in 2018, many due to spare part shortages.⁶⁹ In July 2020, Lockheed Martin was called to testify before the House Oversight and Reform Committee in regard to the corporation delivering more than 15,000 parts with incomplete or incorrect electronic equipment logs, which prevented the government from being able to register the parts in its logistics system. This has allegedly cost the government at least \$183 million in labor costs since 2015.⁷⁰ Lockheed Martin's vice president for the F-35 program told the House committee, "It's not all associated with Lockheed Martin performance," and that he was "committed to meeting with the Defense Contract Management Agency as well as the [government's F-35 Joint Program Office] to sit down and reconcile the concerns and adjudicate the cost appropriately."⁷¹

› In February 2019, the U.S. Justice Department filed suit against Mission Support Alliance LLC (MSA), a joint venture co-owned by Lockheed Martin,⁷² as well as Lockheed Martin Corp., Lockheed Martin Services Inc., and Lockheed Martin Corp. Vice President Jorge Francisco Armijo for alleged false claims and kickbacks connected to a multibillion dollar Department of Energy contract to support environmental cleanup at the Hanford nuclear site near Richland, Washington.⁷³ The lawsuit accused the defendants of inflating billing rates and subcontractor costs from 2010 to 2015.⁷⁴ The Justice Department also alleged that MSA executives received kickbacks in

exchange for using their positions to provide improper favorable treatment to Lockheed Martin Corp.⁷⁵ In April 2021, the defendants agreed to pay the federal government \$6 million to settle the allegations, although they continued to deny the accusations against them.⁷⁶ Meanwhile, the Department of Justice maintained that the settlement agreement was not a concession that its claims are not well-founded.⁷⁷

› In 2018, Lockheed Martin Corp. agreed to a \$4.4 million settlement to resolve allegations that the company knowingly provided defective communication systems to U.S. Coast Guard vessels, called “cutters,” in violation of the civil False Claims Act.⁷⁸ The whistleblower in the case, a former employee assigned to investigate the cutters’ radio systems in 2010, repeatedly raised concerns that they did not meet the government transmission requirements.⁷⁹ He was subsequently laid off. As part of the settlement, Lockheed agreed to pay \$2.2 million and fix the radio systems at no charge.⁸⁰ The government’s announcement of the settlement did not reveal whether the company made an admission of fault.

› In 2015, Sandia Corp. received a Final Notice of Violation from the National Nuclear Security Administration (NNSA) for multiple violations of classified information security requirements. The violations related to a security event where Sandia failed to perform required classification reviews; improperly controlled and disclosed classified information; permitted introduction of classified information into unapproved information systems; conducted an inadequate security incident inquiry; and failed to implement corrective actions to prevent recurrence. The government imposed a civil penalty of \$577,500 for the violations.⁸¹

› Lockheed Martin Corp. agreed to pay \$2 million in 2015 to “settle allegations that it overbilled the government for fuel it used while manufacturing C-130 aircraft for the U.S. Air Force.”⁸² A joint Air Force Office of Special Investigations and Defense Criminal Investigative Service (DCIS) investigation indicated that from 2006 to 2013, Lockheed routinely used federally owned fuel in excess of the government limits and failed to reimburse the government for the excess; the fuel also appeared to be used for unrelated projects, where the government had not agreed to provide fuel or was not a project participant.⁸³ The Department of Justice announcement of the settlement did not provide details on whether the company made an admission of fault.

› In 2015, Sandia Corp. agreed to pay nearly \$4.8 million to the government to resolve allegations that from 2008 to 2012, its violated the Byrd Amendment and the False Claims Act by spending federal funds to lobby Congress and federal agencies to obtain a renewal of its management and operating (M&O) contract with the Department

of Energy’s National Nuclear Security Administration to operate the Sandia National Laboratories (SNL).⁸⁴ While Sandia argued that the outreach was necessary to ensure the government made an “informed decision” on whether to extend the contract, the Inspector General found that paid consultants had previously advised the company to “aggressively lobby Congress, but keep a low profile,” and target “friends and family” of key agency leaders.⁸⁵ In 2009, an Energy Department official informed lab leaders that they had “crossed the line,” and in a 2014 memo, the Energy Department’s Inspector General argued, “Given the specific prohibitions against such activity, we believe that the use of Federal funds for the development of a plan to influence members of Congress and Federal officials to, in essence, prevent competition was inexplicable and unjustified. SNL was cognizant of problems with using Federal funds for similar purposes.”⁸⁶ Sandia Corp. did not admit liability as part of the settlement.⁸⁷

› In 2014, Lockheed Martin Integrated Systems (LMIS)—a subsidiary of Lockheed Martin Inc.—agreed to pay \$27.5 million to resolve allegations that it knowingly overbilled the U.S. Army Communications-Electronics Command for work performed by underqualified LMIS employees. The contract in question was supposed to provide access to products and services for supporting the Army in Iraq and Afghanistan.⁸⁸ There was no determination of liability as part of the settlement.

› After investigations of multiple accidents at Sandia National Laboratories, the NNSA—the federal agency that oversees the production of nuclear weapons—cited Sandia Corp. for numerous alleged safety violations that damaged federal facilities and created a threat of death or injury. This includes a 2011 explosion during an experiment that liquified highly flammable lithium; the NNSA labeled this a “near miss to serious injury or fatality.” It also includes a 2012 battery fire in a building that did not meet fire code and a 2013 explosive testing accident where a detonator blew up in the hand of a worker.⁸⁹ Although the NNSA waived many of the civil penalties against Sandia Corp., the government ultimately withheld nearly \$686,000 in contract payments from the corporation in 2014 for the detonator explosion and other problems.⁹⁰

L-3 Communications Vertex Aerospace LLC

L-3 Communications Vertex Aerospace LLC was a subsidiary of multinational defense contractor L-3 Communications at the time of the violation. In 2016, L-3 Communications changed its name to L3 Technologies.⁹¹

Penalty profiled in Senate HELP report: L-3 Communications Vertex Aerospace LLC was assessed \$713,947 in back pay penalties on March 5, 2012.

Value of federal contracts: L-3 Communications, Vertex Aerospace's parent company, was awarded about \$24.86 billion in government contracts from FY 2013 to FY 2020. Including the subsequent acquisitions and renamings, L3Harris, the parent company as of 2019, has been awarded about \$44.1 billion in contracts in total.⁹²

Performance issues

› In 2015, L3 Technologies (formerly L-3 Communications) and its subsidiary, EOTECH, settled a civil fraud lawsuit under the False Claims Act, agreed to pay \$25.6 million, and admitted to several allegations.⁹³ The companies were accused of defrauding the U.S. government by concealing defects in thousands of holographic weapon sights that caused the sights to fail in cold weather or humidity. The defendants knew of these defects but delayed disclosure of the issues to the Department of Defense for years.⁹⁴ Since 2004, EOTECH has made tens of millions of dollars selling sights to the Department of Defense, Department of Homeland Security, and FBI.⁹⁵

› The Air Force investigated L-3 Communications' involvement in an April 2015 incident where a fire broke out in the rear cabin of an RC-135V aircraft at a Nebraska base during takeoff. Although the 27 crew members onboard exited safely, the fire inflicted roughly \$62.4 million in damage on the aircraft. An Air Force investigation found that the mishap was caused by a leak in the high-pressure oxygen system resulting from poor assembly of the system tubing and called the incident a “[f]ailure of L-3 Communications depot maintenance personnel.”⁹⁶ L-3 Communications declined to comment as the government findings were issued.⁹⁷

Rural/Metro Corp.

Rural/Metro Corp. provides private fire department and emergency medical services. Rural/Metro merged with American Medical Response in 2015, and in 2018, both became part of parent company Global Medical Response.⁹⁸

Penalty profiled in Senate HELP report: Rural/Metro Corp. was assessed \$1.1 million in back pay on June 24, 2011.

Value of federal contracts: It was awarded about \$14.25 million from FY 2013 to FY 2020.⁹⁹ American Medical Response was awarded about \$680 million after merging with Rural Metro in 2015.¹⁰⁰ Global Medical Response received around \$386 million from FY 2019 to FY 2020, after acquiring American Medical Response.¹⁰¹

Performance issue

› In 2012, Rural/Metro Corp., Rural/Metro of Central Alabama Inc., and Mercury Ambulance Service, doing business as Rural/Metro Ambulance, agreed to pay \$5.4 million to settle a lawsuit claiming that the ambulance company violated the False Claims Act by improperly billing Medicaid for ambulance services that were never provided or were medically unnecessary.¹⁰² The suit was brought by a former company employee who alleged that the company filed bogus reimbursement claims with Medicare for transporting patients to receive dialysis services when it was not medically required.¹⁰³ The settlement was neither an admission of liability by the defendants nor a concession by the U.S. government that the claims were not well-founded.

Stanley Associates Inc.

Stanley Associates Inc. is an information technology company. Stanley was acquired by CGI Group Inc., a multinational information technology consulting and systems integration company, in 2010.

Penalty profiled in Senate HELP report: Stanley Associates was assessed \$1.36 million in back pay on February 18, 2011.

Value of federal contracts: It was awarded \$803 million from FY 2013 to FY 2020.¹⁰⁴ CGI Inc. received about \$6.56 billion from FY 2013 to FY 2020.¹⁰⁵

Performance issues

› A plaintiff, Lori McDowell, brought a class action lawsuit against CGI Group—Stanley Associates' parent company—accusing it of failing to protect sensitive personal information obtained pursuant to a contract with the U.S. Department of State to process passport applications.¹⁰⁶ CGI's contract included an obligation to keep personal information safe and provide “qualified management, production, and operational support personnel.” However, the suit alleged that from 2010 to 2015, some CGI employees conspired to steal personally identifiable information about citizens in order to commit fraud. The plaintiffs alleged that CGI's failure to protect this information was a breach of its contract with the federal government.¹⁰⁷ The parties settled the case for undisclosed terms in September 2017, with the plaintiffs dismissing all claims.¹⁰⁸ The contract between CGI and the Department of State was renewed in 2017, and the company continues to provide support on passport services.¹⁰⁹

UnitedHealthcare Services Inc.

UnitedHealthcare Services is a health insurance company and subsidiary of UnitedHealth Group.

Penalty profiled in Senate HELP report: UnitedHealthcare Services was assessed \$934,551 in back pay on October 10, 2009.

Value of federal contracts: UnitedHealth Group and its subsidiaries received contracts worth billions of dollars from FY 2013 to FY 2020.¹¹⁰

Performance issue

› In 2016, Evercare Hospice and Palliative Care¹¹¹—a UnitedHealth Group Inc. company—agreed to pay \$18 million to “resolve False Claims Act allegations that it claimed Medicare reimbursement for hospice care for patients who were not eligible for such care because they were not terminally ill.”¹¹² The settlement resolved claims arising in two whistleblower lawsuits filed by former employees of Evercare and ultimately joined by the Department of Justice.¹¹³ There was no determination of liability as part of the settlement.

URS Corp. and subsidiary Washington Demilitarization Co. LLC

URS Corp. is an engineering, design, and construction contractor. Washington Demilitarization Co. LLC was originally part of a company called EG&G Technical Services. EG&G was acquired by URS Corp. in 2002 and is now known as URS Federal Services Inc.¹¹⁴ URS Corp. was acquired by AECOM in 2014.¹¹⁵

Penalties profiled in Senate HELP report: URS Corp. was assessed \$1.58 million in back pay on October 27, 2008; Washington Demilitarization Co. LLC was assessed \$4.27 million in back pay on February 13, 2009.

Value of federal contracts: URS Federal Services Inc. was awarded approximately \$333 million in contracts from FY 2013 to FY 2020.¹¹⁶ AECOM was awarded about \$24 billion from FY 2015 to FY 2020.¹¹⁷

Performance issues

› In 2017, URS Corp. agreed to pay \$900,000 to resolve allegations that it improperly billed Amtrak under a joint venture project management oversight agreement to perform project management functions on several Amtrak construction projects across the eastern United States.¹¹⁸ The federal government contended that URS billed the government based on the maximum allowable costs rather than the actual costs incurred and claimed that the company misclassified workers' job classifications in order to bill the government at a higher rate from January 1, 2011, through December 31, 2014.¹¹⁹ The settlement did not include a determination of liability.

› In March 2016, URS Corporation AES agreed to pay \$580,000 to resolve allegations that it had violated the federal False Claims Act and the common law by overbilling the U.S. government for construction management services for Amtrak on a Niantic River rail bridge reconstruction project that started in 2007.¹²⁰ URS took over the contract in 2008 when it acquired Washington Group International Inc. While the contract allowed that the company would be compensated for its labor costs, the federal government alleged that URS Corp. overbilled the government by charging it for the maximum labor rates, rather than actual labor rates.¹²¹ The government's announcement of the settlement did not reveal whether the company made an admission of fault.

› In November 2016, URS agreed to pay \$57.5 million as part of a settlement to resolve allegations that it charged the Department of Energy for deficient goods and services that would be used to treat dangerous radioactive waste at the Hanford site in Washington state.¹²² The DOE contracted with Bechtel National Inc. and URS Corp. to design and build the Hanford site Waste Treatment and Immobilization Plant Project.¹²³ The DOE alleged that both companies knowingly submitted false claims for payment and failed to comply with the rigorous, required nuclear quality standards for more than a decade.¹²⁴ The settlement agreement did not include an admission of liability.¹²⁵

› OSHA accused a URS Corp.-led joint venture—the Washington River Protection Solutions (WRPS)¹²⁶—of firing an employee in 2011 in retaliation for reporting nuclear and environmental safety permit and record-keeping violations to her supervisors at the Hanford nuclear facility.¹²⁷ WRPS had been hired to clean up the massive amounts of nuclear waste left behind at the Hanford site by plutonium production during the Cold War,¹²⁸ which led to levels of pollution bordering on an “underground Chernobyl.”¹²⁹ In 2015, the employee and WRPS settled the suit under undisclosed terms after OSHA ordered WRPS to reinstate the employee and pay her roughly \$220,000 in back wages, fees, and damages.¹³⁰

› In 2011, the DOE issued a consent order to URS Energy & Construction Inc. after investigating the federal government’s Sodium Bearing Waste Treatment Project at the Idaho National Laboratory and finding deficiencies in URS’ corrective action management, quality improvement, and work control programs. The government argued that the deficiencies were significant. Without admitting fault, URS took action to correct the deficiencies and paid the government a penalty of \$112,500.¹³¹

VT Halter Marine

VT Halter Marine is the marine subsidiary of VT Systems, a technology, defense, and engineering group. In 2019, VT Systems changed its name to ST Engineering North America.¹³²

Penalty profiled in Senate HELP report: VT Halter Marine was assessed \$1.29 million in initial penalties for OSHA violations. The case was closed December 16, 2011.¹³³

Value of federal contracts: The group was awarded about \$1.09 billion from FY 2013 to FY 2020.¹³⁴

Performance issue

› The National Oceanic and Atmospheric Administration (NOAA) terminated its contract with VT Halter Marine in July 2010 after the ship the company built was nearly 18 tons overweight—too heavy to fit its intended port in New Hampshire and therefore unable to fulfill its coastal mapping mission. NOAA spent \$16.3 million on the ship design, construction contract, and project management support costs under the VT Halter Marine contract.¹³⁵ At the time the decision was reported, Bill Skinner, CEO at VT Halter Marine, hoped the issue could be resolved, explaining, “We’ve had a very good relationship with NOAA and we have a lot of respect for NOAA’s new build program . . . We would like to get this one resolved and continue on with doing work for NOAA.”¹³⁶ However, industry publication *Marine Log* reported that after canceling the contract, NOAA towed the ship from VT Halter Marine and completed it elsewhere.¹³⁷

Wackenhut Services Inc.

Wackenhut Services Inc., a security services company, was owned by G4S PLC at the time of its 2007 workplace violation. Wackenhut changed its name to G4S Secure Solutions (USA) in 2010, and the branch of Wackenhut that worked primarily on

federal contracts became G4S Government Solutions in 2011.¹³⁸ While G4S PLC continues to exist, G4S Government Solutions was acquired by a private equity firm in 2014 and rebranded as Centerra Group.¹³⁹ Constellis Holdings acquired Centerra Group in 2017.¹⁴⁰

Penalty profiled in Senate HELP report: Wackenhut was assessed \$2.54 million in back pay on September 30, 2007.

Value of federal contracts: G4S Secure Solutions, the renamed Wackenhut Services Inc., was awarded \$536.1 million from FY 2013 to FY 2020.¹⁴¹ Parent company G4S PLC was awarded \$1.89 billion from FY 2013 to FY 2020.¹⁴² Centerra Group was awarded \$2.05 billion from FY 2013 to FY 2020.¹⁴³ Constellis was awarded \$2.56 billion from FY 2018 to FY 2020.¹⁴⁴

Performance issues

› In 2016, Wackenhut’s successor, Centerra Services International, agreed to pay \$7.4 million to resolve allegations that Wackenhut violated the False Claims Act by overbilling labor costs related to a U.S. Army contract for firefighting and fire protection services in Iraq.¹⁴⁵ From 2008 to 2010, Wackenhut allegedly inflated labor costs by double billing for the salaries of certain managers as well as costs for holidays, vacation, sick leave, and other variable labor expenditures.¹⁴⁶ There was no determination of liability as part of the settlement.

› G4S Government Solutions—operating as WSI Oak Ridge¹⁴⁷—lost its contract to guard the Y-12 National Security Complex in Tennessee after three anti-nuclear activists broke into the secure nuclear facility on July 28, 2012.¹⁴⁸ The National Nuclear Security Administration found that employees of WSI Oakridge failed to react as the protesters cut through three fences and that employees took excessive time to arrive on the scene of the incident.¹⁴⁹ Following the NNSA’s recommendations, the prime contractor at the site terminated WSI Oak Ridge’s subcontract for site security.¹⁵⁰ In a 2013 letter to the Oak Ridge community, WSI Oak Ridge General Manager Steve Hafner said, “We regret the circumstances of the July 28 security incident and take responsibility for our role in the event. However, we believe this incident does not define us as a company and does not erase the more than 50 years of excellent service we have given DOE across the country.”¹⁵¹

› In 2011, Wackenhut subsidiary ArmorGroup North America (AGNA) agreed to pay \$7.5 million to resolve allegations that it “submitted false claims for payment” on a State Department contract to provide security for the U.S. Embassy in Kabul,

Afghanistan.¹⁵² The United States claimed that in 2007 and 2008, AGNA guards visited brothels in violation of the Trafficking Victims Protection Act (TVPA) and alleged that AGNA misrepresented the prior work experience of the guards it had hired.¹⁵³ The settlement resolved a whistleblower lawsuit originally filed by former AGNA employee James Gordon, who was allegedly fired after exposing major deficiencies in a contract to provide security for the U.S. Embassy in Kabul that resulted in the company being unable to recruit and train security forces to the staffing levels and quality required by the contract.¹⁵⁴ The settlement agreement did not include an admission of liability, and the company continued to dispute the government's claims.¹⁵⁵

Food sector contractors with labor violations harm public health

Seven food processing and food production contractors with egregious records of wage theft or safety violations are profiled in the Senate HELP Committee report. Unlike contract workers in the service and construction industries, contract workers producing goods do not enjoy higher wage and benefit standards than noncontract workers.¹⁵⁶

Review of these corporations' performance reveals that the food production contractors have been involved in incidents that threatened public health. Of the seven food sector contractors identified in the Senate HELP Committee report's top 200 workplace law violations,¹⁵⁷ CAP found that five have recalled food due to concerns over foodborne illnesses or contamination, and two of the meat processing contractors owned facilities that were the sites of major COVID-19 outbreaks. The authors did not include food recalls or COVID-19 outbreaks as cases of poor contract performance, since it is difficult to track whether these incidents affected food purchased through federal contracts. However, given the widespread threats to public health, several incidents are noted below.

Tyson Foods recalled nearly 9 million pounds of chicken in 2021 due to a listeria outbreak that killed one person and hospitalized three others.¹⁵⁸ In 2019, the company issued several recalls covering millions of pounds of meat after consumers found nonfood materials in their products.¹⁵⁹ The products subject to the recalls reached numerous states and were often intended for "institutional use," including schools and Department of Defense locations.¹⁶⁰ Tyson Foods was included in the Senate HELP Committee report for a \$3.1 million

penalty for safety violations. The report concluded that the corporation was "responsible for the death of eleven American workers in the period examined" due to unsafe conditions.¹⁶¹ Tyson Meats and its parent company Tyson Foods were awarded \$1.6 billion in federal contracts from FY 2013 to FY 2020.¹⁶²

Similarly, poultry processor Pilgrim's Pride Corp.—which the Labor Department ordered to pay \$1 million in back pay to its workers in 2010—issued recalls in 2016 and 2018 on chicken products contaminated with plastic and rubber pieces.¹⁶³ Pilgrim's Pride Corp.'s parent company, JBS USA, also recalled roughly 12 million pounds of beef in 2018 after they were linked to a salmonella outbreak.¹⁶⁴ The government awarded Pilgrim's Pride \$487 million and JBS \$601 million in federal contracts from FY 2013 to FY 2020.¹⁶⁵

In 2019, Butterball recalled nearly 80,000 pounds of ground turkey due to possible salmonella contamination related to an outbreak that sickened residents in three states.¹⁶⁶ The company received \$28.5 million in contracts from FY 2013 to FY 2020.¹⁶⁷ Two other food processing companies featured in the Senate HELP Committee report, Nestle and Interstate Brands Corp.,¹⁶⁸ issued recalls in recent years for potentially unsafe snack foods.¹⁶⁹

JBS USA and Tyson Foods are now the focus of an investigation by the U.S. House Select Subcommittee on the Coronavirus Crisis due to multiple COVID-19 outbreaks at their plants that sickened workers, forced closures and slowdowns, and affected the national supply chain.¹⁷⁰

continues

According to *The New York Times*' tracking of outbreak clusters, three of the five largest COVID-19 outbreaks in food processing plants occurred at Tyson Foods facilities.¹⁷¹ Several managers of the company's Waterloo, Iowa facility—where more than 1,000 cases were clustered—were fired after allegedly participating in a betting pool on how many workers would contract the virus.¹⁷² In August, Tyson announced that it would require all employees to be vaccinated and would pay \$200 to workers when they get the vaccine.¹⁷³

The U.S. House subcommittee is also investigating worker accusations at JBS, where thousands of employees were sickened by COVID-19. Workers allege that the company failed to provide properly functioning screening equipment, forced workers to pay for their own tests, and encouraged sick workers to stay on the production line.¹⁷⁴ JBS spokesperson Nikki Richardson told a *Time* reporter the company has spent \$200 million on new safety measures for its facilities and was offering a \$100 payment to any employee who got vaccinated.¹⁷⁵

In addition, OSHA cited two JBS meatpacking facilities for the maximum amounts allowed by law—\$15,615 in proposed penalties in Greeley, Colorado, and \$13,494 in Green Bay, Wisconsin—alleging that the company failed to protect employees from exposure to COVID-19. JBS is contesting the government's allegations that it violated existing general duty standards that require employers to protect workers from infection and other safety hazards that can cause death or serious harm, arguing that OSHA had not issued COVID-19 safety guidance to meatpacking companies at the time of the alleged violations.¹⁷⁶

To be sure, workplace law violations, product recalls, and COVID-19 outbreaks are far too common in the food processing industry—among contractors and noncontractors alike. Yet the federal government could do far more to ensure that workers and the public receive good value and to support efficiency among federal food processing contractors.

Conclusion

All too often, corporations with federal contracts worth billions of dollars violate workers' rights to decent pay and safe work conditions. Analysis from the Center for American Progress Action Fund reveals that contractors that are found to have broken federal workplace laws frequently further violate citizens' trust by performing poorly on federal contracts, with problems ranging from contractors submitting fraudulent billing statements, to falsifying qualifications for employees, to major cost overruns, to producing defective and even dangerous equipment. The Biden administration must adopt reforms to ensure that the government does a better job both of confirming that companies are prepared to comply with workplace standards before awarding government contracts and of enforcing workplace laws after contracts are awarded. In doing so, the administration will help ensure that the public gets a good value for its investment.

Appendix: Methodology

This report builds on the analysis of a 2013 report from the Center for American Progress Action Fund, “At Our Expense: Federal Contractors that Harm Workers Also Shortchange Taxpayers,” which profiled some of the federal contractors that were both at the top for workplace violations from FY 2005 to FY 2009 and had significant performance problems.

CAP Action’s new report reviews the performance of contractors who received the 100 highest penalties for violations administered by the Occupational Safety and Health Administration and the top 100 assessments for back pay by the Wage and Hour Division (WHD) at the Department of Labor from FY 2007 to FY 2012. The six years of WHD compliance data primarily cover violations of the Fair Labor Standards Act, the Service Contract Act, and Davis-Bacon and Related Acts.

These violators were identified by the majority committee staff of the U.S. Senate Health, Education, Labor, and Pensions Committee in its 2013 report “Acting Responsibly? Federal Contractors Frequently Put Workers’ Lives and Livelihoods at Risk.”¹⁷⁷ The report identified these violators through two databases maintained by WHD and OSHA and includes information about the size and severity of the violation and the date each respective agency took action.¹⁷⁸ Companies must have received federal contracts amounting to more than \$500,000 in FY 2012 to be counted as a federal contractor in the Senate HELP Committee report. The report compiled a final list of 49 companies that were top violators of workplace violations that subsequently received government contracts.

CAP Action evaluated this list of contractors for performance problems as long as they continued to receive contracts in subsequent years, using the federal government’s USA Spending.gov database to determine whether the companies that held contracts in 2012 continued to receive federal awards from FY 2013 to FY 2020. Companies that received contracts in 2012 but not in any years after were excluded from the list.

Each contractor profile starts with the initial penalties or back pay assessments the contractor incurred, parent company data, and the total value of contract awards from FY 2013 to FY 2020. Consistent with the methodology of the Senate HELP Committee

report, CAP Action's report lists the initial penalties or back pay assessed as well as the case closed or findings end date. As noted in the Senate report, "initial penalties are frequently negotiated by employers with DOL, and can be reduced in an effort to reach resolution of a case and remediation of unsafe conditions in a timely matter. Because initial penalties more accurately reflect the severity of each particular incident, a determination was made to sort based on the initial penalty determination."

If a contractor was the subsidiary of a larger or different company, CAP Action included information about the parent company. This is consistent with the methodology of the Senate HELP Committee report. Although tracking parent and subsidiary relationships can be quite difficult through the USAspending database, the authors include contract award data on both where possible. If a company listed was acquired by another company after the date of violation, the authors include contract award information for the parent company in the years after the acquisition. If the subsidiary was renamed or merged into a new company, they clarify under which name it continued to receive contracts from the federal government.

To determine whether these companies had performance problems, CAP Action relied on searches of publicly available websites—including federal enforcement sites, news searches, and publicly available websites that track government enforcement actions against corporations, such as the Project on Government Oversight's Federal Contractor Misconduct Database and Good Jobs First's Violation Tracker—to obtain performance information.¹⁷⁹ This may undercount performance problems, since some instances may not have been made public or received significant media attention.

The authors do not limit findings of performance problems to those where a corporation or employee made an admission of fault. They include government findings of performance problems, lawsuits alleging performance violations that are settled or found in favor of the government, and cases where an employee was found guilty of misconduct while carrying out contract duties. They list performance problems that occurred or were ongoing after the workplace violation.

Finally, the analysis includes performance problems by the companies in government programs that are not managed through the federal contracting system but are substantially similar sorts of business agreements in which the government entered into contracts or agreements that provided payment to companies in exchange for goods or services. For example, contractors that were involved with state governments on contracts that used Medicaid or Medicare funds were included because of their ties to federal funding.

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- 7 Also included in the analysis are performance problems by the companies in government programs that are not managed through the federal contracting system but are substantially similar sorts of business agreements in which the government entered into contracts or agreements that provided payment to companies in exchange for goods or services. For example, contractors that were involved with state governments on contracts that used Medicaid or Medicare funds were included because of their ties to the federal government and funding. For more on the Methodology, see the Appendix section.
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We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress Action Fund can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

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