Office of the Inspector General
U.S. Department of Justice



Investigative Summary

Findings of Fraud and Other Irregularities Related to the Manufacture and Sale of Combat Helmets by the Federal Prison Industries and ArmorSource, LLC, to the Department of Defense

Investigations Division

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INVESTIGATIVE SUMMARY

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The Office of Inspector General (OIG) initiated two joint investigations with the Defense Criminal Investigative Service (DCIS), and supported by elements of the U.S. Army, regarding allegations that the Federal Prison Industries (FPI) and ArmorSource LLC (ArmorSource), manufactured and sold Advance Combat Helmets (ACH) and Lightweight Marine Corps Helmets (LMCH) to the Department of Defense (DOD) that did not meet contract specifications and were defective.

The FPI is a wholly-owned government corporation established by statute and Executive Order in 1934, to provide opportunities for education and work-related experiences to federal offenders. It makes products for sale exclusively to the federal government and that do not compete with private sector companies in the commercial market. FPI is required to be financially self-sustaining, and it is structured to be sufficiently diversified so as to avoid undue impact upon any particular industry. The FPI pays inmates for their labor from its revenues and distributes profits from sales to be deposited to a revolving fund that finances all industrial operations (including capital improvements) and helps subsidize other prison inmate programs. According to the Federal Bureau of Prisons (BOP), FPI is one of its most important correctional programs, providing federal inmates with training, marketable job skills, and work experience. BOP considers FPI as integral to its mission of public safety and effective inmate reentry.

ArmorSource is a private company established in 2005, and its production, marketing, and operational divisions are located in Ohio. In 2006, ArmorSource became an official supplier of the ACH helmet to the DOD. On August 16, 2006, ArmorSource was one of four companies awarded DOD contract W911QY-06-D-0006, a fixed price, indefinite delivery/indefinite quantity, performance specification based contract to manufacture ACH helmets. From 2006 to 2009, ArmorSource and the FPI, as subcontractor, produced 126,052 helmets, for which ArmorSource received $30,336,461.04.

The FPI began research and development of helmets in the 1980s. In May 2008, the FPI was awarded contract SPM1C1-08-D-C102, a firm fixed price, performance based, indefinite quantity contract to manufacture LMCH helmets for an initial cost of $23,019,629. The price of an LMCH helmet ranged from approximately $229 to $239, depending on the size of the helmet and term year option. The FPI produced approximately 23,000 helmets at its facility in Beaumont, Texas, of which 3,000 were sold and delivered to the DOD. However, the FPI did not receive payment for these 3,000 helmets because more than half of them were subsequently determined to be defective, and all 23,000 helmets were ultimately quarantined. The non-payment and quarantine were due to actions taken by the OIG and DCIS that resulted in a stop work order. The investigations further disclosed that the ACH helmets produced by FPI were also defective, and that both the ACH and LMCH helmets posed a potential safety risk to the user.

The ACH helmet (Figure 1) is a "critical safety item" designed to replace the Personnel Armor System Group Troop (PASGT) helmet and to provide an improved helmet to soldiers. The ACH is a personal protective equipment system that provides ballistic and impact protection for the head, including increased 9mm protection. The ACH is also a mounting platform for electronic devices that is designed to be compatible with existing night vision equipment; communication equipment; nuclear, biological, and chemical defense equipment; and body armor. The ACH also provides improved field of vision and hearing capability. The use of unauthorized manufacturing practices or defective materials reduce the ballistic and fragmentation protection the ACH is designed to provide, potentially resulting in serious injury or death.



Figure 1: ACH helmet.

The LMCH helmet (Figure 2) like the ACH is also classified as a "critical safety item" requiring a higher level of review, as nonconforming helmets would likely cause serious injury or death to the wearer. The LMCH is larger and offers more protection than the ACH, but it is lighter than the PASGT. The LMCH has brackets on the front for mounting night vision devices, and can be issued with a sling or pad suspension to fit the inside of the helmet to the head. Additionally, a nape protection system adds ballistic protection to the rear of the head. The LMCH is compatible and typically worn with other components of infantry combat equipment such as body armor, protective goggles, and night vision equipment.



Figure 2: Light Weight Marine Corps Helmet.

Both investigations determined that FPI had endemic manufacturing problems at FCI Beaumont, and that both the ACH and LMCH were defective and not manufactured in accordance with contract specifications. The investigations found that the ACH and LMCH had numerous defects, including serious ballistic failures (Figure 3), blisters and improper mounting-hole placement and dimensions, as well as helmets being repressed. Helmets were manufactured with degraded or unauthorized ballistic materials (Figures 4 and 5), used expired paint (on LMCH) and unauthorized manufacturing methods. Helmets also had other defects such as deformities and the investigations found that rejected helmets were sold to the DOD.

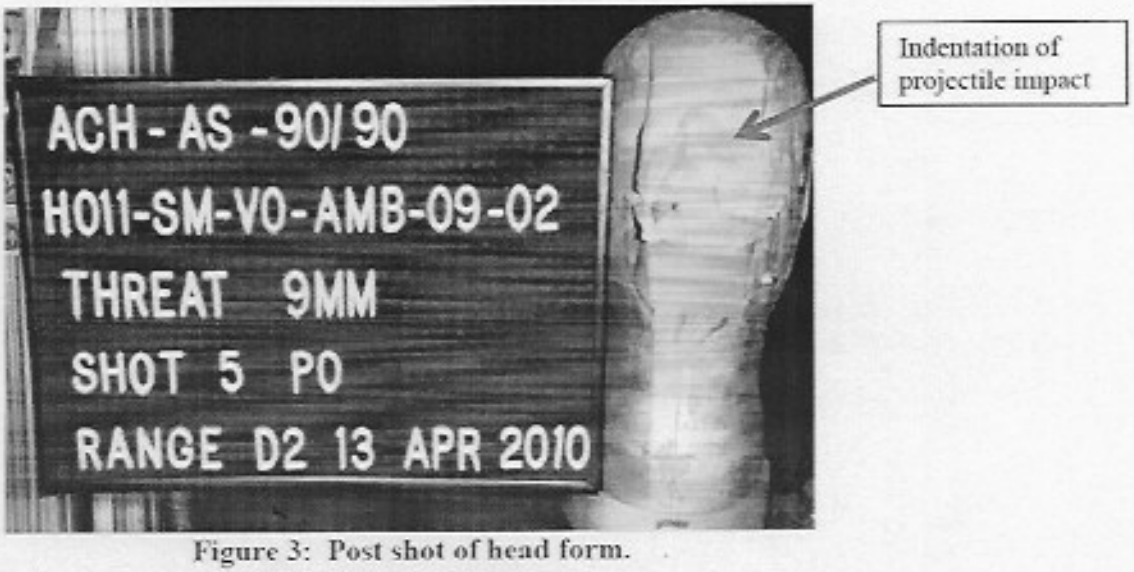


Figure 3: Post shot of head form.

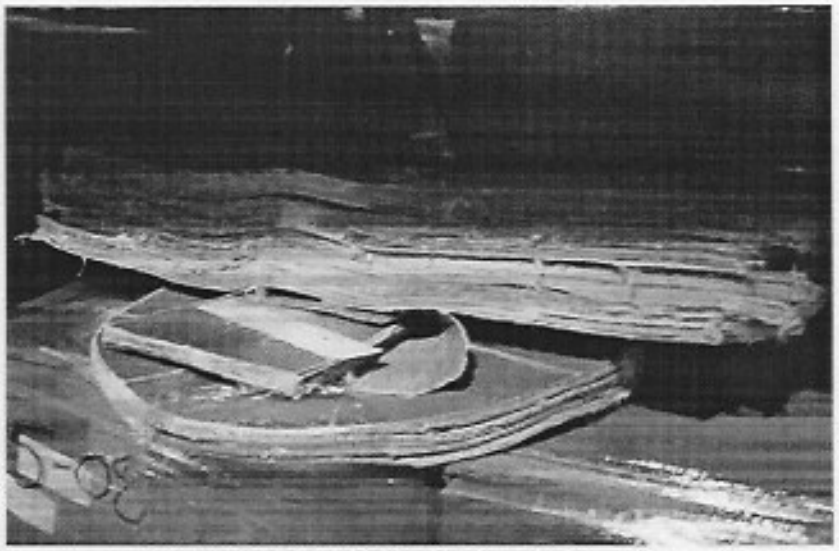


Figure 4: LMCH Kevlar bonded together.

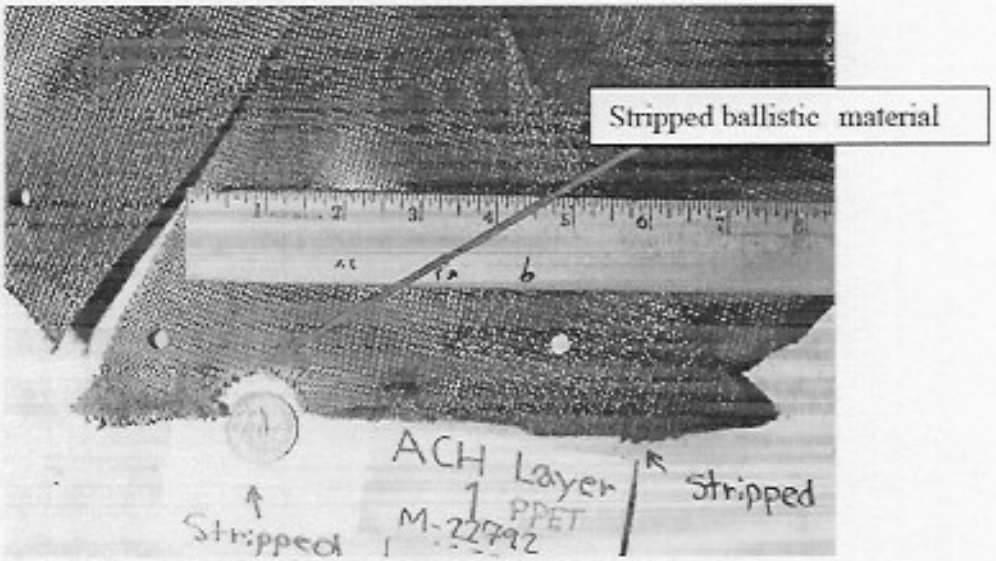


Figure 5: ACH torn and altered ballistic material.

The investigations also found that FPI pre-selected helmets for inspection, even though the DOD and ACH contract required helmets to be selected randomly, and substituted helmets to pass testing. The investigation also found that manufacturing documents were altered by inmates at the direction of FPI staff that falsely indicated helmets passed inspection and met contract specifications. Additionally, ArmorSource did not provide adequate oversight of the manufacture of the ACH, which resulted in helmets that were not manufactured according to contract specifications. Further, the investigations also found that Defense Contract Management Agency inspectors did not perform proper inspections, lacked training, and submitted false inspection records wherein they attested that ACH lots were inspected when in fact they were not. At least in one instance an inspector certified the lots as being inspected over a fax machine.

The investigation found the following deficiencies:

- finished ACH helmet shells were pried apart and scrap Kevlar and Kevlar dust was added to the ear sections, and the helmet shells repressed (Figure 6);
- helmets were repressed to remove blisters and bubbles in violation of contract specifications;
- LMCH and ACH had edging and paint adhesion failures, respectively;
- FPI did not obtain approval from the DOD before it changed the manufacturing process;
- LMCH Certificates of Conformance were prepared by inmates at the direction of FPI staff and signed by FPI staff months after the LMCH helmets were delivered falsely certifying that the helmets were manufactured according to contract specifications and had the requisite material traceability; and
- LMCH helmet serial numbers were switched or altered.

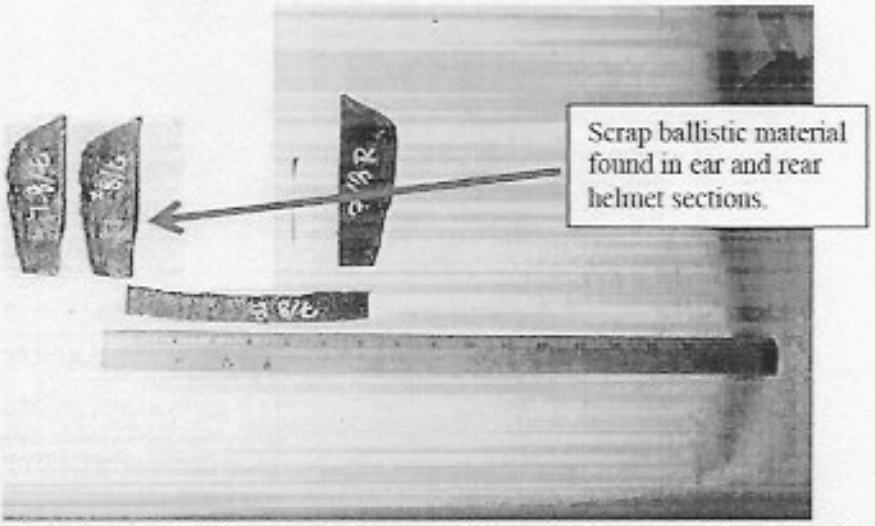


Figure 6: Scrap ballistic material inserted into ACH ear and back sections.

A surprise inspection by OIG and military personnel on January 26, 2010, uncovered inmates at the Beaumont FPI facility openly using improvised tools (Figures 7 and 8), on the ACH helmets, damaging the helmets' ballistic material (Figure 9), creating the potential for the tools' use as weapons in the prison and, thereby, endangering the safety of factory staff and degrading prison security.

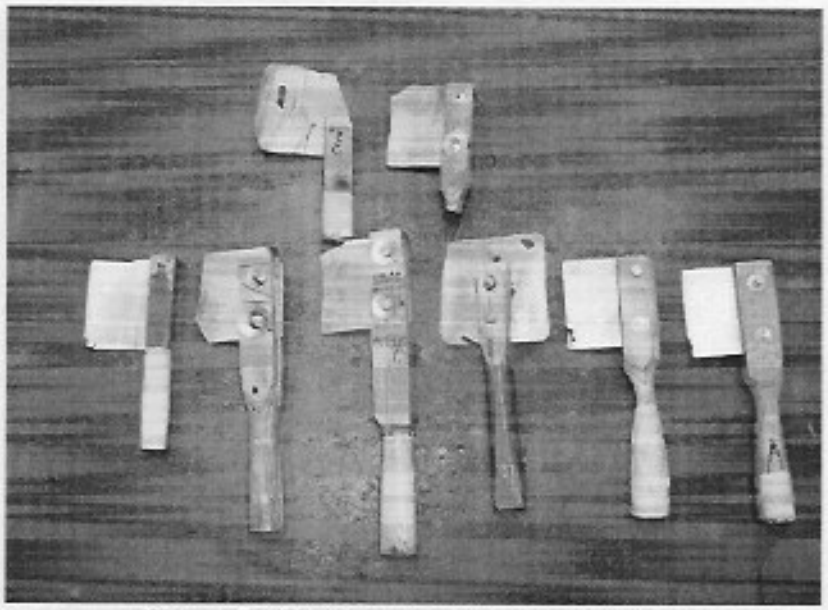


Figure 7: Hatchets used to remove paint.

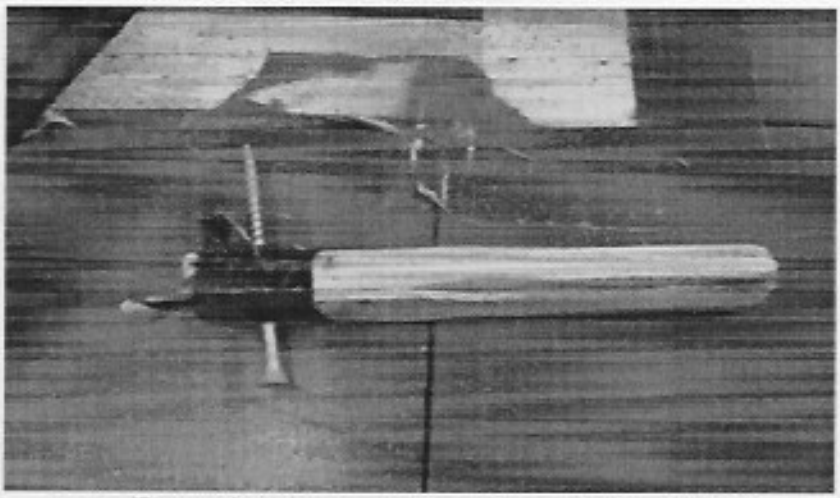


Figure 8: "Screw tool" used to strip Kevlar

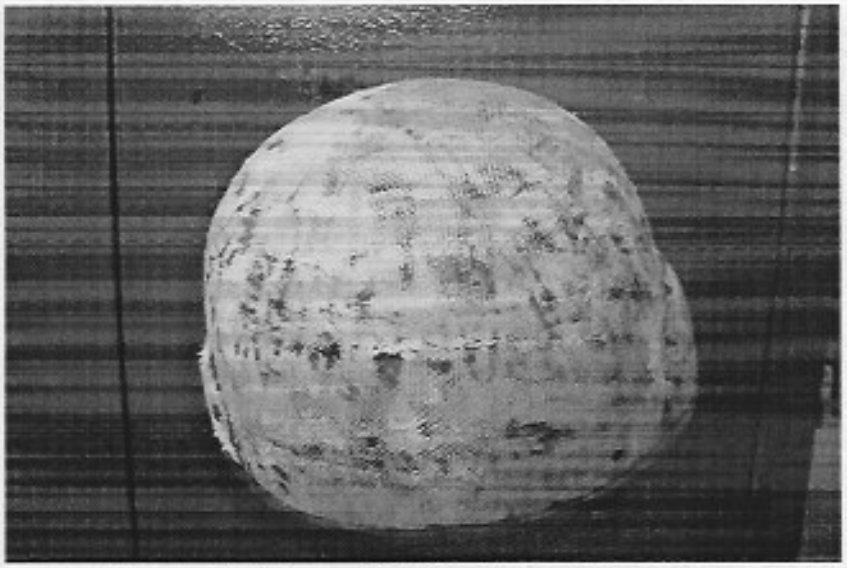


Figure 9: Damaged ACH after paint removal.

These investigations did not develop any information to indicate military personnel sustained injury or death as a result of the defective ACH helmets. However, 126,052 ACH helmets were recalled, and monetary losses and costs to the government totaled more than $19,083,959. The initial shipment of LMCH helmets to the DOD resulted in a complete quarantine of the 23,000 helmets and stoppage of any additional deliveries.

The FPI Beaumont facility that manufactured the ACH and LMCH helmets was closed and its entire staff transferred to other duties within the Federal Bureau of Prisons. Criminal prosecution resulting from these investigations was declined, and the DOJ Civil Division, Commercial Litigation Section and the Eastern District of Texas, United States Attorney's Office entered into a civil settlement agreement with ArmorSource in which ArmorSource agreed to pay $3 million, based on its demonstrated ability to pay, to resolve potential claims against it under the False Claims Act.

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