

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

REPORT OF INVESTIGATION

| | | | |
|---|--------------|---|---|
| SUBJECT | | CASE NUMBER | |
| Federal Prison Industries, et al. Government Enterprise Beaumont, Texas | | [REDACTED] | |
| OFFICE CONDUCTING INVESTIGATION | | DOJ COMPONENT | |
| Dallas Field Office | | Federal Bureau of Prisons | |
| DISTRIBUTION | | STATUS | |
| <input checked="" type="checkbox"/> Field Office | DFO (HAO) | <input type="checkbox"/> OPEN | <input type="checkbox"/> OPEN PENDING PROSECUTION |
| <input checked="" type="checkbox"/> AIGINV | | <input type="checkbox"/> PREVIOUS REPORT SUBMITTED: | <input type="checkbox"/> YES |
| <input checked="" type="checkbox"/> Component | BOP | Date of Previous Report: | |
| <input type="checkbox"/> USA | | <input checked="" type="checkbox"/> CLOSED | <input checked="" type="checkbox"/> NO |
| <input checked="" type="checkbox"/> Other | DCIS; USACID | | |

SYNOPSIS

The Office of the Inspector General (OIG) initiated this joint investigation with the Defense Criminal Investigative Service and the U.S. Army Criminal Investigation Command on December 29, 2009, following the receipt of a referral from the Federal Bureau of Prisons on November 16, 2009, regarding an unrelated matter, indicating possible procurement fraud. The referral indicated that the Federal Prison Industries (FPI) located at the Federal Correctional Institution - Medium in Beaumont, Texas, was manufacturing Advance Combat Helmets (ACH) that did not meet contract specifications and were defective. Additionally, the information disclosed numerous other infractions such as problems with documentation, substitution of product for inspection, and the use of substandard materials.

Our investigation determined that the FPI and ArmorSource manufactured the ACH for the Department of Defense from 2006 to 2009, for which ArmorSource received over \$30 million. We found that the FPI had endemic manufacturing problems and that ArmorSource did not provide adequate oversight of the manufacture of the helmets, which resulted in helmets that were not manufactured according to contract specifications. A review of documentation and interviews of FPI employees and subcontractors as well as scientific examinations disclosed the helmets were defective and posed a potential safety risk to the user. Our investigation found numerous defects including serious ballistic failures, blisters and improper mounting hole placement and dimensions as well as the repressing of helmets. We also found that the FPI and ArmorSource did not maintain the requisite business records or traceability documents required by the contract. Additionally, the FPI and ArmorSource used unauthorized tools and manufacturing techniques as well as damaged or scrap ballistic material and expired paint to make the helmets.

| | | | |
|-------------------------------------|----------------|----------------|--------------------------|
| DATE | April 13, 2016 | SIGNATURE | [REDACTED] |
| PREPARED BY SPECIAL AGENT | | | |
| DATE | April 13, 2016 | SIGNATURE | by <i>Monte A. Cason</i> |
| APPROVED BY SPECIAL AGENT IN CHARGE | | Monte A. Cason | |

We also found that rejected helmets were sold to the Department of Defense, that helmets were preselected for inspection and substituted in lots to pass testing, and that the Defense Contract Management Agency inspectors did not perform proper inspections, lacked training, and submitted false inspection records. FPI and ArmorSource staff allowed inmates to make and use contraband weapons and tools, endangering the safety and security of the FPI factory as well as the prison. This investigation did not develop any information to indicate military personnel sustained injury or death as a result of these defective helmets. [REDACTED]

[REDACTED] Also troubling was the development of information that the FPI also manufactured PASGT and LMCH helmets that had similar manufacturing problems and defects. Our findings led to the recall of 126,052 helmets, and monetary losses and costs to the government totaling \$19,083,959.

This investigation was presented to the [REDACTED] U.S. Attorney's Office [REDACTED] and subsequently to the Department's [REDACTED]. Ultimately, prosecution of all involved parties was declined. This investigation was also presented to the District of [REDACTED], which also declined prosecution.

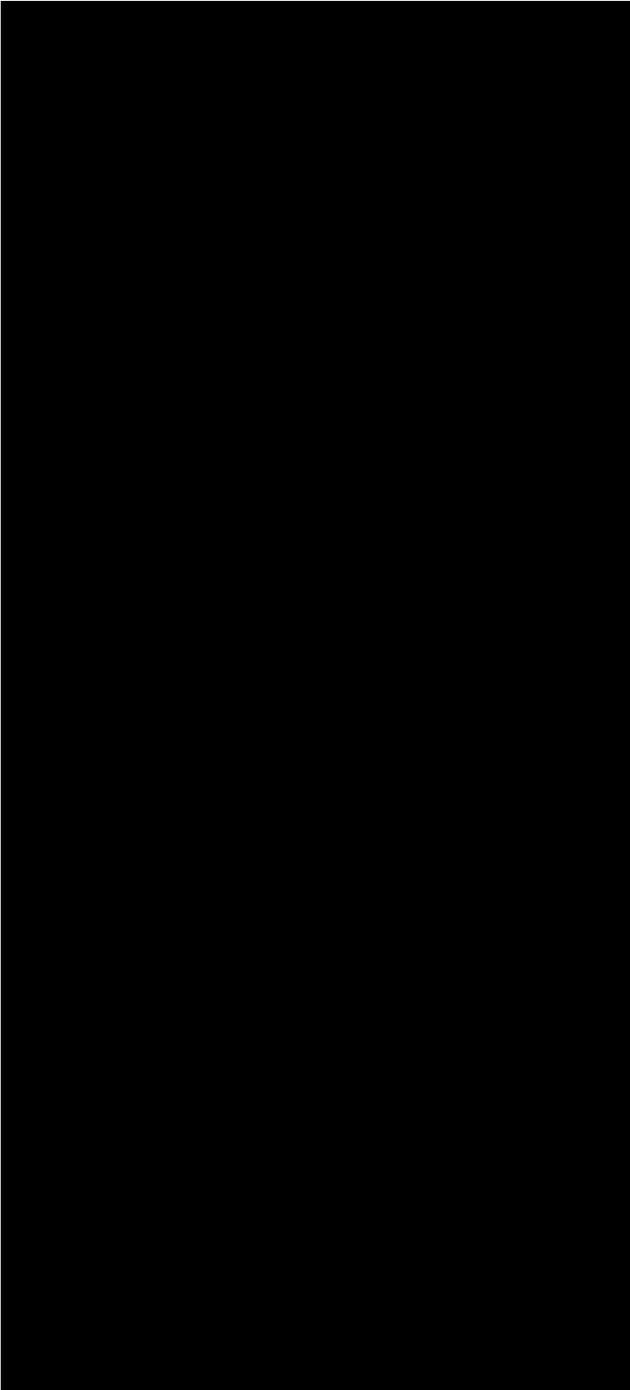
The FPI facility at FCI Beaumont did not re-open for business after a December 2009 OIG and Defense Criminal Investigative Service inspection, and all FPI staff who previously worked at the facility was reassigned to other duties within the Federal Bureau of Prisons. [REDACTED]

The Civil Division, Commercial Litigation Section and the USAO-EDTX entered into a civil restitution agreement with ArmorSource on March 7, 2016. Under the agreement, ArmorSource agreed to make restitution of \$3,000,000 to resolve potential claims against it under the False Claims Act, 31 U.S.C. §3730.

The OIG has completed its investigation and is providing this report to the BOP for its review and appropriate action.

ADDITIONAL SUBJECTS

ArmorSource, LLC
Company
Hebron, Ohio



DETAILS OF INVESTIGATION

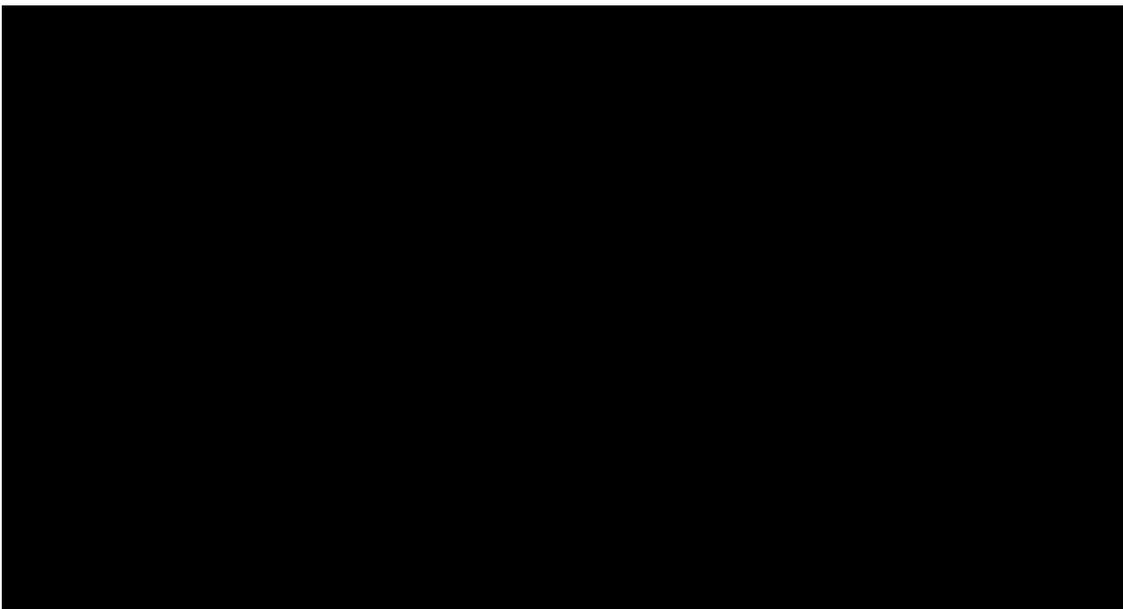
Predication

The Office of the Inspector General (OIG) initiated this joint investigation with the Defense Criminal Investigative Service (DCIS) and the U.S. Army Criminal Investigation Command (CID) on December 29, 2009, following the receipt of a referral from the Federal Bureau of Prisons (BOP) on November 16, 2009, regarding an unrelated matter, indicating possible procurement fraud. The referral indicated that the Federal Prison Industries (FPI) located at the Federal Correctional Institution (FCI) - Medium in Beaumont, Texas, was manufacturing Advance Combat Helmets (ACH) that did not meet contract specifications and were defective. Additionally, the information disclosed numerous other infractions such as problems with documentation, substitution of product for inspection, and the use of substandard materials.

Investigative Process

This investigation consisted of reviews of the ACH contract and related modifications and specification documents, including certificates of conformance and work instructions; helmet testing policies and procedures; the ACH manufacturing process; ACH test reports and production packets; quality assurance reports and procedures; and shipping documents. Reviews were also conducted of financial, business, and personnel records; e-mails and travel vouchers, and examinations of computer files. Additionally, the investigative team inspected the FPI factory and conducted on-site inspections of helmets; reviewed Defense Contract Management Agency (DCMA) and ArmorSource, LLC (ArmorSource) of Hebron, Ohio, records related to the ACH; had helmets scientifically tested and analyzed; and reviewed relevant Department of Defense (DOD) injury and casualty records. In addition, the investigative team interviewed persons with knowledge of the allegations and subject matter.

The following interviews were conducted:





Background

On June 23, 1934, President Franklin D. Roosevelt signed the law that authorized the establishment of the Federal Prison Industries, Inc. (FPI), which was created by Executive Order 6917 issued on December 11, 1934. The FPI commenced operations on January 1, 1935. The FPI is a government corporation that:

- makes products for sale exclusively to the federal government that do not compete with private sector companies in the commercial market;
- is sufficiently diversified to avoid undue impact upon any particular industry, and the sale of its products is limited to the federal government;
- pays inmates for their labor from its revenues;
- 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; and has a board of directors comprised of personnel from business, labor, agriculture, consumer groups, and government that ensures the FPI does not cause undue hardship on any industry.

The FPI offers more than 175 diverse products and services, encompassing over 4 million square feet of manufacturing space, and employs approximately 13,000 inmates. The FPI is a self-supporting government corporation that uses its proceeds to purchase equipment, pay wages to inmates as well as staff, and invest in expansion of facilities. The FPI may borrow funds from the U.S. Treasury, but no funds are appropriated for FPI operations. The FPI's earnings totaled \$34,335,000 in 2009 and \$14,184,000 in 2010. The FPI's

Beaumont factory contributed a significant portion of these earnings: \$3,900,000 in 2009 and \$3,331,000 in 2010. In 2009, prior to ceasing production in January 2010 as a result of this investigation, the FPI Beaumont factory employed 11 BOP staff and 200 inmates.

On October 25, 2005, Rabintex and the FPI entered into a contract to manufacture the ACH. Rabintex was the predecessor of ArmorSource, which was the prime contractor for the ACH, and the FPI in Beaumont was its subcontractor. The price of an ACH ranged from \$219 to \$244 depending on the quantity ordered and the contract term year option. The FPI received \$23 for each helmet it produced. In 2006, ArmorSource became one of four suppliers of the ACH to the DOD, and on August 16, 2006, ArmorSource was awarded DOD contract W911QY-06-D-0006, a fixed price, indefinite delivery/indefinite quantity, performance specification based contract to manufacture the ACH. The contract was awarded to ArmorSource and three other companies at an initial cost of \$1,229,850,000. From 2006 to 2009, ArmorSource produced 126,052 helmets for which it received over \$30 million. Additionally, on March 26, 2009, ArmorSource and the FPI entered into a second contract where ArmorSource would be a sub-contractor to the FPI for the manufacture of products sold to the government.

ACH Product Description

The ACH was 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 was designed to provide 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. The ACH is a “critical safety item” that requires specific inspection protocols to ensure its adherence to contract specifications. The ACH has five basic components as depicted in Figure 1.

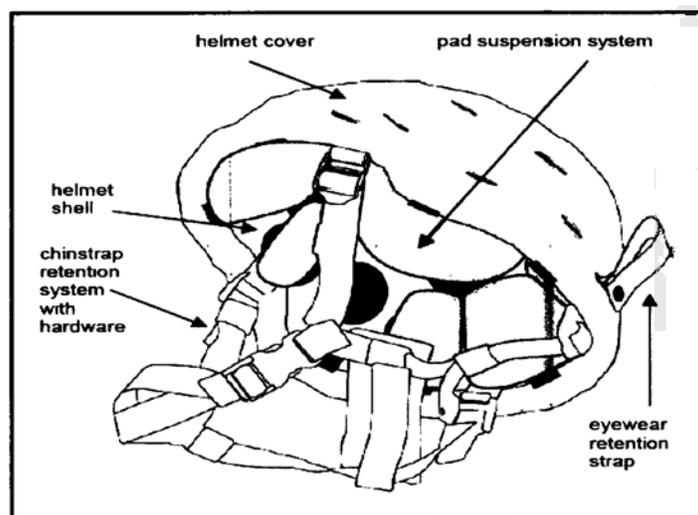


Figure 1: ACH major components.

The manufacturing process of the ACH consists of assembling a mixture of Twaron and Kevlar ballistic materials shaped into pinwheels of various sizes. (The number of pinwheels used depends on the size of the helmet.) The pinwheels are placed and arranged in a “cold mold,” and are then hot pressed to form a helmet shell, from which excess material is removed. The helmet shell is then painted and mounting holes are drilled. Edging is applied, the chinstrap retention system is attached, and inner pad sets are affixed to the interior of the helmet. The helmets are weighed and inspected at each manufacturing process station for consistency and adherence to contract specifications. The helmets receive a final inspection before being packaged and sold to the DOD. Figure 2 depicts a finished ACH helmet.



Figure 2: ACH helmet.

Manufacturing Defects and Contract Violations

This investigation determined through testimony and reviews of documentation as well as scientific examinations that FPI and ArmorSource employees did not adhere to the ACH contract or work instructions. Additionally, FPI employees did not review work instructions and often performed manufacturing tasks without proper training. The investigation also found that the FPI and ArmorSource used unauthorized manufacturing techniques such as applying “superglue” to frayed ballistic material around mounting holes and the unauthorized use of improvised “screw tools” to remove ballistic fibers (a process called “cleaning”), as well as the use of improvised hatchets, power sanders, and other sharp implements to remove paint from helmets when that became necessary. Additionally, FPI and ArmorSource personnel did not obtain permission from the DOD to make changes to the helmet manufacturing process, and inappropriately authorized the cutting and stripping of ballistic material using unauthorized tools and without DOD authorization. We found that these practices resulted in helmets that were not manufactured to contract specifications and posed a safety risk. Helmets were

found to have abnormalities such as blisters, paint adhesion problems, were out of weight tolerance, and failed ballistic tests. Additionally, the investigation found the following deficiencies:

- finished helmet shells were pried apart and scrap Kevlar and Kevlar dust was added to the ear sections, and the helmet shells repressed;
- helmets were repressed to remove blisters and bubbles in violation of contract specifications;
- mounting hole placement and dimensions did not meet specifications;
- helmets were rejected during the manufacturing and inspection process, but were nevertheless sold to the DOD;
- the FPI did not maintain the requisite material and end-product traceability documentation;
- FPI employees and [REDACTED] pre-selected helmets for DCMA inspection and approval, even though the DOD and ACH contract required helmets to be selected randomly;
- helmets had edging and paint adhesion failures;
- expired paint was used on helmets; and
- unauthorized repairs were made of blisters and bubbles that potentially could affect helmet integrity and, therefore, potentially pose a safety risk.

FPI Recordkeeping

A review of the ACH contract disclosed several violations pertaining to recordkeeping. We found that helmet production packets were in disarray and that the FPI did not maintain the requisite material and end-product traceability documentation. Efforts to trace raw materials to end products were unsuccessful because the FPI did not properly inventory manufacturing materials, and did not correlate materials to the end product or production lots as mandated by the contract. The FPI did not maintain records as outlined in the contract, which states:

Section 52.246-2 (Inspection of Supplies - Fixed-Price). “As prescribed in 46.302, insert the following clause: Inspection of Supplies -- Fixed-Price (Aug. 1996)

(a) Definition. "Supplies," as used in this clause, includes but is not limited to raw materials, components, intermediate assemblies, end products, and lots of supplies.

(b) The Ktr shall provide and maintain an inspection system acceptable to the Gov't covering supplies under this contract and shall tender to the Gov't for acceptance only supplies that have been inspected in accordance with the inspection system and have been found by the Ktr to be in conformity with contract requirements. As part of the system, the Contractor shall prepare records evidencing all inspections made under the system and the outcome. These records shall be kept complete and made available to the Gov't during contract performance and for as long afterwards as the contract requires.

(k) Inspections and tests by the Gov't do not relieve the Ktr of responsibility for defects or other failures to meet contract requirements discovered before acceptance. Acceptance shall be conclusive, except for latent defects, fraud, gross mistakes amounting to fraud, or as otherwise provided in the contract. (sic)”

Section 3.19 (Production data): “The following information gathered during production shall be made a matter of record and shall be furnished on request to the contracting officer or his designee. This data shall be cross referenced with the tracability (sic) information of the helmet. This requirement does not

apply to each helmet manufactured, but rather data collected for lot inspection. Unless otherwise stated the sampling size shall be in accordance with the latest version of ANSI/ASQ Z1.4.

- The weight of the finished helmet.
- All thickness and dimensional measurement taken from the finished helmet.
- Material compliance forms signed by the contractor, each sub-contractor or material supplier.
- Any operational, ownership and environmental test data generated by the contractor on the helmets.”

Because the FPI did not maintain adequate records and could not provide accurate supporting documentation concerning its ACH manufacturing costs, expenses, and other related documents, a thorough and complete audit of its financials could not be completed. However, during our review, we found that the FPI charged ArmorSource a \$1 “liaison fee” for each ACH. This fee was charged for [REDACTED] services [REDACTED], even though it was not part of the contract. We determined that the fee was a result of a verbal agreement between [REDACTED]

Rejected Helmets Sold to the DOD

In numerous OIG interviews, both inmates and staff said [REDACTED] and [REDACTED] instructed inmates to return rejected helmets to production, and the investigation showed that at least some of these helmets eventually were sold to the DOD. Numerous inmates also said [REDACTED] and [REDACTED] instructed them to repair blisters and bubbles, as well as to pass helmets that had scrap material inserted in them that should have been rejected. For example, one inmate said he saw inmates inserting extra Kevlar and Kevlar dust into helmets and then repressing the helmets. According to that inmate, he rejected the helmets that were repaired, but [REDACTED] and [REDACTED] instructed him to return them to production. The inmate also told the OIG that he saw other inmates repairing bubbles and blisters by pressing the air out with their fingers or hitting the blisters with hammers, and that he heard [REDACTED] tell inmates to repair every helmet that had blisters or bubbles.

An OIG analysis of ACH production packets revealed that 43 previously rejected helmets were sold to the DOD in 19 of 122 production lots. In an OIG interview, [REDACTED] said he was unable to correlate the production packet information with the spreadsheet he created because the seven-digit production packet numbers did not correspond to lot numbers on his spreadsheet. Efforts to analyze and reconcile electronic production lot records with actual production records were unsuccessful due to the FPI’s poor recordkeeping.

Expired Paint

In several OIG interviews and affidavits, inmates and staff both acknowledged the FPI used expired paint on the ACH as well as the PASGT and Light Weight Marine Corps (LMCH) helmets. FPI [REDACTED] [REDACTED] said Sherwin Williams (the company that supplied the paint) would not recertify the paint because its shelf life had expired. Sherwin Williams Representative [REDACTED] told the OIG the FPI

requested a large quantity of expired paint to be recertified in July 2009, but said the paint could not be recertified because it was too old. ██████ said he notified ██████ of the issue concerning the paint recertification. The OIG found a July 20, 2009, e-mail from ██████ to ██████, subject: “Expired Paint,” wherein ██████ informed ██████ that according to ██████, the FPI could use expired paint stored in a non-climate controlled trailer on ACH as well as PASGT helmets manufactured by the FPI. Subsequent to this e-mail, ██████ told ██████ to use expired paint on the PASGT and said the ACH required new paint that the FPI had not purchased.

In 2009, the U.S. Army conducted random paint adhesion tests on certain helmet lots, which failed paint adhesion tests. The U.S. Army subsequently authorized the rework of these helmet lots so the helmets would conform to the contract specifications. After a September 2009 meeting with U.S. Army Quality Assurance Specialists, the FPI and ArmorSource intentionally disregarded agreed upon rework instructions calling for the removal of paint by hand sanding and instead, used unauthorized improvised implements and power sanders to remove the paint, potentially impacting the ballistic integrity of the helmets.

Testing and Inspections

In numerous interviews, inmates said they were instructed by ██████, ██████, and ██████ to strip and cut ballistic material, insert scrap ballistic material in helmets, and use other unauthorized processes to repair helmets. This information was corroborated by scientific examinations of helmets as discussed below. Additionally, due to the numerous defects such as blisters and paint adhesion failures as well as the use of unauthorized manufacturing processes and tools, the OIG and DCIS sent samples of ACH helmets for ballistic and non-ballistic testing to determine the safety of the helmets and adherence to specifications and contractual requirements. This testing disclosed the helmets failed ballistic tests and that the ballistic failures were so severe that ballistic testing was stopped. The ballistic test failures and other helmet abnormalities ultimately led to the recall and quarantine of ArmorSource ACH helmets.

Inspections of the FPI Factory

On December 15, 2009, the OIG and DCIS inspected the FPI Beaumont factory and seized numerous items of evidence, including “screw tools,” damaged and solidified Kevlar panels, toothpaste, helmets, and numerous documents. A second unannounced OIG inspection on January 26, 2010 (after the FPI was made aware of this investigation), disclosed that FPI inmates were using metal putty knives and power sanders to remove paint from helmets, damaging ballistic fibers in the process, reference Figures 3, 4, and 5. Additionally, the OIG recovered a bag of Kevlar dust that ██████ said was used by inmates to reinforce helmets when scrap ballistic material was inserted into the ear sections – a practice not authorized by the DOD or the ACH contract.



Figure 3: Inmate using power sander to remove paint.



Figure 4: Inmate using putty knife to remove paint.



Figure 5: Damaged ACH after paint removal.

During March 22 - 25, 2010, the DCMA conducted an audit of the FPI Beaumont factory and issued a level III Corrective Action Request that shows FPI was not in compliance with the contractual requirement to maintain a quality system. The audit cited the following non-conformance issues:

- failure of management to assure the continued health of the Quality Management System;
- corrective action taken was not adequate or sufficient to correct or prevent a deficiency;
- failure to follow quality procedures;
- lack of document control of quality procedures;
- inadequate quality procedures;
- no exclusions listed in the Quality Management Scope (QM-4220) concerning design authority;
- inadequate, outdated, or missing training documentation; and
- failure to segregate and dispose of non-conforming material and products.

Mounting Hole Variances

██████████ and ██████████ of Ambox Limited (a sub-contractor to ArmorSource) of Houston, Texas, both told the OIG that helmet sizes were inconsistent and helmets were misshapen, making it difficult to laser drill the helmets accurately. The ██████████ said ArmorSource ██████████ instructed them to not use the ACH drawings and specifications, and explained that ██████████ used a shoestring to measure the placement of the mounting holes. The ██████████ said the holes were drilled according to ArmorSource's instructions, adding that none of the mounting holes met DOD specifications.

Hexagon Metrology of North Kingston, Rhode Island, examined 40 helmets to determine the consistency of mounting hole placement as well as hole dimension. Hexagon Metrology specializes in engineering and provides independent verification to ensure compliance with industry standards and product descriptions. Consistency in mounting hole placement and dimension is critical to the ACH's capability to function as a

reliable mounting platform for electronic devices such as night vision and communication systems. Hexagon Metrology measured the placement and tolerances of mounting holes on samples of small, medium, large, and extra-large helmets, and compared those measurements to DOD specification drawings. The examination disclosed several inconsistencies related to mounting hole placement and hole dimensions that were out of tolerance. [REDACTED] provided an analysis of the Hexagon Metrology examination noting there was no consistent process to place the mounting holes according to specifications.

Visual Inspection of Helmets

During June 22 – 23, 2010, [REDACTED] visually inspected all of the helmets from ACH lots 154 (small), 248 (medium), 68 (large), and 2 (extra-large). The inspection showed the following abnormalities:

- a majority of the helmets had defective construction, including ballistic material that showed signs of being cut, gouged, or raised;
- one helmet was identified as having a repair of the internal ear section with an unknown material; and
- two helmets were identified as having suspected repairs with unknown materials that exhibited the appearance of “cuts in the Kevlar with a filling of a gray material covered with a clear coating.”

Ballistic and Non-Ballistic Test Results

During March 23 - 24, 2010, the OIG and the DCIS seized 304 ACH helmets from the Rapid Fielding Initiative Warehouse in Middle River, Maryland. These helmets were selected randomly from production lots 154 (small), 248 (medium), 68 (large), and 2 (extra-large). Three hundred helmets were subsequently sent to the Aberdeen Test Center (ATC) at the Aberdeen Proving Ground in Maryland. The ATC, the lead test center in the DOD for critical safety items, including helmets, conducted x-ray examinations and ballistic tests of the 300 helmets using criteria established for lot acceptance testing to determine if any abnormalities existed that might cause ballistic failures. The ATC x-ray report showed that several helmets had abnormalities in the right and left ear sections, the rear section, and front mounting holes. The ballistic test disclosed that none of the lots met performance criteria. Figures 6 – 9 show the actual ballistic penetration of ACH serial number S-3187. Additionally, the ballistic test results revealed that:

- lots 2, 68, 154, and 248 did not meet resistance to ballistic penetration specifications;
- lot 68 did not meet ballistic fragmentation test specifications; and
- lot 68 did not meet weight specifications.

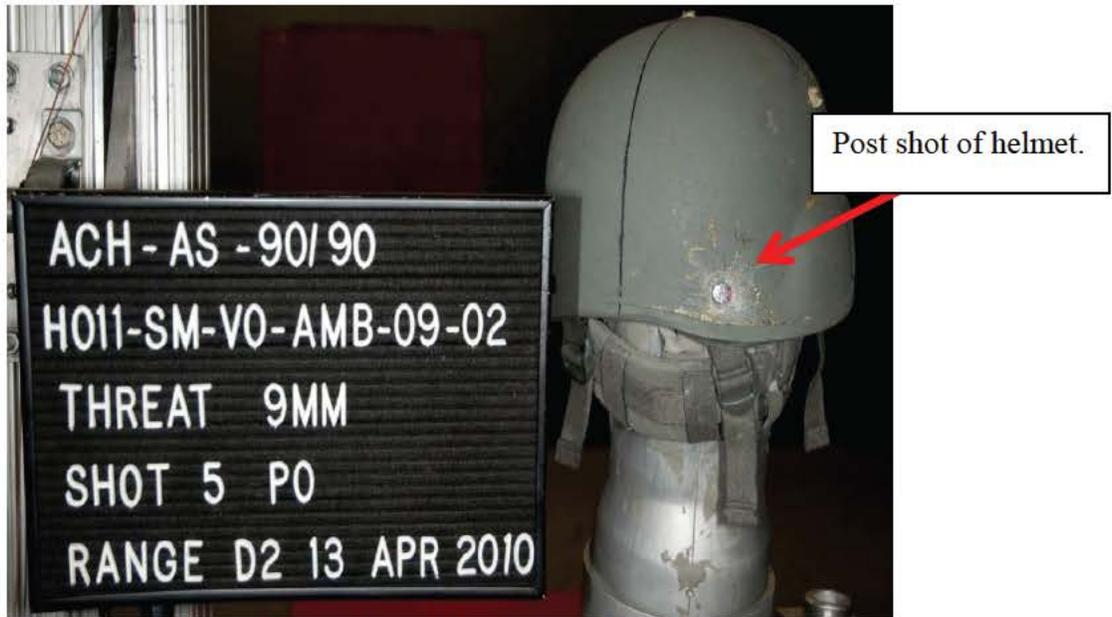


Figure 6: Post shot of helmet on head form.



Figure 7: Post shot of head form.



Figure 8: Close-up of post shot of head form.



Figure 9: Post shot of helmet exterior.

Natick Project Manager Soldier Protection Equipment (Natick) in Natick, Massachusetts, develops and fields state-of-the-art force protection equipment that defeats ballistic and fragmentation threats. Natick examined helmets by deconstructing them to analyze the material consistency and conformity to specifications. Natick's examinations disclosed that scrap ballistic material was inserted into the helmets, and that the ballistic material was cut and stripped. Additionally, Natick found that ballistic plies were cut in half contrary to specifications. Figures 10 – 13 depict Natick's findings during the helmet deconstruction as well as irregularities found in the ballistic material.

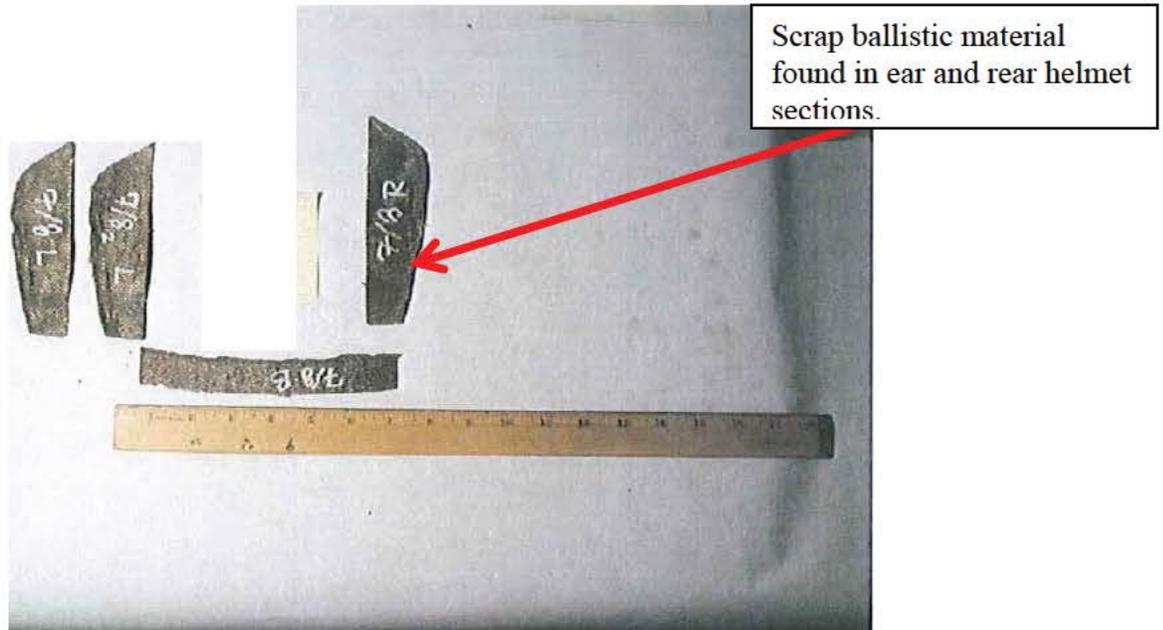


Figure 10: Scrap ballistic material inserted into ear and back sections.

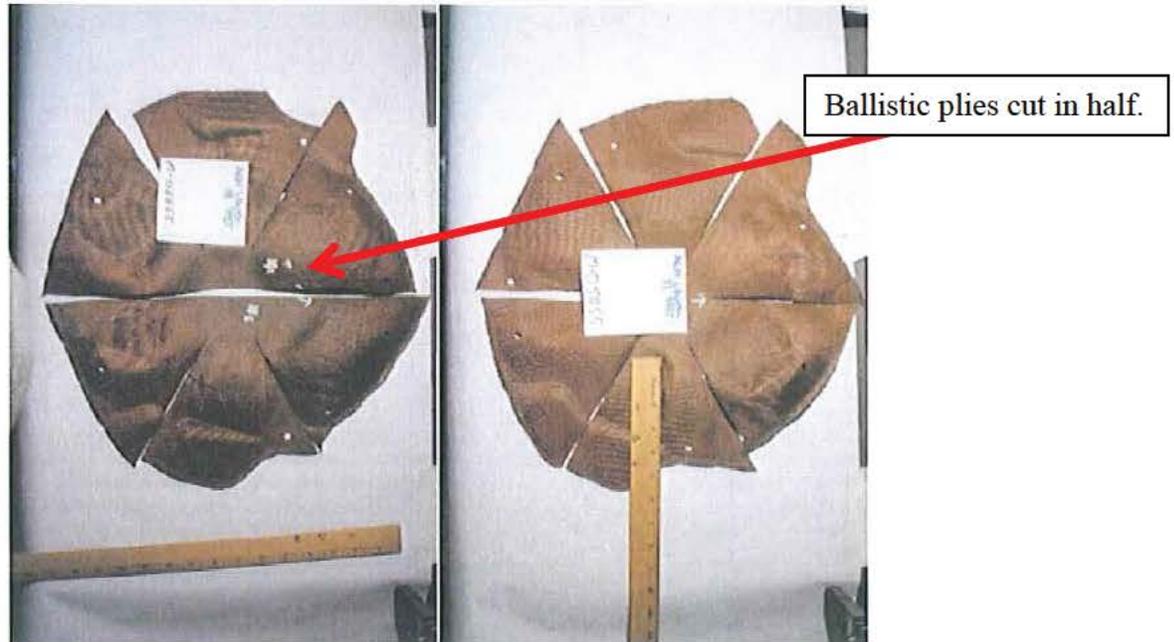


Figure 11: Split ballistic plies.

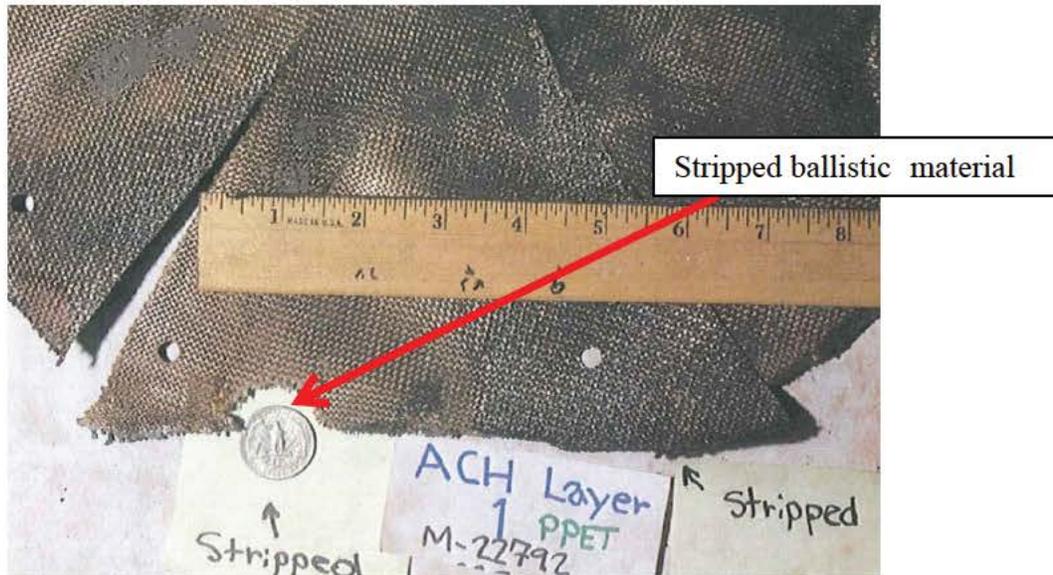


Figure 12: Torn and altered ballistic plies.

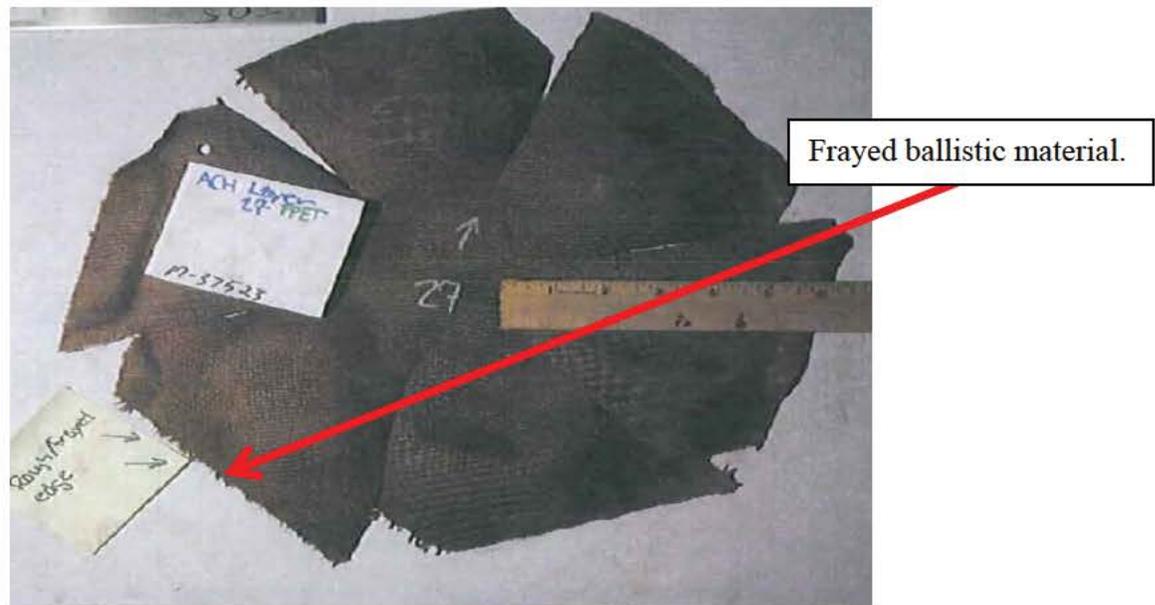


Figure 13: Jagged ballistic material edges.

Helmet Recall

Due to the variety of problems this investigation uncovered related to the manufacture of helmets, along with test data and scientific examinations that showed the helmets were defective and did not meet specifications, the DOD issued a recall of all fielded ArmorSource helmets and quarantined those that were in warehouses. The initial recall involved 44,000 helmets, but the DOD ultimately recalled 126,052 ArmorSource ACH at a cost of approximately \$31 million. On May 14, 2010, the U.S. Army announced to Congress that:

“...it has initiated a recall message for approximately 44,000 Advanced Combat Helmets produced by ArmorSource LLC (formerly Rabintex USA LLC). These helmets do not meet Army specifications.

The 44,000 helmets represent about 4% of Advanced Combat Helmets issued to Soldiers. Sufficient helmets produced by other manufacturers that meet Army requirements are currently available in the Army’s inventory. The Army will immediately issue these helmets to Soldiers worldwide serving in those units identified to have recalled helmets.

The exact risk to Soldiers wearing the recalled helmets is still being determined; however, sample testing from a quarantined inventory revealed that the helmets did not meet Army specifications.

The matter is under investigation by the U.S. Department of Justice, Office of the Inspector General.”

The investigation developed similar allegations concerning the FPI’s manufacture of the LMCH and PASGT helmets, reference OIG Files [REDACTED], respectively. The LMCH investigation resulted in a stop work order, the quarantine of approximately 20,000 helmets, and no helmets delivered to the U.S. Marine Corps. The PASGT allegations were forwarded to the CID for review. Ultimately, 31,089 PASGT were quarantined and recalled from thirteen different allied countries at a cost of over \$8 million. We found that both the LMCH and PASGT had similar defects and deficiencies in the manufacturing processes, including abnormalities in helmets, use of degraded ballistic material (LMCH only), ballistic failures, cutting and stripping of ballistic material, and unauthorized repressing of helmets.

The investigative team reviewed the available medical records concerning deaths and casualties of soldiers that were issued an ACH. The review did not find any deaths or casualties attributable to wearing an ArmorSource ACH.

DCMA Helmet Inspections

This investigation determined through testimony and a review of documentation that FPI and ArmorSource personnel pre-selected ACH helmets for ballistic and non-ballistic testing alike. The investigation also determined [REDACTED] and [REDACTED] did not perform their respective inspection functions, did not follow established protocols concerning the inspection and acceptance of ACH, and falsified Department of Defense (DD) Forms 1222 (Request for and Results of Tests) and DD Forms 250 (Material Inspection and Receiving Report) by signing the forms without inspecting the helmets listed on them. The DD 250 is used to generate payment to the contractor. Additionally, [REDACTED] recreated inspection documents after being interviewed by investigators.

[REDACTED] told the OIG that the pre-selection of helmets began with [REDACTED]. According to [REDACTED] prior to [REDACTED] overseeing the ACH production, the DCMA [REDACTED] always selected helmet samples at random to be sent for testing, adding that doing so was standard protocol for contracts. Additionally, several inmates told the OIG they participated in or saw helmets pre-selected for the

DCMA inspection, and noted that some of the helmets were repaired or cosmetically altered for selection by the [REDACTED]. [REDACTED] removed [REDACTED] from the factory in 2009 because [REDACTED] voiced concerns over the quality of the helmets. Additionally, we found that inmates who performed quality assurance duties were unqualified and improperly trained. For example, inmates were administered a three-question test to which they were furnished the answers.

In separate OIG and DCIS interviews, [REDACTED] and [REDACTED] [REDACTED] said that allowing the contractor (the FPI and ArmorSource) to select samples for testing is not an authorized DCMA practice, was not approved by them, and is contrary to instruction they gave [REDACTED] concerning the inspection of critical safety items.

In a July 15, 2010, DCIS interview and in his affidavit, [REDACTED] admitted that on at least four occasions between 2008 and 2009, he was not physically present when helmets were selected for testing. According to [REDACTED] he allowed [REDACTED] to select the samples for testing, and [REDACTED] either e-mailed or faxed the DD Forms 1222 or 250 to [REDACTED] for his signature. [REDACTED] said he knew he had to personally select the samples for testing, but did not due to time constraints. [REDACTED] signed thirty DD Forms 250 and 1222 attesting that he personally inspected the helmet lots when in fact he did not.

In a January 26 - 27, 2010, interview and in his affidavit, [REDACTED] said he instructed inmates to pre-select 20 to 30 helmets for inspection by [REDACTED]. According to [REDACTED], the pre-selection of helmets was standard practice with all FPI helmet lines. [REDACTED] said the pre-selected helmets were usually the first ones off the production line, and that the entire lot was not completed at the time of [REDACTED] inspection. [REDACTED] said that he could not recall sending DD Forms 1222 or 250 to [REDACTED] without [REDACTED] performing an inspection, but said it would not surprise him if it did occur.

During the course of this investigation, the DCIS and OIG interviewed [REDACTED] on three separate occasions. In separate interviews on December 11 and 14, 2009, and in a subsequent affidavit, [REDACTED] [REDACTED] (and therefore unable to determine the helmet's color) and was unfamiliar with his inspection duties. In a subsequent interview on September 24, 2010, and in a second affidavit, [REDACTED] said he prepared certain inspection documents months after he conducted the inspections, and believed it might have been after this investigation was initiated. [REDACTED] reluctantly admitted that he backdated the documents to augment his files. [REDACTED] also said that on July 1, 2009, he inspected various ACH lots at the FPI, but his vehicle log showed he was [REDACTED] in Houston, Texas, inspecting unrelated items. [REDACTED] denied intentionally falsifying documents, but could not explain why his vehicle log placed him in Houston instead of the FPI. [REDACTED] asserted that he inspected 14 helmet lots (500 helmets per lot or 7,000 helmets) on July 13, 2009, but later retracted his statement, and said [REDACTED] must have "snuck" in extra forms DD 250 for him to sign without his knowledge. In a July 21, 2011, DCIS interview and in his third affidavit, [REDACTED] said he had "memory lapses" and could not recall whether he examined an entire helmet lot during his inspections or if he examined a sample of helmets set out for him. [REDACTED] acknowledged that it appeared that he did not do his job concerning the helmet inspections.

[REDACTED] told the DCIS that on July 1, 2009, [REDACTED] was inspecting items at his facility and not at the FPI factory in Beaumont, and provided the DCIS documents signed by [REDACTED] that showed [REDACTED] was at his facility on

Helmet Pre-Selection

This investigation found that [REDACTED] pre-selected helmets for DCMA inspection and approval instead of adhering to DOD and contract requirements to select helmets randomly. ArmorSource, the FPI, and the DCMA were notified by the DOD that the pre-selection of helmets was not allowed, and that lot inspections could not be performed until a lot was completed. Specifically, in an October 30, 2007, e-mail, subject: "Lot sampling pulls," (sic) [REDACTED] told DCMA, FPI, and ArmorSource representatives that pre-selecting helmets for testing was prohibited, and that all helmet selections were to be performed after a lot was completed. However, we found that:

- [REDACTED] and [REDACTED] did not properly perform helmet inspections and, on occasions, executed forms DD 250 and DD 1222 falsely stating inspections were completed, and then mailed or faxed the forms to the FPI;
- there were instances where the DCMA approved helmet lots that had not yet been manufactured;
- [REDACTED] altered internal DCMA documents; and
- [REDACTED] fabricated records such as "Contract Review with Acceptance Criteria" sheets to falsely indicate he properly conducted inspections;

Contraband Items

This investigation determined through testimony, inspections, and review of documentation that inmates manufactured unauthorized weapons and tools ("hatchets" and "screw tools"), and that FPI staff allowed inmates to use these contraband items without any controls in complete disregard of BOP and FPI policies. The use of these contraband items adversely affected prison security as well as the safety of inmates and staff as well as factory visitors. We found that FPI staff was aware of the "hatchets" and "screw tools," and that inmates used materials from the factory to make these items with staff oversight [REDACTED] authorized the "hatchets" to remove paint from helmets. Figures 14 and 15 depict the contraband items.



Figure 14: Hatchets.



Figure 15: "Screw tool."

Our investigation also determined that:

- [REDACTED], and [REDACTED] allowed inmates to make "hatchets" and "screw tools" in violation of BOP and FPI policies;
- [REDACTED], and [REDACTED] allowed inmates to use "hatchets" and "screw tools" to manufacture helmets, contrary to contract specifications;
- [REDACTED] acknowledged that [REDACTED] authorized the use of air grinders and metal plates to remove paint, but denied seeing the "hatchets" or "screw tools" used to remove paint or Kevlar;
- [REDACTED], [REDACTED] and [REDACTED] acknowledged the "hatchets" and "screw tools" could be used as weapons;
- [REDACTED], and [REDACTED] failed to report the existence or use of these weapons;
- the "hatchets" and "screw tools" were not secured or inventoried; and
- toothpaste tubes were found in the paint and glue area.

[REDACTED] admitted seeing the "hatchets" used by inmates and said he stopped their use and confiscated them. However, [REDACTED] actually reported the "hatchets" on December 21, 2010, to [REDACTED]

[REDACTED] told the OIG there were no "hatchets" at the FPI, that they were not needed, and that the "hatchets" would constitute a weapon. [REDACTED] said [REDACTED] only authorized the use of metal plates to remove paint from helmets.

In his OIG interview, [REDACTED] admitted authorizing inmates to use metal plates to remove paint from helmets. [REDACTED] also admitted that he did not have DOD approval to use these items in the manufacturing process. However, [REDACTED] denied authorizing inmates to attach the metal plates to wooden handles to make "hatchets."

In separate OIG interviews and in their respective affidavits, [REDACTED] and [REDACTED] admitted seeing inmates

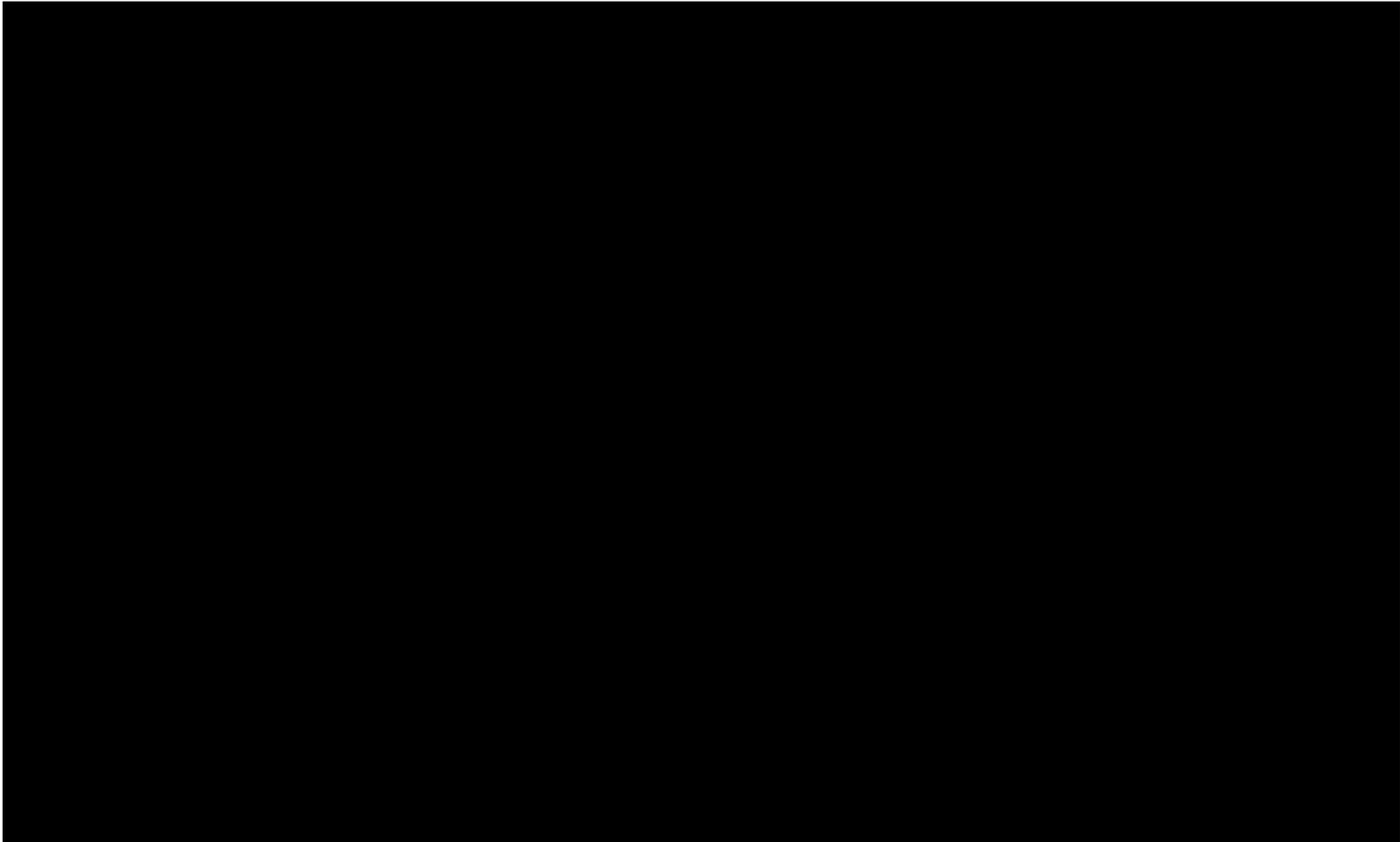
use “screw tools” to strip ballistic material, and did not report it. [REDACTED] and [REDACTED] said inmates used “screw tools” to strip Kevlar, and told the OIG the items were in the bottom of a trash can located in a closet.

Policy Reviews

This investigation found that the FPI was in violation of several relevant BOP and FPI policies as well as applicable and institutional supplements.

- BOP Program Statement (PS) PS5580.07, Personal Property, Inmate, Section 10 (Contraband 553.12), (1): “Staff shall consider as hard contraband any item which poses a serious threat to the security of an institution and which ordinarily is not approved for possession by an inmate or for admission into the institution. Examples include knives or tools not provided in accordance with the Correctional Services Manual.”
- PS5580.07 Section 10 (Procedures for Handling Contraband): “Staff shall seize any item in the institution which has been identified as contraband whether the item is found in the physical possession of an inmate, in an inmate’s living quarters or in common areas of the institution.”
- BOP Complex Supplement BMX 5500.12.2B (Tool Control), Section 2 (A) (Program Objectives): “The use of tools in escape attempts, weapons manufacture, or situations hazardous to institution security or individual safety will be prevented.”
- BMX 5500.12.2B, Section 7A: “All tools regardless of the classification will be properly maintained by the employee responsible and accounted for at all times.”
- BMX 5500.12.2B Section 8: “Complete tool inventories will be conducted in all areas of the complex during the month of January of each calendar year. If a change is to be made to a tool inventory, a memorandum must be submitted by the staff member through his Department Head and Tool Room Officer to the Captain and/or a Deputy Captain. All signatures of approval must be on the memorandum before the change can be made.”
- BMX 5500.12.2B Section 9: “No shop personnel or inmates will be permitted to manufacture any tool or parts thereof for any purpose until all efforts to obtain an acceptable tool on the market have been exhausted. In the event it becomes necessary to fabricate a specific purpose tool, prior approval must be obtained from the Complex/Deputy Captain and the completed item will be handled through the Central Tool Room. Walk-through metal detectors and routine pat searches will be used to screen inmates assigned to Facilities and UNICOR as well as other manufacturing areas.”
- The FPI Inmate Handbook, Section 8: “All workers are required to follow established procedures regarding the tool room and use accountability tools. All tools will be turned in during tool call and at all times prior to leaving the factory for any reason. No tools will be issued to any worker in the factory without any chits.”





Conclusion

The FPI and ArmorSource manufactured the ACH for the DOD from 2006 to 2009, for which it received over \$30 million. We found that the FPI had endemic manufacturing problems and that ArmorSource did not provide adequate oversight of the manufacture of the helmets, which resulted in helmets that were not manufactured according to contract specifications. A review of documentation and interviews of FPI employees and subcontractors as well as scientific examinations disclosed the helmets were defective and posed a potential safety risk to the user. Our investigation found numerous defects including serious ballistic failures, blisters and improper mounting hole placement and dimensions as well as the repressing of helmets. We also found that the FPI and ArmorSource did not maintain the requisite business records or traceability documents required by the contract. Additionally, the FPI and ArmorSource used unauthorized tools and manufacturing techniques as well as the use of damaged or scrap ballistic material and expired paint to make the helmets.

We also found that rejected helmets were sold to the DOD, that helmets were preselected for inspection and substituted in lots to pass testing. Additionally, DCMA inspectors did not perform proper inspections, lacked training, and submitted false inspection records. FPI and ArmorSource staff allowed inmates to make and use contraband weapons and tools, endangering the safety and security of the FPI factory as well as the prison. This investigation did not develop any information to indicate military personnel sustained injury or death as a result of these defective helmets. [REDACTED]

[REDACTED]

Also troubling was the development of information that the FPI also manufactured PASGT and LMCH helmets that had similar manufacturing problems and defects. Our findings led to the recall of 126,052 helmets, and monetary losses and costs to the government totaling \$19,083,959.

Legal Coordination

This investigation was presented to the [REDACTED] U.S. Attorney's Office, and subsequently to the Department's [REDACTED]. After nearly four years of review, prosecution of all involved parties was declined. This investigation was also presented to the District of [REDACTED] which also declined prosecution.

The FPI did not re-open for business after the December 2009 inspection and all FPI staff was reassigned to other duties within the Federal Bureau of Prisons. [REDACTED]

The Civil Division, Commercial Litigation Section and the U.S. Attorney's Office for the District of Texas entered into a civil restitution agreement with ArmorSource. On March 7, 2016, ArmorSource agreed to make restitution of \$3,000,000 to resolve potential claims against it under the False Claims Act, 31 U.S.C. §3730.

The OIG has completed its investigation and is providing this report to the BOP for its review and appropriate action.