

July 11, 2007 - New DOD Inspector General Report Questions Contracting Processes

Washington, DC - Rep. Louise M. Slaughter (D-NY-28), Chairwoman of the House Rules Committee, today released a new report from Defense Department's Inspector General (IG) detailing the contracting processes that were used in 2005 to select the manufacturers of armored vehicles and up-armoring equipment headed to Iraq. Rep. Slaughter requested last May that the report be conducted. It will be released publicly later this week.

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Wednesday, July 11, 2007

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Resulted in Heightened Risks to Soldiers in Iraq

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The report can be viewed in its entirety [here](#).

The IG found that sole-source contracts were granted to two companies, Force Protection Inc. (FPI) and Armored Holdings Inc. (AHI), which manufacture armored vehicles and up-armoring kits, respectively. Each manufacturer fell far behind delivery schedules, while Armored Holdings also produced inadequate and faulty equipment.

Furthermore, the sole-source contracts were assigned even though senior military officials objected at the time to the process being used, advocating instead for competitive bidding.

"This report indicates that contracts were given to companies that were unable to deliver vital equipment to our soldiers in the field, unnecessarily putting their lives at risk," said Rep. Slaughter. "These sole-source contracts were handed out even though serious questions were being raised at the time about the wisdom of such decisions."

"The Inspector General found that Armored Holdings sent cracked equipment that had been painted over, and even two left doors for the same vehicle, instead of one right and one left. Furthermore, FPI was unable to meet production deadlines even after the Pentagon paid \$6.7 million to build up their capability. It was completely unacceptable."

"Our troops were put in harm's way by delayed and faulty equipment that was let into the system by questionable contracts," Rep. Slaughter said. "For the sake of our troops in the field, now and in the future, we need to learn more about who knew what, and why military officials who were aware of other competitors were overruled."

Pertaining to the vehicles produced by Force Protection Inc., the Inspector General concluded that "Late delivery of the armored vehicles to theater may hinder the war fighters' ability to execute mission requirements and increase risk to soldiers' lives."

Pertaining to problems arising from up-armor kits manufactured by Armored Holdings Inc., the Inspector General wrote that, "The increase kit installation time, the addition re-inspection of kits in theater, and the late deliveries increased risks to soldiers' lives."

Rep. Slaughter has also requested an Inspector General report on the contracting processes used to select companies that have manufactured body armor for American soldiers. That report will be completed in October.

A summary of the major findings of the Inspector General's report can be found below:

Department of Defense Inspector General

Report on "Procurement Policy for Armored Vehicles"

Why the Audit: In January 2006, the New York Times reported that the Defense Department (DoD) sole-sourced multiple armored vehicle contracts to Force Protection, Inc. (FPI) and Armored Holdings, Inc. (AHI). The Times documented that both companies fell far behind in their delivery schedules, raising questions about why FPI and AHI received the contracts in the first place.

Consequently, Representative Slaughter asked the DoD Inspector General to review the procurement history for armored vehicles and determine if DoD officials followed proper contracting policies.

FINDINGS

- FPI did not meet the Fair Acquisition Regulation definition of an acceptable contractor. (Page 23)

- Despite FPI's late deliveries on the first JERRV contract, FPI was awarded a second contract in May 2006 for 79 JERRVs, and a third contract in November 2006 for 200 JERRVs. (Page 23)

Armored Holdings, Inc. (Acquired Simula in 2003)

- DoD awarded Armor Holdings, Inc. 4 sole-source contracts, valued at \$1.8 billion, for armored vehicles and armor kits.

- Simula, which produced the armor kits, did not meet the Federal Acquisition Regulation requirements as a responsible prospective contractor, because it did not have the necessary production control procedures, property control systems, and quality assurance measures in place to meet contract requirements for the kits. (Pages 32-34)

- The DoD contracting official did not review and verify Simula's production capabilities and quality control processes before awarding the sole-source contract. The official could not provide documentation of any market research or investigation of Simula's production to support sole-sourcing to Simula. (Page 34)

- Simula failed to deliver approximately 34 percent of the kits in accordance with contract delivery schedule. The DoD issued 64 corrective action requests to Simula documenting discrepancies found in the kits. (Page 35)

- The Army received incomplete kits with missing and unusable parts, increasing installation time and requiring additional reinspection of kits in theater. Incomplete kits and late delivers increased the risks to soldiers' lives. (Page 35)

- In August 2004, kits arrived in theater with two left doors instead of one right and one left door, brush guards bent the wrong way, and cracked lower brush guards. In November 2004, installation personnel in theater discovered kits with missing thick cab side plates. Also in November 2004, installation personnel in theater discovered HEMTT kits with two right side brackets for holding the grill slants in the front of the truck instead of a left side and a right side bracket. Installation personnel had to cut the brackets apart and re-weld them to put them on trucks, unnecessarily increasing installation time and using extra resources. In December 2004, HEMTT and PLS kits arrived in Germany with several missing parts, prompting the contracting officer to write a letter to Simula requesting that Simula ship the missing parts immediately. (Page 43)

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