

Virginia Contractor Charged Federally in Maryland for Selling Chinese-Made Body Armor and Related Goods to Federal Agencies - GSA Office of Inspector General

Virginia Contractor Charged Federally in Maryland for Selling Chinese-Made Body Armor and Related Goods to Federal Agencies

Department of Justice

U.S. Attorney's Office

District of Maryland

Friday, December 20, 2019

FOR IMMEDIATE RELEASE

Virginia Contractor Charged Federally in Maryland for Selling Chinese-Made Body Armor and Related Goods to Federal Agencies

Allegedly Falsely Certified that the Products Were Manufactured in Countries Approved Under Federal Regulations

Greenbelt, Maryland – A federal criminal complaint has been filed in Maryland charging Arthur Morgan, age 67, of Lorton, Virginia, on a federal wire fraud charge, in connection with federal contracts to provide helmets, body armor, and other goods to military and other federal entities. The criminal complaint was filed on December 16, 2019 and was unsealed at his initial appearance following his arrest on December 17, 2019.

At a detention hearing yesterday in U.S. District Court in Greenbelt, U.S. Magistrate Judge Gina L. Simms ordered that Morgan be released to a third-party custodian on home confinement, with a special condition that he pay a \$75,000 bond. He will be detained until a hearing at 3:30 p.m. today to confirm that Morgan has met his conditions of release.

The criminal complaint was announced by United States Attorney for the District of Maryland Robert K. Hur; Acting Special Agent in Charge Eric D. Radwick of the General Services Administration (GSA) Office of Inspector General; Special Agent in Charge Ashan Benedict of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) Washington Field Division; Special Agent in Charge John A. Salazar, Naval Criminal Investigative Service; and Special Agent in Charge Marc A. Meyer of the U.S. Department of State Office of Inspector General.

According to the affidavit filed in support of the criminal complaint, Morgan is the Chief Executive Officer of Surveillance Equipment Group Inc. (SEG) and its relevant division, SEG Armor. The GSA enters into government-wide contracts with commercial firms to provide supplies and services that are available for use by federal agencies worldwide. All GSA contracts are subject to the Trade Agreements Act, which requires that all products listed on GSA contracts must be manufactured or “substantially transformed,” in a “designated country.” China is not a designated country under the TAA. Any contractor wishing to supply products from China or other non-designated countries must specifically identify all foreign products and state their country of origin. Failure to do so disqualifies the contractor from eligibility for the contract, and a

Virginia Contractor Charged Federally in Maryland for Selling Chinese-Made Body Armor and Related Goods to Federal Agencies

Virginia Contractor Charged Federally in Maryland for Selling Chinese-Made Body Armor and Related Goods to Federal Agencies - GSA Office of Inspector General

contractor who falsely certifies cannot seek payment from the United States.

The criminal complaint alleges that Morgan falsely certified that the ballistic vests, helmets, riot gear, and other items he offered for sale were from designated countries, specifically, Hong Kong and the United States. The affidavit alleges that Morgan knew that the items were manufactured and purchased from China. From September 2015 to July 2019, the U.S. Navy and U.S. Department of State were two of at least five federal agencies that placed a total of nine orders with SEG for ballistic vests, helmets, or riot gear, valued at approximately \$639,921.11.

For example, the U.S. Navy placed an order with SEG for helmets, and Morgan had a series of e-mail communications with a Navy contract specialist in Indian Head, Maryland, concerning SEG's inability to meet the agreed-upon delivery schedule. The affidavit alleges that in his e-mails, Morgan falsely advised the contract specialist that SEG had a factory in southern Virginia, that the helmets for the order "were in production" there, and that the delays were due to a backorder of materials needed for the helmets. In addition, on the same date that Morgan received a partial payment from the Navy in the amount of \$127,069.60, Morgan made a payment to a Chinese company that manufactures the exact same helmet as SEG delivered to the Navy, in the amount of \$67,915.

If convicted, Morgan faces a maximum sentence of 20 years in federal prison for wire fraud. Actual sentences for federal crimes are typically less than the maximum penalties. A federal district court judge will determine any sentence after taking into account the U.S. Sentencing Guidelines and other statutory factors.

A criminal complaint is not a finding of guilt. An individual charged by criminal complaint is presumed innocent unless and until proven guilty at some later criminal proceedings.

United States Attorney Robert K. Hur commended the GSA OIG, the State Department OIG, the ATF, and the NCIS for their work in the investigation, and recognized the Army Major Procurement Fraud Unit, the Defense Criminal Investigative Service, Homeland Security Investigations, the FBI, the Air Force Office of Special Investigations, and the Coast Guard Investigative Service for their assistance. Mr. Hur thanked Assistant U.S. Attorney Elizabeth Wright, who is prosecuting the case.

#

Source: U.S. Department of Justice [press release](#).