

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

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Department of Justice

U.S. Attorney's Office

District of Maryland

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FOR IMMEDIATE RELEASE

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Allegedly Falsely Certified that the Products Were Manufactured in Countries Approved Under Federal Regulations, When He Knew They Were From China, Which is Not Approved

Greenbelt, Maryland – A federal grand jury in Maryland has returned an indictment charging Arthur Morgan, age 67, of Lorton, Virginia, with federal wire fraud charges, in connection with federal contracts to provide helmets, body armor, and other items to military and other federal entities. The indictment was returned on July 6, 2020.

The indictment was announced by United States Attorney for the District of Maryland Robert K. Hur; 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 indictment, Morgan is the Chief Executive Officer of Surveillance Equipment Group Inc. (SEG) and its relevant division, SEG Armor, both of which Morgan managed from Lorton, Virginia. 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 (TAA), 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. Contractors were not allowed, under these contracts, to supply products that did not comply with the TAA. Any such products would have been disqualified from eligibility under the contract. Further, a contractor’s failure to certify that its products complied with the TAA would have disqualified the contractor from eligibility for the contract. A contractor who falsely certified that a product was TAA compliant could not lawfully seek payment from the United States for that product.

The indictment 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 indictment alleges that while representing that none of SEG’s products offered to federal agencies under the

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Inspector General. According to the indictment, Morgan knowingly provided products that Morgan knew had been manufactured in China, in violation of the TAA and the contract. SEG received multiple federal government orders under the contract between 2003 and 2019. According to the indictment, between September 15, 2014 and August 29, 2019, approximately six federal government agencies placed at least 11 orders for ballistic and other law enforcement/security equipment from SEG—which SEG sourced from China in violation of the TAA, as part of the scheme to defraud— totaling approximately \$658,866.92.

For example, the U.S. Navy placed an order with SEG for helmets, and Morgan had a series of e-mail communications with Navy contracting personnel in Indian Head, Maryland, including concerning SEG's inability to meet the agreed-upon delivery schedule. The indictment alleges that in his e-mails, Morgan falsely advised the Navy contracting personnel 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. The helmets that Morgan provided under the U.S. Navy order allegedly originated from China before Morgan sent them to the Navy, in violation of the TAA and the contract. Specifically, the indictment alleges that these products were manufactured by Chinese Company 1, from which Morgan knowingly ordered them.

On February 16, 2016, and March 10, 2016, the Defense Finance and Accounting Service paid SEG \$127,069.60 and \$191,990.28, respectively, for the U.S. Navy order. For all of the orders, federal government agencies paid SEG at least approximately \$488,976.92.

If convicted, Morgan faces a maximum sentence of 20 years in federal prison for each of two counts of 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.

An indictment is not a finding of guilt. An individual charged by indictment 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](#).