



FOR IMMEDIATE RELEASE
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DOJ OIG Releases Report on the Department of Justice's Contracts Awarded to Adaptive Digital Systems, Inc. for Covert Audio and Video Equipment

Department of Justice (DOJ) Inspector General Michael E. Horowitz announced today the release of a report examining two contracts awarded by the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA) to Adaptive Digital Systems, Inc. (ADS) for covert audio and video equipment. The Bureau of Alcohol, Tobacco, and Firearms and Explosives (ATF), among other federal agencies, also placed orders on DEA's contract as part of a multi-agency agreement. The amount expended under both contracts totaled approximately \$38 million over 5 years.

The DOJ Office of the Inspector General (OIG) identified areas of improvement for future acquisitions. For example, we determined that ADS charged each agency different prices for the same equipment and that ADS applied discounts on items purchased in bulk differently between the agencies, further exacerbating price differences for like items. Therefore, the OIG recommended each agency explore an enterprise-wide procurement for future acquisitions.

The OIG's specific findings in the report released today include:

- **Security Requirements:** We found that neither the FBI nor the DEA contract included significant security requirements such as background checks for contractor employees. Further, security requirements that were included in the contract were not properly completed.
- **Billing and Payments:** We identified a total of \$1,488,948 questioned costs, including \$1,475,388 in unsupported time-and-materials costs paid by the FBI. We also identified Prompt Payment Act violations, resulting in interest owed to the contractor and other non-compliances with the Federal Acquisition Register (FAR) and agency policy related to invoice documentation.
- **Contract Oversight, Monitoring, and Administration:** We found that DEA officials did not complete or maintain critical contract documentation. We also found that all three agencies did not maintain a quality assurance surveillance plan, resulting in inadequate oversight of the contractor.
- **Contractor Performance:** We found significant concerns related to the contractor's timely completion of delivery orders. For instance, we found that 27 percent of contractor deliveries did not occur within the period of performance identified in the original delivery order. We also found a significant length of time between ordering and delivery, which could negatively impact ongoing law enforcement investigations.
- **Physical Security of Equipment:** Due primarily to the COVID-19 pandemic, we identified 2,179 pieces of equipment amongst the 3 agencies that had not been inventoried in compliance with each

agency's policy, increasing the risk-sensitive law enforcement items could be misplaced or misused. We determined these items should be inventoried upon returning to normal operations.

Today's report makes 13 recommendations to the DOJ components to improve the acquisition and procurement; billings and payments; contract oversight, monitoring, and administration; and contractor performance of ADS contracts. FBI, DEA, and ATF concurred with all 13 recommendations.

Report: Today's report is available on our website at: <https://oig.justice.gov/reports/audit-department-justices-contracts-awarded-adaptive-digital-systems-inc-covert-audio-and>

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