

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

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<http://oversight.house.gov>

June 6, 2019

The Honorable Glenn A. Fine
Principal Deputy Inspector General
Performing the Duties of the Inspector General
Office of the Inspector General
U.S. Department of Defense
4800 Mark Center Drive
Alexandria, VA 22350

Dear Mr. Fine:

Thank you for testifying at the Committee's hearing on the report issued by the Department of Defense (DOD) Inspector General (IG) on excess profit for TransDigm. In light of your testimony, and the testimony of Assistant Inspector General Theresa Hull, the Committee is concerned that TransDigm is charging DOD unjustifiable prices for mission-critical spare parts.

As we discussed at the hearing, you examined only a small sample of TransDigm's contracts. You reviewed a sample of 47 spare parts purchased from TransDigm under contracts awarded by the Defense Logistics Agency (DLA) and the Army. You determined that TransDigm made "excess profit on 46 of the 47 parts it sold to the DLA and the Army." You also determined that "TransDigm earned \$16.1 million in excess profit for 46 parts it sold to the DLA [Defense Logistics Agency] and the Army for \$26.2 million between January 2015 and January 2017."¹

Based on numerous calls from Committee Members for TransDigm to refund the \$16.1 million in excess payments you identified, the company announced on May 24, 2019, that it was returning these funds to the American taxpayers.²

Because you identified so many overcharges in just the small sample of contracts you examined, we believe it is highly likely that TransDigm is receiving additional excess profits that

¹ Department of Defense, Office of Inspector General, *Review of Parts Purchased from TransDigm Group, Inc.* (Feb. 25, 2019) (online at www.dodig.mil/reports.html/Article/1769041/review-of-parts-purchased-from-transdigm-group-inc-dodig-2019-060/).

² Committee on Oversight and Reform, *TransDigm to Refund \$16 Million to DOD as a Result of Committee Investigation* (May 24, 2019) (online at <https://oversight.house.gov/news/press-releases/transdigm-to-refund-161-million-to-dod-as-a-result-of-committee-investigation>).

have not yet been identified. TransDigm has a huge number of contracts with DOD worth hundreds of millions of dollars. Based on information provided to the Committee by TransDigm, TransDigm received \$782,121,815 in revenue from 7,931 contracts with DOD between January 1, 2015, and April 23, 2019.

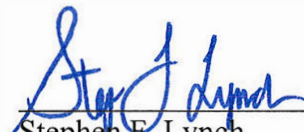
For these reasons, the Committee requests that your office conduct a comprehensive review of TransDigm's contracts with DOD to identify whether TransDigm earned excess profits on contracts outside of your original sample. The Committee requests that your office conduct a review of the price reasonableness determinations for all contracts awarded to TransDigm by DOD from January 1, 2017, to the present, with a contract value between \$200,000 and \$250,000 and between \$600,000 and \$750,000. Please provide information about whether the contracting officer requested price data, whether TransDigm provided data when requested, and whether TransDigm received excess profit on the contract to the Committee.

If you have any questions, please contact Committee staff at (202) 225-5051. Thank you for your consideration of this request.

Sincerely,



Elijah E. Cummings
Chairman



Stephen F. Lynch
Chairman
Subcommittee on National Security



Jackie Speier
Member of Congress



Ro Khanna
Member of Congress

cc: The Honorable Jim Jordan, Ranking Member

The Honorable Jody Hice, Ranking Member
Subcommittee on National Security