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ETHICS IN THE GOVERNMENT PROCUREMENT SYSTEM

An Individual Study Project
Intended for Publication

by

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U.S. Army War College
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ABSTRACT

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→ Recent media reports have highlighted the breakdown in ethical standards of government employees and former employees and the defense industry. While the breakdown can be attributed to criminal conduct and greed, it is clear that basic ethical standards have been violated. This paper provides an overview of ethical standards expected of business and government employees. It analyzes the legal and moral obligations imposed on these employees by custom, practice and law. It provides a detailed analysis of the development of standards of conduct for government officers and employees, especially the new Executive Order issued on April 12, 1989. Training programs for the defense industry and the government are discussed with emphasis on the initiatives designed to restore public confidence in the government procurement system. (KR)

Public money ought to be touched with the most scrupulous conscientiousness of honor. It is not the produce of riches only, but the hard earning of labor and poverty. It is drawn even from the bitterness of want and misery. Not a beggar passes, or perishes in the streets, whose mite is not in that mass.

- Thomas Paine

INTRODUCTION

It is commonly accepted, on the heels of corruption in every aspect of modern life, that ethics are what each of us thinks should govern the other fellow. Ethics is not a fad that is here today and gone tomorrow. It is a value shared by society as a whole. Our society is not perfect, but we place high value on good ethical conduct and consider that the norm in American society.

Recent media reports have highlighted the breakdown in ethical standards of Federal Government employees and former employees and defense contractors. While some of the breakdown can be attributed to criminal conduct and greed, basic ethical standards have been violated. The purpose of this paper is to examine the ethical values in business and government, provide an overview of the ethical standards expected of government officials and defense contractors, analyze the breakdown in the standards, and discuss various programs which exist to improve government and industry procurement activities and recommend improvements.

THE BASIS OF ETHICS IN BUSINESS

Ethics comes from a Greek word meaning "custom." In modern times it has come to be virtually synonymous with morality and is the science which seeks to determine the fundamental distinction between right and wrong human conduct. The mere fact that a certain practice is customary is no longer, if ever, accepted as evidence that is ethical or moral. As Socrates lamented, "The unexamined life is not worth living."¹

Various definitions of ethics include: principles of right or justice; morals; a science or set of moral principles; standards of conduct; whatever society decides is the right way.

Philosophers are not in agreement as to the scientific basis of ethics. Adam Smith, a Scotch professor of moral philosophy, who, in 1776, published the first systematic treatise of political economy and is known as the father of that science, found the basis of right and wrong in the principle of sympathy, but few philosophers have agreed with him.²

The Utilitarian school of philosophers regarded the greatest good of the greatest number as the fundamental principle of ethics; an act which causes more pain than pleasure, more suffering than happiness, does more harm than good and is wrong. The tenets of this school have been severely attacked, especially by theologians, as encouraging materialism and selfishness. Some philosophers have taught that men know right and wrong by intuition, while others have held that the canons or laws of morality are to be found only in the Bible and

could never have been known by men except through divine revelation.³ Except for this brief overview about the philosophical basis of ethics, I do not intend to examine that basis in depth.

In a civilized country, business sometimes gives rise to perplexing problems in ethics, the dividing line between right and wrong conduct is not perfectly clear, but as a rule all businessmen know perfectly well when they are violating the moral law. Their common sense, their judgment, tells them so. The conscience is at work when common sense or judgment is passing on the moral quality of an act.⁴

The study of business ethics is defined as the evaluation of those decisions of managers and corporate management which involve moral values. More specifically, the decisions involve taking actions which might differentially benefit or harm various stakeholders in the enterprises whether they be shareholders, employees, customers, suppliers, competitors, members of the community or the broader society within which the business enterprise operates.⁵

While the customary procedure is not always or necessarily the most ethical, nevertheless we may safely assume that any procedure, practice or policy is right and ethical if it has the general approval of the business community. The essence of practical ethics is undoubtedly found in the golden rule, "do unto others as you would have them do unto you."⁶

What are the moral obligations, the duties of the businessperson? Is it enough that he be honest in all his dealings? His reputation as an honest dealer, as a man who has never cheated a customer nor violated the law, is a valuable business asset. Has he, having earned this reputation, performed all his duties as a businessman? Business is a cooperative matter. Nothing much can be accomplished in it unless the employees and managers work together for a common result. The members of the corporate body cannot work side by side without a clashing of self-interest which gives rise to moral or ethical problems. It is evident that honesty cannot be regarded as the sole necessary virtue in business. Duty demands much more of a businessperson. Responsibility and duty are usually commensurate with power and authority; hence the head of a large business with many employees subject to his will carries upon his shoulders serious duties as well as responsibilities.

Over sixty years ago, these duties and responsibilities were summarized for business students in the following manner:

The relations of employer to employee are more than economic. They are personal and ethical. The businessperson who thinks of employees as so many tools or machines to be worked to the utmost and then scrapped, is a shameless violator of the moral law. It is the duty of the employer to see that his employees shall work under the best possible conditions, that their souls shall be properly replenished by variety of employment and by recreation, and that they shall have opportunity for mental growth. There is a sense in which it is absolutely true that an employer is the "keeper of his employees." The businessperson who denies it is ethically unsound.⁷

It can be argued that there is a special and, perhaps, far less demanding morality that applies to business and to people in the conduct of business. These arguments often suggest that business managers are motivated by a single overriding consideration: the pursuit of monetary gain. On this theory, businesspeople are allowed to ignore the effects their actions might have on everyone (employees, consumers, the general public), and make their decisions solely on the basis of calculations designed to maximize profit. For example, absent a showing of unfairness, the market will require that one's actions be fair. An employer who does not pay adequate wages will not get competent employees. A manufacturer who does not charge reasonable prices will lose business to competitors. This argument assumes that whether or not one's actions are fair, decent, moral, or just, should have no bearing on one's business decisions. Only what is profitable counts.⁸

The more enlightened and developing view of corporate business, however, decries this bottom line mentality:

Good ethics is good business. One need only look to the role model set by Johnson and Johnson during the Tylenol scare. Everyday business must be prepared to respond to the morning news. Commitment to proper conduct in both word and deed must occur at all levels. Espousal by top management is essential, but it doesn't stop there. Ultimately, integrity depends upon each employee. This can be achieved by having the individual bring his or her values inside the plant gate. Business must create an atmosphere whereby the good will not have an ethical lapse of judgment and do something justified only upon, "I'm doing it for the good of the company." Every

supervisor down to the first line has to feel the same strong sense of commitment to integrity. This is what the modern corporation is all about and is the heart of the corporate self-governance programs.⁹

Ethics is the study of good or bad, of moral duty and obligation. Ethics are society and time dependent--that is, they change with different societies and time. Ethical values or ethical standards are principles of conduct of how people ought to behave in certain situations. Business ethics is the search for and implementation of ethical values and standards in business situations. As one commentator notes, ethics is doing more than required and less than permitted. Good business conduct takes on a special meaning in the situation of doing business with the government. It means awareness of and conformity to the government contract and relevant government statutes and regulations.¹⁰

THE LAW AND BUSINESS ETHICS

All discussion of the relation of law to morals, of the relation of jurisprudence to ethics, goes back to the Greek thinkers of the fifth century before Christ, who inquired whether the right or the just was right and just by nature, or only by convention and enactment. In the Greek city-state, law was differentiated from a general social control as the normal and most efficient manner to control the populace. This proposition attracted the attention of thinkers as requiring a surer basis of obligation than the mere habit of obedience or the mere will of those who controlled political machinery for

the time being. The Greek philosopher noted that human laws and customs and observances were as diverse as possible, not only as between Greeks and other peoples, but as between the several Greek cities themselves, and even in the same city at different times.¹¹

The application of these arguments to the business world is clear. Society has decided that certain things (for example, paying wages below minimum) must not be done, while other things (affirmative action programs) must be done. Obedience to the laws embodying these decisions is required by the business morality we are considering. There is no right of conscientious objection to legal mandates. Beyond the law--and, of course, the market--however, business has no moral obligations. Whatever is not prohibited by the law is allowed; whatever is not required, need not be done.

Can it be argued that, in the business world, action within the law is morally sufficient in the conduct of business? There are many reasons that lead certain authors to adopt this view, ranging from the alleged uncertainty and disputability of extralegal rules of morality, to the competitive disadvantage a person in business would place on him or herself should he or she adopt (in the name of morality) self-restraints more stringent than those adopted by competitors.¹²

Operating in a free enterprise system does not mean by definition operating free of all moral constraints beyond the law. Although there is no moral problem with wanting to make a

profit, and indeed with wanting to make as much profit as one can, there is a moral problem with wanting to make a profit at the expense of harming other people. The excessive pursuit of profit ("greed," to give it a proper name) is harmful to the greedy person as well as to others affected by his or her actions. Greed causes a person to develop a narrow, inhibited view of life, and to become a slave to success and money. Greed has a destructive effect on health, friendships, and family.

It would be impossible for any legislature to enact statutes embodying all the prohibitions and imperatives of the moral law. Legislatures can do no more than make illegal such practices as are generally recognized to be unfair and harmful to the community. When they attempt to go further and prescribe specific rules of conduct for particular cases, they usually do more harm than good. Sometimes by too sweeping a law they render acts illegal which are in themselves neither culpable nor injurious to society. Ethically a man cannot justify himself by the plea that he keeps within the law. An act or practice may be entirely lawful and yet be immoral and unethical. It is possible for a businessperson to be morally criminal and depraved without violating a single law of the land.

Because of the varying conditions governing conduct in the different callings and because the law cannot possibly take them all into account, codes of ethics or rules of conduct have come into existence. In the old professions of law and medicine

these codes are clearly defined and are rigidly insisted upon by practitioners.

The professions claim the authority to define values for society in their areas of competence. As Everett Hughes states:

Lawyers not only give advice to their clients and plead their cases for them; they also develop a philosophy of law--of its nature and its functions, and of the proper way to administer justice. Physicians consider it their prerogative to define the nature of disease and of health, and to determine how medical services ought to be distributed and paid for. Social workers are not content to develop a technique of casework; they concern themselves with social legislation. Every profession considers it to be the proper body to set the terms in which some aspect of society, life or nature is to be thought of, and to define the general lines, or even the details, of public policy concerning it.¹³

An experienced Washington government contracts lawyer has observed:

Ethical behavior depends upon the context in which we are dealing. It is situational and time dependent. Ethics is a floating concept and should be based upon a consensus of the people involved. Ethical standards are artificially created standards which will vary from one society to another, from one profession to another, and oftentimes within segments of one's own profession.¹⁴

Cardinal principles of business conduct have been stated more or less forcefully, but there has been no universally accepted code of business ethics. Some have argued that such a code is impracticable, since different customs and conditions prevail in different businesses. The need for codes of ethics in business is clearly recognized, and in some fields definite progress is being made in formulating them.¹⁵

THE BASIS OF ETHICS IN THE GOVERNMENT

Where government is based on the consent of the governed, every citizen is entitled to have complete confidence in the integrity of his government. Each individual officer, employee, or advisor of government must help to earn and must honor that trust by his own integrity and conduct in all official actions.¹⁶

President Dwight D. Eisenhower recognized the "special" status and expectation of the Federal Government employee when he issued Executive Order No. 10530, on 10 May 1954, the first to prescribe standards of ethical conduct for government officers and employees.¹⁷

The Watergate Scandal of the early 1970's heightened interest in clarifying public expectations of high ethical conduct in government employees. The Ethics in Government Act of 1978 provided a statutory basis for ensuring a high standard of ethical conduct among officials in the Executive branch.¹⁸ The United States Office of Government Ethics was created to maintain these ethical standards.

The ethics programs of the Federal Government are highly decentralized. Responsibility for ethics training programs, compliance investigations or disciplinary actions rest with each Executive-branch agency.

Every day, the Department of Defense (DOD) awakens to some 57 laws and regulations governing principal conflicts-of-interest rules and matters of ethics and conduct. This includes two Executive Orders of the President, 26 citations from the United States Code (U.S.C.), or laws, four other public laws, three DOD directives, one directive each for the three military services, 14 regulations from the Federal Acquisition Regulation (FAR) and its Defense Supplement, and five other citations. Additionally, the Defense Inspector

General issued 25 "alert and beware" handbooks on ethics and conduct, including 14 on acquisition. Posters displaying the Code of Conduct and the Fraud, Waste and Abuse Hotline are everywhere.¹⁹

This array of rules and guidance is supplemented by requirements in the military services to teach ethics to all military personnel and civilian employees. In the words of one author, ". . . ignorance of ethics and conduct is naive and incredulous."²⁰

GOVERNMENT PROCUREMENT ISSUES

Packard Commission

The spare parts debacle in the early 1980's led to President Reagan's appointment of a Blue Ribbon Commission on Defense Management in 1985--popularly known as the Packard Commission. The Packard Commission undertook a national public opinion survey which produced disquieting opinions. Fifty percent of Americans believe that half of the defense budget is lost equally between fraud and waste. They also believe anyone involved in government procurement is likely to commit fraud, but defense contractors are especially culpable. Severe penalties for criminal acts are overwhelmingly supported. Nine out of ten Americans believe that fraud could have been reduced by codes of conduct, but only fifty percent believe that contractors will live up to a code. Finally, four out of five Americans believe that defense contractors should exhibit higher ethical standards than normal businesses. Americans appear to expect higher standards from defense contractors simply because

their conduct affects a larger number of people, both nationally and internationally.²¹ Additionally,

The defense budgets of \$300 billion represent a sizable, though necessary, contribution being made by the American taxpayer. Activities that improperly and unfairly increase that contribution must certainly and effectively be controlled by those who enjoy positions of national trust.²²

The Packard Commission concluded that Americans are overstating the facts with regard to fraud and waste. But their opinions affect support for programs, undermine crucial reforms, and harden the industrial base. The Packard Commission firmly stated that defense contractors assume higher responsibilities than the everyday business world. But defense contractors win no vote of confidence from the public.²³

Guidance from the Federal Government

Government agency rules are different and because they are different, we have different ethical standards in the Federal procurement process.

There is no lack of guidance from the Federal Government to the government contractor as to what constitutes proper conduct. There are numerous laws, for example: False Claims Act, False Statements, Conspiracy to Defraud, Mail Fraud, Trade Secrets Act, and Antikickback Act.²⁴ There are also laws governing classified information and retention of former government employees. Superimposed upon the laws are implementing regulations, court decisions and pronouncements by government officials.

A prominent government contracts attorney has observed:

One would imagine, given that behaving in an ethical manner is being in accord with approved standards of behavior, or following a professionally accepted code, that the definition of ethical behavior would be something determined by a consensus of the constituents of a particular society or profession. In the government contracting industry, there is no such dialogue and certainly no such consensus. Because the government enjoys the luxury of being able to determine whether or not someone is or can be a defense contractor, it has decided to take it upon itself to unilaterally determine what is ethical behavior for defense contractors. It has employed the tremendous leverage it possesses to force its own ethical notions down the throats of anyone who wants to be a government contractor. The government has now established the ethics of industry by imperial edict and the edicts take many forms: statutes, regulations, administrative actions, prosecutions, investigations of contractors, and testimony in Congress. All serve to impose the Federal Government's will on the defense industry.²⁵

Several defense contractors have expressed the view that whenever a problem develops, not clearly covered under existing rules, a new rule is drafted rather than using the strength of moral persuasion to prevent future transgression of proper conduct. The rules become very specific and reach the mundane. The tendency to reduce the gray area of conduct into a black or white rule creates a situation whereby the written rule becomes the standard. Judgment and integrity are supplanted by strict compliance to the rule. This may encourage "sharp practice," violation of the specific rule, and ultimately erosion of public confidence in the ability of the government to contract for its goods and services.²⁶

THE SOLUTION

We must work together to reform a public code of conduct that is in disarray. It is not logical or fair. It is both too harsh and too lenient. It elevates detail over substance; precept over principle. Such a system ultimately breeds cynicism and contempt for the law. To truly reform it, we must remember that standards of trust and honesty are not dictated from regulations written in Washington. Ethics in public service derive from the natural integrity of the American people. They are to be found in the everyday conduct of working men and women; in the postman who checks on the elderly resident at home; in the cashier who runs after the customer she overcharged. The millions of Americans who meet their obligations honestly, and teach their children to do the same, see nothing extraordinary about asking the same of their government. The American people are troubled when they hear of officials in every branch of government who show a brazen contempt for the letter or spirit of the law.²⁷

On January 25, 1989, President Bush issued Executive Order 12668, creating the eight member President's Commission on Federal Ethics Law Reform. On March 9, the Commission filed its report and its recommendations.²⁸

As a result of the Commission's actions, on April 12, 1989, President Bush submitted the Government-Wide Ethics Act of 1989 to Congress and issued an Executive Order announcing ethical principles for the conduct of Executive-branch employees.²⁹ Both actions sought a common end: to raise ethical standards, to avoid conflicts of interest, and to ensure that the law is respected in fact and appearance. A key feature of the Executive Order is the consolidation of all Executive-branch standards of conduct regulations into a single set of

regulations developed by the Office of Government Ethics (OGE). Agencies may supplement the standards only with OGE approval.

Defense Industry Initiatives (DII)

The Packard Commission applauded the Defense Industry Initiatives on Business Ethics and Conduct. There are 46 signatories to the set of six principles of business ethics and conduct. The signatories are committed to adopting and implementing the principles; creating an environment of compliance with federal procurement laws; and the free, open, and timely reporting of violations as the felt responsibility of every employee in the defense industry. The signatories agree to take the leadership in making the principles a standard for the entire defense industry.³⁰

The six principles and eighteen questions require the defense contractor to adhere to a written code; train employees as to their personal responsibilities under the code; create an atmosphere whereby an employee can report violations without fear or retribution; self-govern by monitoring compliance and adopting procedures for making disclosures to the Federal Government: promise to each of the other companies to live by the standards; and submit to public accountability.³¹

Corporate Self-Governance Programs

Defense contractors have developed an infrastructure to support their commitment. The slogan, "Quality is Job #1,"

needs quality assurance people to ensure its fulfillment. Likewise with integrity, it helps to have someone organizationally responsible and unencumbered by competing workplace demands. Thus, Director of Ethics positions have been established in many companies--not as policemen but as communicators of values. Because ethics personnel are dealing with issues that impact on people, the ethics function fits well in the human resources department. However, they may be found in a separate department or in the legal or contract compliance departments. Normally, they have direct reporting responsibility to the CEO or similar key executive which gives the function visibility and demonstrates commitment.

Steering committees comprised of key management have been established to develop, execute, and monitor comprehensive ethics programs. Vulnerability assessments are being performed. These assessments address the "hot" items of the day. In the defense industry, at the moment, the issues are kickbacks, consultants, and teaming.³² All employees are involved. Goals and objectives are being assigned that will result in good ethics. Contradictory demands upon the employees are being evaluated to be sure that they do not create pressures that could cause ethical lapses. Corporate management is demonstrating courage by having employees participate in self audits of individual departments to see if rules and procedures are being followed and if changes should be made. Monitoring for compliance occurs at various organizational levels--from

first-line supervisors to the CEO. A variety of departments are assuming affirmative responsibilities. Internal audit departments are expanding and dedicating more resources to government compliance issues. Also, external auditors are reviewing self-governance efforts. The current focus of self-governance has resulted in new programs being established. Employees are more conscious of their responsibilities. They are asking questions and raising concerns. Management is dealing with the issues.³³

Training

Training is essential. It is expensive, but it's cheaper than the alternative. Ethics training can be viewed as consisting of three categories: code awareness; ethical decision-making; and compliance training. Code awareness training simply means that all employees know the values that guide their company. Some of the codes are rule-oriented, but as the codes mature, the legalistic documents are giving way to readable guidelines that reintroduce judgment with practical advice and specific examples of acceptable and unacceptable conduct. Ethical decision-making training is a key to the ethical behavior of corporations. This is where the ethicists are making their presence known and providing a service to business. Compliance training is a must. No question should exist as to what is expected of the individual under the laws and regulations in which the company operates.

Communicating

Communicating is a long-term process which is being integrated into all forms of media by the defense contractors. Gimmicks, highlighting ethics, work only after a program is established. They serve to remind--not to establish. Hotlines serve a very useful purpose. Information and violation reporting lines have been established. The more information hotlines in existence, the better the employee is served. The employee can get an authoritative answer that reflects current changes, rather than the experience-based answer from the individual's supervisor. In this age of government contracting, the experience-based answer may be laid on a weak premise. Conduct five years ago, e.g., hiring a consultant on a DOD contract, may now portend drastic consequences for the company. The established hotlines that include violation reporting show that 75-80% of the contacts are asking questions about proper business practices rather than reporting fraud mismanagement or violations of the company's conflict-of-interest rules.³⁴

Voluntary Disclosure

Companies are voluntarily disclosing to the appropriate authorities noncompliance with contract terms or potential fraud. Normally, there must be some sort of inquiry to determine if there is any substance to the suspect activity. Next, is it material? Factors evaluated for materiality are: nature of the act, e.g., cheating, why did the act occur, does

it affect contract price (dollar impact), quantity, quality or performance. "When" it must be disclosed may be determined by statute, e.g., Antikickback Act requires "prompt" disclosure.³⁵

For a disclosure to be voluntary, it must meet four requirements: (1) the activity disclosed is not about to be discovered by the government through audit, investigation or other means; (2) disclosure only operates on behalf of the business entity; (3) prompt and complete corrective action to include reporting disciplinary action taken is required; and (4) the contractor must thereafter fully cooperate with the government. For the disclosure to be accepted into the DOD Voluntary Disclosure Program, the contractor must disclose sufficient information about the civil or criminal fraud, with underlying facts, to permit the Assistant Inspector General for Criminal Investigations Policy and Oversight, Office of the Inspector General, DOD, to make inquiries throughout the government and judgments as to audit and investigations.³⁶

The DOD Voluntary Disclosure Program is not an amnesty or immunity program. It promises a focused, unified and speedy resolution. Contractors have faced criminal convictions and severe penalties after voluntary disclosure. However, they have been permitted to continue doing business with the government. The promises for a focused and unified approach are being realized, but the resolutions have not been speedy. The voluntary disclosure aspect of self-governance is a legal nightmare of issues: attorney-client privileges, attorney work

product, adequacy of internal investigation, constitutional torts, adequacy of disclosure, defamation and invasion of privacy, wrongful termination, EEO and labor claims, just to name a few.

Issues for the Government

All government personnel must be trained in their obligations, standards of conduct and professional behavior. Audit and investigate aggressively, but stop the numbers game. Stop substituting formulas for judgment and common sense and look to the intent versus the letter of the regulations. Numbers and statistics do not substitute for judgment or leadership. Exercise restraint in drafting new regulations to address every potential abuse. Compliance with existing regulations is already costing the taxpayer untold millions of dollars. The cost/benefit tradeoff should be objectively considered prior to introducing any additional legislation. Finally, for weapon system contracts, provide all contractors with adequate information as to the government's intentions and limitations. The stakes are so great in obtaining the award of new weapon systems that companies are at the mercy of the government. The government is requiring contractors to invest substantial capital. As a result, failure to win the award or future termination of the contract may mean the dissolution of a company. When the government felt hostage to the defense industry, the Truth-In-Negotiations Act was passed requiring

contractors to disclose current, accurate and complete data. The defense contractors are now hostage to the government.³⁷

CONCLUSION

Government and industry must work together to eliminate the root causes of unethical conduct and behavior rather than treating symptoms by passing new rules. Government and industry need to exhibit mutual respect for each other and work at arm's length rather than working in an adversarial relationship. Government and industry must gain the respect of the public through deed rather than public relation ploys. Government and industry should reward good ethical conduct rather than statistical results which may be laid on false premises and/or lead to unethical behavior. Government and industry must give self-governance an opportunity to mature rather than rushing to judgment over a few human moral failures while thousands are working ethically and responsibly. Corporate self-governance programs are not paper tigers. They have substance. They will result in a more responsible industry as the programs spread to the suppliers and subcontractors.

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21. United States. President's Blue Ribbon Commission on Defense Management, "Conduct and Accountability," A Report to the President, Washington: The Commission, 1986, pp. 2-3.

22. Charles D. Cooper, "Defense Procurement and the Beggar's Mite," The Retired Officer, October 1988, p. 4.

23. United States. pp. 3-5.

24. U.S. Laws, Statutes, etc., United States Code, Title 18, Sec. 287 (False Claims Act); Title 18, Sec. 1001 (False Statements); Title 18, Sec. 286 (Conspiracy to Defraud in Connection with Claims); Title 18, Sec. 1341 (Mail Fraud); Title 18, Sec. 1343 (Wire Fraud); Title 18, Sec. 201-208 (Bribery, Gratuities, Conflicts of Interest); Title 18, Sec. 1905 (Trade Secrets Act); Title 41, Sec. 54 (Antikickback Act).

25. Crowell. Cited with special permission of Mr. Crowell.

26. Kile. Cited with special permission of Mr. Kile.

27. President George Bush, Remarks to the American Society of Newspaper Editors, Washington, 12 April 1989.

28. President's Commission on Federal Ethics Law Reform, "Report and Recommendations to the President," Washington, 9 March 1989.

29. "Executive Order _____: Principles of Ethical Conduct for Government Officers and Employees," in United States Code Congressional and Administrative News, 101st Cong., 1st Sess. St. Paul: West Publ. Co., April 12, 1989, Vol. _____.

30. United States. President's Blue Ribbon Commission on Defense Management, "A Quest for Excellence," Appendix, Final Report to the President, Washington: The Commission, 1986, pp. 17-22; 251-273.

31. "Defense Industry Initiatives on Business Ethics and Conduct," in 1987 Annual Report to the Public and the Defense Industry, Washington, Ethics Resource Center, Inc., January 1988.

32. Kile. Cited with special permission of Mr. Kile.

33. Ibid.

34. Ibid.

35. Derek Vander Schaaf, Department of Defense Deputy Inspector General, letter to defense contractors, 9 March 1987. Under the Antikickback Act, "prompt" is interpreted to mean "at the earliest instance that a reasonable basis exists for any allegation."

36. "Voluntary Disclosure Program," in Semiannual Report to the Congress, Washington, Department of Defense Inspector General, November 29, 1988. As of the date of this report, the Department had received 113 disclosures that recovered \$53 million.

37. Kile. Cited with special permission of Mr. Kile

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