Integrity in Defense Procurement

IACC – Guatemala City
7.1 Defence Industry & Government Against Corruption

Steven A. Shaw, SES
Deputy General Counsel
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### Why We Care:

**U.S. Department of Defense**

Recent Annual Procurements

<table>
<thead>
<tr>
<th></th>
<th>Top 50</th>
<th>Total</th>
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<tbody>
<tr>
<td>Air Force</td>
<td>43.9</td>
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<tr>
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<td>Navy</td>
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<td>ODA</td>
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$136.1 \quad \text{Total} \quad $208.8
Carrot & Stick

Responsible Contractors
- Criminal charges limited to individuals
- Assist in remedial measures
- Encourage ethics programs

Non-Responsible Contractors
- Criminal charges
- Civil Judgments
- Debarments
Debarring & Suspending “Official”
- Each department head
- Delegated to senior official
- Air Force
  - Deputy General Counsel

Mechanism to list names on web
Remedy – federal district courts
Effect

- Ineligibility for new contracts

http://epls.arnet.gov/
Misconduct

- Crimes --- re: integrity
- Contract Performance
  - “Willful” failure to perform or
  - History of poor performance
- Any other “serious” cause
Boeing Allegations

1998 Allegations
- 25,000 LM documents stolen by Boeing in $15 billion
- Ethics program unclear
- Limited disclosures
- PIA compliance training insufficient
- No management recognition

Druyun Hiring Allegations
- Internal investigation fully disclosed
- Full communication with customers
- Strong management ownership
- Termination of employees
- No evidence of corporate responsibility
Factors in Demonstrating Responsibility

- Standards of Conduct
- Voluntary Disclosure
- Disclosed Internal Investigation
- Full Cooperation
- Paid Costs/Restitution
- Plead Guilty in Criminal Case
- Disciplined Employee

- Agreed to Implement Remedial Actions
- Effective Ethics Program
- Management Recognition of Problem
# US Defense Debarments

<table>
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</table>
Enables contractors to compete on level playing field
- Common standards of conduct
- Sharing of best practices
- Benchmarking ethical culture

Demonstrates present responsibility to Government regulators

Increases public confidence
Steven A. Shaw

US Air Force
Deputy General Counsel

- 703-588-0057
- 703-588-1045 (fax)
- Steven.shaw@pentagon.af.mil
- Department of the Air Force, SAF/GCR, Suite 204, 4040 N. Fairfax Drive, Arlington, VA 22203