Defense Procurement
Corruption – Lessons from the U.S. Experience

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Understanding the U.S. Procurement System
Defense Spending Dominates U.S. Procurement

- **Total Fed Procurement (FY04)**
- **DoD Procurement (FY04)**

(In $Billions)
Goals, Principles, Constraints?

- Transparency
- Integrity (Corruption Control)
- Competition
- Uniformity
- Risk Avoidance
- Wealth Distribution
- Best value
- Efficiency (administrative)
- Customer Satisfaction

Competing Policies and Aspirations
Historical Progression

Sealed Bids → Negotiated Procurements → “Frameworks” Contracting
Impact of Shift to “Frameworks”
Contracting

- Competition
- Procurement
- Integrity
- Transparency
Bad Actors

Some Obvious Problems
Darleen Druyun

• Previously highest-ranking civilian official in Air Force procurement systems
• Convicted of improper job negotiations with Boeing
• Admitted favoring Boeing in hundreds of millions of dollars in procurement
• Sentenced to prison
• $650M Boeing settlement
“They [Airbus] came in a couple of weeks ago and offered to build the majority [of the tankers] here in America. . . . I am not sure where this will lead, but the benefits of competition may be revealing....”
“Mike, you must be out of your mind!!!”
AF Secretary JAMES ROCHE
More Obvious Problems

Ex-Aide To Bush Found Guilty
Safavian Lied in Abramoff Scandal
By Jeffrey H. Birnbaum
Washington Post Staff Writer
Wednesday, June 21, 2006; Page A01

Congressman resigns after bribery plea
California Republican admits selling influence for $2.4 million
Monday, November 28, 2005
(CNN) -- Rep. Randy "Duke" Cunningham
Combating Corruption

- Human capital – to bolster procurement system from within
  - Proper staffing
    - Qualification, Recruiting, Training, Retention, Incentives

- A Culture of Anti-Corruption
  - At leadership levels: costs of corruption
    - Creates large, albeit unstable, coalitions aligned against governing party
  - At field level: how to instill ethics in those in public service – public and private?
Other Causes for Concern:
Outsourcing of Procurement Positions

Which code of ethics –
government or contractor’s?
## How Guidelines and DFARS Compare

<table>
<thead>
<tr>
<th>Sentencing Guidelines</th>
<th>DFARS 203.7001</th>
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<tbody>
<tr>
<td>1. Standards and procedures</td>
<td>Code of Ethics</td>
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<tr>
<td>2. Knowledgeable leadership</td>
<td></td>
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<tr>
<td>3. Exclude risky personnel</td>
<td></td>
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<td>4. Training</td>
<td>Training</td>
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<tr>
<td>5. Monitor, evaluate, reporting</td>
<td>Periodic review; audits; hotline</td>
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<tr>
<td>hotline</td>
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<tr>
<td>6. Incentives and discipline</td>
<td>Discipline</td>
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<tr>
<td>Adjust program to risk</td>
<td></td>
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<tr>
<td>Self-reporting = sentencing factor</td>
<td>Timely reporting to government</td>
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<tr>
<td>Cooperation = sentencing factor</td>
<td>Full cooperation with government</td>
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United Nations
Initiatives
<table>
<thead>
<tr>
<th><strong>UN Convention Against Corruption (Art. 9)</strong></th>
<th><strong>UNCITRAL Model Procurement Law</strong></th>
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<tbody>
<tr>
<td>Public Information</td>
<td>Yes</td>
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<tr>
<td>Advance award criteria and publication</td>
<td>Yes</td>
</tr>
<tr>
<td>Objective and predetermined criteria for award</td>
<td>Yes</td>
</tr>
<tr>
<td>Bid protest and appeal</td>
<td>Maybe</td>
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<tr>
<td>Measures to control procurement personnel – e.g., rules and codes</td>
<td>No</td>
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<tr>
<td>Transparency, including in budgeting and accounting</td>
<td>Yes</td>
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Conclusion

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