



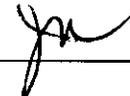
ACQUISITION
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACTION MEMO

October 29, 2008. 4:00 pm

FOR: UNDER SECRETARY OF DEFENSE (AT&L)

DUSD (A&T)  NOV - 3 2008

FROM: DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION POLICY, AND
STRATEGIC SOURCING 

SUBJECT: Panel on Contracting Integrity Implementation of Action 2c, "Implementing
Processes to Measure the Consistency of Tone at the Top"

- The memorandum at TAB A issues policy emphasizing the need to implement processes to measure the consistency of tone at the top, the ethical atmosphere created by the organization's leadership.
- Section 813 of the John Warner National Defense Authorization Act for FY 2007 (TAB B), directed the establishment of a "Panel on Contracting Integrity" composed of a DoD-wide cross-section of senior contracting leaders to eliminate areas of vulnerabilities within the defense contracting system that allow fraud, waste, and abuse to occur. The memorandum implements one of the Panel's recommended actions (TAB C) listed in its 2007 Report to Congress and responds to a recommendation in GAO-06-838R (TAB D).
- The memorandum notes that inculcating shared values in an organization requires frequent reinforcement and language appropriate to each audience. It shares ideas about best practices to build a values-based culture and encourages senior leaders of the DoD Components to incorporate them frequently in various events. This is one of several steps to promote the kind of leadership necessary to drive ethics to the forefront of organizational behavior.

RECOMMENDATION: Sign the memorandum at TAB A.

COORDINATION: DoD coordination stakeholders are at TAB E, and the Panel on Contracting Integrity Panel member coordinations are at TAB F.

Prepared By: Sandra Ross, DPAP/CPIC, 703-695-9774, sandra.ross@osd.mil,
USA0001697-08.





ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

NOV 08 2008

MEMORANDUM FOR: SEE DISTRIBUTION

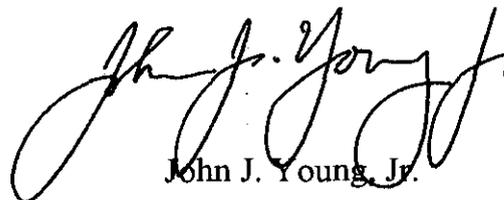
SUBJECT: Implementing Processes to Measure Consistency of Tone at the Top

Section 813 of the John Warner National Defense Authorization Act for FY 2007 (Pub. L. 109-364) directed the Department to establish a "Panel on Contracting Integrity" composed of a DoD-wide cross section of senior leaders to eliminate areas of vulnerabilities within the defense contracting system that allow fraud, waste, and abuse to occur.

The Panel pointed to inconsistency of tone at the top as a contracting vulnerability and identified ways to improve Contracting Integrity (attached). Discussing these issues at every opportunity – in meetings and forums, within your community, and with industry – will help us achieve the highest standards of integrity. At a time when the confidence of the public in many institutions is questioned, we must insist on transparency in our procurement system.

Please make acquisition integrity the center of your everyday decision making and culture. It has to start at the top.

Sincerely,



John J. Young, Jr.

Attachment:
As stated



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AND STRATEGIC SOURCING
DIRECTOR, PORTFOLIO MANAGEMENT
DIRECTOR, SMALL BUSINESS PROGRAMS

ATTACHMENT

Methods to Improve Contracting Integrity

- Communicate values and expected behavior clearly and convincingly. Hold leaders accountable for establishing an ethical culture. State that unethical conduct will not be tolerated. When conducting a staff meeting or offering remarks, discuss the organization's values as well as its mission. Emphasize the importance of our responsibilities as guardians of the public purse and the primacy of our responsibility to the taxpayers. Frequent communication is important. It takes time for the tone at the top to filter down through the organization.
- Remove the perception that ethics is the general counsel's responsibility, rather than everybody's responsibility. Address ethics at offsites with senior leadership, at town hall meetings, and in other intra-agency communications. Continually reinforce ethics through communications. Be consistent in your message that integrity is essential; do not ignore, joke about, or dismiss it off line or when you are talking to smaller groups.
- Lead by example. Make it clear that you will not tolerate compliance risks. Convey with your actions that compliance, credibility, and long-term reputation are more important than short-term gains. Extend the talk to private industry, requiring activities, and others to prevent product substitution, mischarging, defective pricing, progress payment fraud, and antitrust violations.
- Make ethics and compliance part of your regular education and training efforts; go beyond prepared briefings to embrace well-conceived, real-life situations and dialogue. Address ethics as they relate to issues at hand. Consistently follow and enforce the Joint Ethics Regulation, including conducting annual ethics training, and require completion of the Defense Acquisition University's Continuous Learning Module on Ethics. Include fraud prevention and detection training.
- Assign authority and responsibility appropriate to the individual. Place individuals in situations where they are able to succeed. Make integrity part of the promotion, compensation, and evaluation processes. Including an ethics or integrity objective in performance plans and appraisals reinforces the importance of integrity.
- Examine and monitor your management control systems.
- Punish unethical actions. Consistent discipline requires strict adherence to the prescribed disciplinary measures. If there is an ethical or legal lapse, be candid about it, acknowledge it, and do not try to minimize it.

- Remind your people of safe mechanisms for reporting violations. Ensure that all personnel know whom to contact to report misconduct. Promote the anti-fraud hotline and ensure confidentiality of reports. Communicate leadership pledge to the whistleblower protection policy to prevent reprisals by superiors and coworkers.
- Refer to the provisions in the Joint Contingency Contracting Handbook to ensure we adhere to our ethical values under the pressure of a contingency/combat environment.

(k) **MAJOR WEAPON SYSTEM DEFINED.**—In this section, the term “major weapon system” means a weapon system that is treatable as a major system under section 2302(5) of title 10, United States Code.

SEC. 813. ESTABLISHMENT OF PANEL ON CONTRACTING INTEGRITY.

(a) **ESTABLISHMENT.**—

(1) **IN GENERAL.**—The Secretary of Defense shall establish a panel to be known as the “Panel on Contracting Integrity”.

(2) **COMPOSITION.**—The panel shall be composed of the following:

(A) A representative of the Under Secretary of Defense for Acquisition, Technology, and Logistics, who shall be the chairman of the panel.

(B) A representative of the service acquisition executive of each military department.

(C) A representative of the Inspector General of the Department of Defense.

(D) A representative of the Inspector General of each military department.

(E) A representative of each Defense Agency involved with contracting, as determined appropriate by the Secretary of Defense.

(F) Such other representatives as may be determined appropriate by the Secretary of Defense.

(b) **DUTIES.**—In addition to other matters assigned to it by the Secretary of Defense, the panel shall—

(1) conduct reviews of progress made by the Department of Defense to eliminate areas of vulnerability of the defense contracting system that allow fraud, waste, and abuse to occur;

(2) review the report by the Comptroller General required by section 841 of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109-163; 119 Stat. 3389), relating to areas of vulnerability of Department of Defense contracts to fraud, waste, and abuse; and

(3) recommend changes in law, regulations, and policy that it determines necessary to eliminate such areas of vulnerability.

(c) **MEETINGS.**—The panel shall meet as determined necessary by the Secretary of Defense but not less often than once every six months.

(d) **REPORT.**—

(1) **REQUIREMENT.**—The panel shall prepare and submit to the Secretary of Defense and the congressional defense committees an annual report on its activities. The report shall be submitted not later than December 31 of each year and contain a summary of the panel’s findings and recommendations for the year covered by the report.

(2) **FIRST REPORT.**—The first report under this subsection shall be submitted not later than December 31, 2007, and shall contain an examination of the current structure in the Department of Defense for contracting integrity and recommendations for any changes needed to the system of administrative safeguards and disciplinary actions to ensure accountability at the appropriate level for any violations of appropriate standards of behavior in contracting.

(3) INTERIM REPORTS.—The panel may submit such interim reports to the congressional defense committees as the Secretary of Defense considers appropriate.

(e) TERMINATION.—The panel shall terminate on December 31, 2009.

SEC. 814. LINKING OF AWARD AND INCENTIVE FEES TO ACQUISITION OUTCOMES.

(a) GUIDANCE ON LINKING OF AWARD AND INCENTIVE FEES TO ACQUISITION OUTCOMES.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall issue guidance, with detailed implementation instructions (including definitions), for the Department of Defense on the appropriate use of award and incentive fees in Department of Defense acquisition programs.

Deadline.

(b) ELEMENTS.—The guidance under subsection (a) shall—

(1) ensure that all new contracts using award fees link such fees to acquisition outcomes (which shall be defined in terms of program cost, schedule, and performance);

(2) establish standards for identifying the appropriate level of officials authorized to approve the use of award and incentive fees in new contracts;

(3) provide guidance on the circumstances in which contractor performance may be judged to be “excellent” or “superior” and the percentage of the available award fee which contractors should be paid for such performance;

(4) establish standards for determining the percentage of the available award fee, if any, which contractors should be paid for performance that is judged to be “acceptable”, “average”, “expected”, “good”, or “satisfactory”;

(5) ensure that no award fee may be paid for contractor performance that is judged to be below satisfactory performance or performance that does not meet the basic requirements of the contract;

(6) provide specific direction on the circumstances, if any, in which it may be appropriate to roll over award fees that are not earned in one award fee period to a subsequent award fee period or periods;

(7) ensure consistent use of guidelines and definitions relating to award and incentive fees across the military departments and Defense Agencies;

(8) ensure that the Department of Defense—

(A) collects relevant data on award and incentive fees paid to contractors; and

(B) has mechanisms in place to evaluate such data on a regular basis;

(9) include performance measures to evaluate the effectiveness of award and incentive fees as a tool for improving contractor performance and achieving desired program outcomes; and

(10) provide mechanisms for sharing proven incentive strategies for the acquisition of different types of products and services among contracting and program management officials.

(c) ASSESSMENT OF INDEPENDENT EVALUATION MECHANISMS.—

(1) IN GENERAL.—The Secretary of Defense shall select a federally funded research and development center to assess

Panel on Contracting Integrity Actions for Implementation in 2008

1. Current Structure of Contracting Integrity
<ul style="list-style-type: none"> • DPAP to reinforce the reporting and evaluation requirements in DoD Instruction 5000.66. • CAEs/SPEs self-certify compliance with the reporting and evaluation requirements of DoDI 5000.66, identifying any exceptions, every two years. • CAEs/SPEs self-certify, every two years to DPAP, compliance with DFARS 203.170 separation of duties.
2. Sustained Senior Leadership
<ul style="list-style-type: none"> • Develop metrics for Senior Leadership Positions in Contracting for application DoD-wide. OUSD issue policy memorandum to require DoD components to monitor and report these positions on a semi-annual basis to preclude allowing long-term “acting” leaders in senior leadership positions in Contracting. Using the metrics, OUSD should develop succession lists for temporary “acting” filling of positions; to monitor projected vacancies & initiate selection and nomination processes before vacancies occur. • Performance plans for all senior leaders in the Department, whether under a SES Pay for Performance System or NSPS, specifically include an integrity or ethics objective. • Implement processes to measure the consistency of tone at the top.
3. Capable Contracting Workforce
<ul style="list-style-type: none"> • DPAP and senior contracting leaders determine appropriate workforce size. • DPAP and senior contracting leaders develop initial human capital-planning addendum to AT&L Human Capital Strategic Plan. • DPAP and senior contracting leaders resource and implement responsive human capital strategies and supporting recruiting, hiring and retention initiatives (including intern/coop programs).
4. Adequate Pricing
<ul style="list-style-type: none"> • Develop a coordinated Contract Policy Execution Review Plan that recognizes Department-wide risks, promotes consistency in procurement policy execution across all components, and encourages peer review. • Assess need for revised/additional training on competition requirements and differing pricing alternatives. • Change commercial item definition by deleting the “of a type” phrase and revising the language, “offered for sale” to “has been sold.” If this requires a change to law, consider developing a legislative proposal.
5. Appropriate Contracting Approaches & Techniques
<ul style="list-style-type: none"> • In Interagency Contracting, strengthen pre- and post-award oversight processes, including implementation of January 18, 2008, policy to consider assisting agencies’ fees during the business planning process. • Examine Department-wide strategy to assess reliance on interagency contracts. • Explore means for strengthening competition advocate programs for multiple award Indefinite Delivery/Indefinite Quantity contracts DoD-wide, with focus on increasing competition at task order level.
6. Sufficient Contract Surveillance
<ul style="list-style-type: none"> • Review Contracting Officer Representative (COR) functions/responsibilities; develop certification standard. • Mandate COR assignment prior to contract award. • Process COR appointment through management; ensure performance reviews include COR performance.
7. Contracting Integrity in a Combat/Contingent Environment
<ul style="list-style-type: none"> • Improve training by leveraging Marine Corps and Air Force training capabilities. • Improve training on how to run a contracting office in a combat/contingent environment. • Sub-groups review Fraud Indicator Training and Continuity Book/Contracting Office Transition Plan.
8. Procurement Fraud Indicators
<ul style="list-style-type: none"> • Create a DAU Online Training Module on Procurement Fraud Indicators and Risk Mitigation. • In conjunction with DoDIG, update the DoDIG Procurement Fraud Handbook. • Create a web page on procurement fraud information.
9. Contractor Employee Conflicts of Interest
<ul style="list-style-type: none"> • USD(AT&L) issue a policy memorandum stating that advice from contractors’ employees should be free from personal conflicts of interest and requiring contracting officers to request each contractor employee sign a certification regarding personal conflicts of interest • Draft a DFARS clause prohibiting contractor employee conflicts of interest. • Recommend DoD implementation of actions in response to GAO 08-485 and GAO-08-360.
10. Recommendations for Change
<ul style="list-style-type: none"> • Draft a legislative proposal to amend the Program Fraud Civil Remedies Act of 1986 or draft a stand alone statute. • Establish a Department of Defense-wide Value based Ethics Program. • Submit for formal DoD coordination a legislative proposal to permit the federal agencies to retain fraud recovery funds.



G A O

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United States Government Accountability Office
Washington, DC 20548

July 7, 2006

The Honorable John Warner
Chairman
The Honorable Carl Levin
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Member
Committee on Armed Services
House of Representatives

Subject: *Contract Management: DOD Vulnerabilities to Contracting Fraud, Waste, and Abuse*

In recent years, the Department of Defense (DOD) has increasingly relied on goods and services provided by the private sector under contract. Since fiscal year 2000, DOD's contracting for goods and services has nearly doubled, and this trend is expected to continue. In fiscal year 2005 alone, DOD obligated nearly \$270 billion on contracts for goods and services. Given the magnitude of the dollar amounts involved, it is essential that DOD acquisitions be handled in an efficient, effective, and accountable manner. In other words, DOD needs to ensure that it buys the right things, the right way.

Enacted January 6, 2006, the National Defense Authorization Act for Fiscal Year 2006¹ required us to review DOD's efforts to identify and assess the vulnerability of its contracts to fraud, waste, and abuse. We reviewed the areas of vulnerability that DOD faces with regard to contracting fraud, waste, and abuse, and the recent initiatives that DOD has taken to address these vulnerabilities, including actions DOD has taken in response to a March 2005 Defense Science Board report on management oversight in acquisition organizations.

Because of the limited time available to conduct our work, we relied heavily on a review of GAO and DOD Office of the Inspector General (DOD IG) reports issued over the past 5 years (listed in app. I) supplemented by interviews with senior acquisition policy, general counsel, and investigative service officials at the Office of the Secretary of Defense level and within each of DOD's military departments. We also reviewed relevant studies prepared by or for DOD, the most notable of which is the report written by the Defense Science Board, a panel of high-level

¹ Pub. L. No. 109-163, sec. 841.

outside experts that conducts analyses and advises DOD's top leadership on such areas as scientific and technical issues and acquisition processes. We met with a Department of Justice task force established to address contract fraud. To identify recent DOD initiatives, we interviewed senior acquisition officials and reviewed applicable policy memorandums and management oversight reports. We focused on DOD activities and actions rather than on contractor actions and efforts. Several contracting-related terms are used in this report and are described in appendix II. We conducted our review between February and June 2006 in accordance with generally accepted government auditing standards.

Summary

DOD faces vulnerabilities to contracting fraud, waste, and abuse due to weaknesses in five key areas: sustained senior leadership, capable acquisition workforce, adequate pricing, appropriate contracting approaches and techniques, and sufficient contract surveillance. Because of numerous concerns about control weaknesses in these areas and others, GAO has had contract management on its list of high-risk² areas since 1992.³ DOD's recent reports and studies, plus our discussions with senior DOD acquisition officials, point to specific weaknesses in these five areas. One of the senior leadership issues pertains to the tone at the top, which includes leadership's commitment or lack of commitment to sound acquisition practices.⁴ DOD has emphasized making contract awards quickly; sometimes, however, the focus on speed has come at the expense of sound contracting techniques. Increased demands on the acquisition workforce have led to vulnerabilities in contract pricing and competition and in the selection of the most appropriate contracting techniques. Some practices have led to insufficient contract surveillance, and such surveillance is essential for ensuring that contractors provide quality goods and services as required by their contracts. For each instance in which an area of vulnerability affects a contract award or execution, DOD risks paying contractors more than the value of the goods and services they provide.

DOD has taken several steps to address the above contracting vulnerabilities. In particular, DOD initiated a Defense Science Board review in November 2004, after a high-level Air Force official pled guilty to a conflict-of-interest and admitted giving favorable treatment to a large DOD contractor in negotiations and contract awards involving billions of dollars. In March 2005, the Defense Science Board concluded that nothing in the department's existing general acquisition structure or policies would prevent contracting malfeasance such as that carried out by the senior Air Force official from happening again. The board also made 20 recommendations to address its concerns. In response, the Office of the Under Secretary of Defense for Acquisition, Technology, and

² GAO's high-risk designation is given to major programs and operations that need urgent attention and transformation in order to ensure that our national government functions in the most economical, efficient, and effective manner possible. It also emphasizes programs that at high risk because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement.

³ GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

⁴ "Tone at the top" refers to management's philosophy and operating style, which sets the degree of risk the organization is willing to take in its operations and programs, including the acquisition function.

Logistics (AT&L) has begun several initiatives, including issuing numerous memorandums to acquisition personnel reemphasizing their roles and responsibilities related to ethical conduct and revitalizing ethics training. AT&L also asked each military service in November 2004 to assess its own acquisition functions. In March 2006, AT&L completed its analysis of the military services' self-assessments and proposed six recommendations to address weaknesses in the oversight, source selection, and contract award processes to improve the integrity of DOD acquisition decisions. The military services and DOD have taken other steps to address fraud, waste, and abuse. Two of the military services established the Procurement Fraud Working Group, a DOD-wide grassroots forum for acquisition personnel to discuss ways to better address vulnerabilities to contracting fraud. The working group recently developed a Web-based community of practice to allow the immediate dissemination of information. Since September 2004, DOD has issued several policy memorandums to improve the oversight of the department's use of interagency contracts and time and materials contracts. In addition, the military services have each undertaken specific initiatives, which range from creating new offices to focus audit and investigative efforts on areas of vulnerability to promoting general awareness about fraud through training and newsletters. Because the recent initiatives are still in their early stages, it is too soon to determine what impact they may have on reducing vulnerabilities to contracting fraud, waste, and abuse. We provided a draft of this letter to DOD for comment. The Department concurred with our findings.

Background

DOD defines fraud, waste, and abuse in the following ways:

- **Fraud** is any intentional deception taken for the purpose of inducing DOD action or reliance on that deception. Fraud can be perpetrated by DOD personnel—whether civilian or military—or by contractors and their employees.
- **Waste** is the extravagant, careless, or needless expenditure of DOD funds or the consumption of DOD property that results from deficient practices, systems, controls, or decisions. Waste includes improper practices not involving prosecutable fraud.
- **Abuse** is the manner in which resources or programs are managed that creates or perpetuates waste or contributes to acts of fraud. Abuse is also called mismanagement.

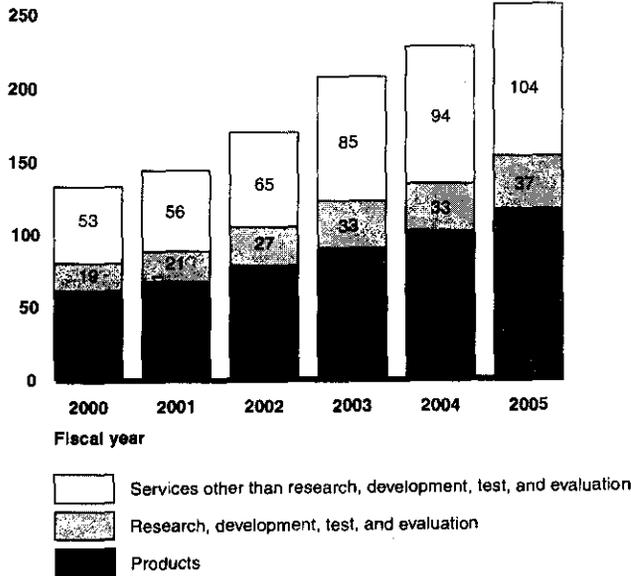
Studies have shown that, generally speaking, the position a perpetrator holds within an organization will tend to have the most significant effect on the size of losses in a fraud scheme. Trust and access to funds and assets that come with senior leadership and tenure can become a vulnerability if the control environment in an organization is weak. Although waste and abuse are not as well defined as fraud, their effects can be just as profound.

The amount of DOD funding used to contract for goods and services continued to increase in the past 5 years, as shown in figure 1. If this trend continues, more and more

funds will be vulnerable to potential fraud, waste, and abuse unless effective controls are in place.

Figure 1: DOD Contract Obligations for Fiscal Years 2000 to 2005

Contract obligations (in billions of dollars)
300



Source: DD350 database, actions over \$25,000; GAO (analysis and presentation).

Oversight and management of DOD contracting activities is shared among numerous organizations. Collectively, these organizations help detect instances of fraud, waste, and abuse, try to prevent them from happening, or are involved in correcting policies and procedures when they occur. Table 1 shows DOD organizations involved in overseeing and managing contracting activities and what the primary responsibilities are.

Table 1: DOD Organizations Responsible for Oversight and Management of DOD Contracting Activities

DOD organization	Responsibility
Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L)	Provides policy, guidance, and oversight to acquisition functions
DOD Office of General Counsel	Establishes procedures to implement policies relating to prosecution of identified instances of fraud (Department of Justice has primary responsibility for handling prosecutions related to fraud in federal court system); oversees ethics programs throughout DOD
DOD Inspector General (DOD IG)	Conducts audits and oversees matters relating to detection and prevention of fraud, waste, and abuse; collaborates with numerous other DOD entities, as many activities are involved in addressing these issues across DOD; DOD IG does not issue policy regarding acquisition
Defense Criminal Investigative Service	Investigates fraud allegations
Defense Contract Audit Agency	Makes investigation referrals, usually to DOD IG or to Defense Criminal Investigative Service, regarding situations that reasonably appear to entail fraud that it encounters during its contract audits
Air Force, Army, Navy	Conduct audits and investigations; each military department has its own audit agency, criminal investigation service, and office of general counsel

Source: DOD (data); GAO (presentation and analysis).

Table 2 shows prosecutorial actions and monetary collections related to DOD procurement fraud cases for the last 5 fiscal years. Although fraud settlements are significant, it is likely that the amount of funds lost to DOD contracting waste and abuse exceeds those lost from fraud.

Table 2: DOD Procurement Fraud Case Results for Fiscal Years 2001-2005 (dollar amounts in millions)

Fiscal year	Criminal indictments ^a	Criminal convictions ^a	Military Article 15 ^b	Criminal judgment amount	Civil settlement amount	Administrative amount	Investigative recoveries and seizures
2001	177	137	6	\$38.6	\$103.5	\$4.9	\$0.6
2002	200	109	14	\$313.6	\$528.4	\$2.4	\$4.8
2003	176	121	10	\$40.7	\$492.4	\$19.3	\$3.8
2004	86	113	7	\$28.0	\$61.8	\$40.2	\$0.7
2005	79	85	2	\$27.1	\$263.6	\$23.7	\$0.0
Total	718	565	39	\$448.1	\$1,449.6	\$90.4	\$9.9

Source: DOD IG (data); GAO (presentation and analysis).

^a Convictions sometimes occur in the year or years following indictments and therefore may be less than or exceed the number of indictments. In addition, some indictments do not result in convictions.

^b For minor fraud committed by military personnel, punishment is usually levied by the commanding officer. Such non-judicial punishment is referred to as an Article 15 procedure.

DOD Continues to Face Vulnerabilities in Contracting Fraud, Waste, and Abuse

On the basis of our review of relevant GAO and DOD IG reports from the last 5 years, as well as current discussions with senior DOD officials, we found that DOD continues to face vulnerabilities to contracting fraud, waste, and abuse due to weaknesses in the areas of sustained senior leadership, capable acquisition workforce, adequate pricing, appropriate contracting approaches and techniques, and sufficient contract surveillance. While we believe the overwhelming majority of DOD acquisition professionals are ethical and hard-working, vulnerabilities in DOD's contract management organizations and functions are not new. GAO designated aspects of DOD's contract management as a high-risk area in 1992 because of the large amount of dollars involved and numerous concerns about control weaknesses over its management of contracts. Despite DOD efforts to address some of GAO's concerns, changes in the acquisition environment—such as increasing reliance on contractor-provided services, reductions in the acquisition workforce, and the introduction or expansion of alternative contracting approaches—have caused DOD's contract management to remain on GAO's high risk list.

Sustained Senior Leadership

DOD senior leadership is a critical factor in providing direction and vision as well as in maintaining the culture of the organization. As such, senior leaders have the responsibility to communicate and demonstrate a commitment to sound practices deemed acceptable for the acquisition function. Without sustained and prominent senior leadership, DOD increases its vulnerability to contracting fraud, waste, and abuse if it does not ensure that its decision makers, personnel, and contractors act in the best interests of DOD and taxpayers. DOD faces vulnerabilities in aspects of its senior leadership because of certain disconnects, including senior positions that have remained unfilled for long periods of time, the acquisition culture fostered by management's tone at the top, and the management approach used in new industry partnering relationships. In the March 2005 Defense Science Board report, DOD recognized that senior positions requiring confirmation by the U.S. Senate remain unfilled for significant periods of time.⁵ An environment in which senior positions remain vacant provides opportunities for determined individuals to circumvent established policies and procedures for their own personal gain or otherwise fail to act in the government's best interest. Vacant positions can allow a breakdown in one key internal control at senior leadership levels, that being separation of duties. For example, this type of environment allowed a former senior Air Force official's misconduct to go unchecked as the official amassed a significant amount of power and control within the acquisition function. When we recently discussed senior leadership issues with DOD officials, they acknowledged that some positions remain unfilled. In addition, an AT&L official emphasized that filling the senior-level vacancies requires assistance or actions beyond the Office of the Secretary of Defense.

DOD's tone at the top allows a certain level of vulnerability to enter into the acquisition process. Senior acquisition officials ultimately shape the environment that midlevel and

⁵ Defense Science Board. *Report of the Defense Science Board Task Force on Management Oversight in Acquisition Organizations*, Washington, D.C.: March 2005.

frontline acquisition personnel operate within, and it is that tone that clearly identifies and emphasizes the values deemed acceptable within the acquisition function. The Defense Science Board report stated that the department lags behind the “best in class” in creating a systematic, integrated approach and in demonstrating the kind of leadership necessary to drive ethics to the forefront of organizational behavior. DOD officials told us that, in recent years, the tone set in DOD was one of streamlining acquisitions to get results as fast as possible. While this is a desired outcome of the acquisition process, the acquisitions should still be carried out within prescribed policies and practices. With regard to the situation involving the former senior Air Force official, the misconduct of that official occurred within a centralized acquisition process that was often praised for being streamlined. But the environment failed to provide sufficient management oversight and control, allowing the abuses perpetrated by this official to continue to override management controls, disregard organizational transparency of key decisions, and demonstrate unprofessional behavior toward other DOD personnel and contractor officials.

Effective senior leadership at DOD’s major program management level is also needed to minimize fraud, waste, and abuse. In recent years DOD has been using a lead systems integrator approach that allows one or more contractors to define a weapon system’s architecture and then manage both the acquisition and the integration of subsystems into the architecture. This new approach relies on contractors to fill roles and handle responsibilities that differ from the more traditional prime contractor relationship the contractors had with program offices and can blur the oversight responsibilities between the lead systems integrator and program management officials. For example, the Army’s Future Combat System program is managed by a lead systems integrator that assumes the responsibilities of developing requirements, selecting major system and subsystem contractors, and making trade-off decisions among costs, schedules, and capabilities. While this management approach has some advantages for DOD, we found that the extent of contractor responsibility in many aspects of the Future Combat System program management process is a potential risk.⁶

Moreover, if DOD uses a lead systems integrator but does not provide effective oversight, DOD is vulnerable to the risk that the lead systems integrator may not make its decisions in a manner consistent with the government’s best interest, especially when faced with potential organizational conflicts of interest. DOD acquisitions require that tough decisions and trade-offs be made when new technologies do not work out, available funding is reduced, or changes in performance expectations are made.

Capable Acquisition Workforce

DOD needs to have the right skills in its acquisition workforce to effectively implement best practices and properly manage the acquisition of goods and services. In the ever-changing DOD contracting environment, the acquisition workforce must be able to rapidly adapt to increasing workloads while continuing to improve its knowledge of

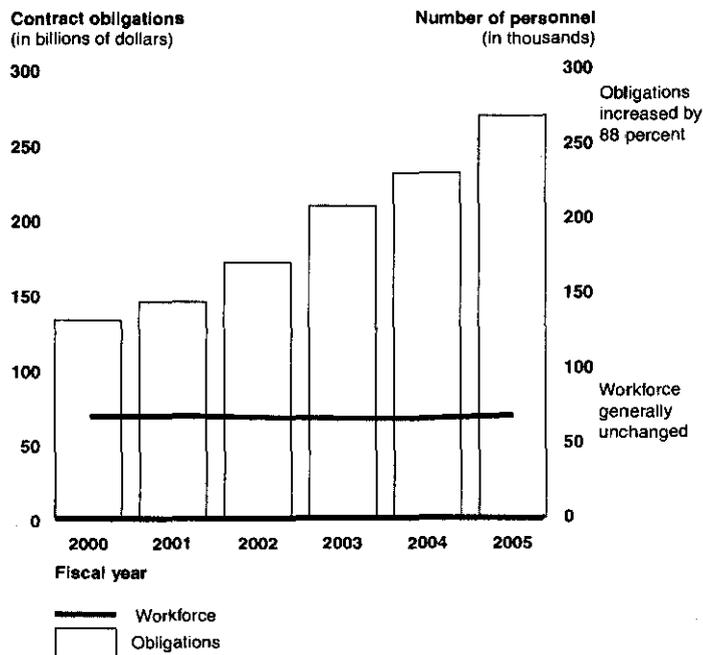
⁶ GAO, *Defense Acquisitions: Business Case and Business Arrangements Key for Future Combat System’s Success*, GAO-06-478T (Washington, D.C.: March 1, 2006).

market conditions, industry trends, and the technical details of the goods and services they procure. Moreover, effective workforce skills are essential for ensuring that DOD receives fair and reasonable prices for the goods and services it buys. However, DOD's acquisition workforce is subject to conditions that increase the vulnerabilities to contracting fraud, waste, and abuse:

- The overall contracting workload has increased.
- The demand for contract surveillance (addressed later in this report) continues to grow because of DOD's increasing reliance on contractors for services.
- DOD is making greater use of alternative contracting approaches, which offer the benefits of improved efficiency and timeliness for acquiring goods and services.
- Many contracting personnel are due to retire in the next few years, taking with them a wealth of experience and capabilities.

Between fiscal years 1989 and 2002, DOD reduced its civilian acquisition workforce by about 38 percent without ensuring the department had the specific skills and competencies needed to accomplish future DOD missions. The size of the acquisition workforce has remained relatively constant since fiscal year 2000. However, overall contract obligations and the number of contract actions processed by DOD have increased nearly twofold, as figure 2 illustrates.

Figure 2: DOD Contract Obligations and Workforce Size for Fiscal Years 2000-2005



Source: Contract obligations data from DD350 database; work force data from Office of Personnel Management for 14 acquisition-related job series, GAO (analysis and presentation).

Some of the DOD contracting workload increases can be attributed to post-September 11, 2001, acquisition demands, including increased deployments to support military

activities overseas. To handle some of the additional work, DOD has begun using contractors to provide technical support to its acquisition activities. In other words, contractors are helping carry out the contracting function.⁷

The acquisition workforce continues to face the challenge of maintaining and improving skill levels for using alternative contracting approaches introduced by acquisition reform initiatives of the past few decades. Because the contracting approach influences the type of contracting vehicle to be used and the pricing and payment options considered, this expanding universe of approaches requires DOD acquisition personnel to have the knowledge and skills to successfully select and implement each approach. For example, in the past several years, the workforce has been increasingly involved with the use of multiple-award indefinite delivery/indefinite quantity contracts, performance-based contracts, and interagency contracts. Participants in an October 2005 GAO forum on Managing the Supplier Base for the 21st Century commented that the current federal acquisition workforce significantly lacks the new business skills needed to act as contract managers.⁸

Finally, DOD will be subject to vulnerabilities in the next few years as experienced acquisition personnel are expected to retire from government service and significant amounts of acquisition knowledge and experience will be lost. As GAO reported in 2005, more than half of DOD's current workforce will be eligible for early or regular retirement in the next 5 years.⁹ More recently, Navy officials told us that they already are seeing a "hemorrhaging" of senior contracting officers as large numbers have started to retire.

Adequate Pricing

DOD is generally required to obtain fair and reasonable prices for the goods and services it procures.¹⁰ The Federal Acquisition Regulation provides procedures for making price determinations.¹¹ As our work has shown, DOD faces various risks associated with obtaining adequate contract pricing that can lead to vulnerabilities. These pricing risks stem from non-competitive contract actions, delays in setting requirements for undefinitized contracts, failure to use available pricing information, and misclassification of items as commercial items.

The Federal Acquisition Regulation emphasizes the use of competition in the acquisition process.¹² While a competitive environment provides more assurance of reasonable

⁷ Congress has recently placed certain requirements on contractor performance of DOD acquisition functions closely associated with inherently governmental functions. 10 U.S.C. 2383, added by sec. 804 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375.

⁸ GAO, *Highlights of a GAO Forum: Managing the Supplier Base in the 21st Century*, GAO-06-533SP (Washington, D.C.: March 31, 2006).

⁹ GAO-05-207.

¹⁰ See Federal Acquisition Regulation 15.402(a).

¹¹ Federal Acquisition Regulation subpart 15.4.

¹² Federal Acquisition Regulation part 6.

prices than a noncompetitive one does, DOD continues to be exposed to contracting vulnerabilities due to practices that limit competition. For example, we have reported that DOD often did not promote competition when issuing task orders under General Services Administration schedule or multiple award indefinite delivery/indefinite quantity contracts.¹³

DOD's lack of timeliness in finalizing requirements for undefinitized contract actions, which are usually in the form of letter contracts, leaves DOD vulnerable to waste and abuse. In fiscal year 2004, DOD obligated nearly \$6.5 billion under letter contracts. While this type of contract may be necessary to initiate work quickly to meet urgent operational needs, costs on letter contracts are more difficult to control because information detailing the requirements and potential costs are likely vague or undefined. In August 2004, the DOD IG reported that contracting officials did not adequately definitize the acquisition requirements within the required time frames, and the report said the officials did not document the reasonableness of the profit rates charged by the contractors.¹⁴ In another example, an undefinitized contract action to support ongoing efforts to rebuild Iraq was modified nine times over a 6-month period, increasing costs from about \$900,000 to over \$200 million without DOD and the contractor reaching agreement on the scope of work or price. Delays in definitizing contract requirements can pose various risks and potentially increase DOD's costs and exposure to waste and abuse.

DOD's failure to use available pricing information for sole-source contract awards leaves it vulnerable to waste. In the case of sole-source awards, the contractor may be required to provide the department with pricing information to support proposed prices and to justify proposed costs. Furthermore, where such information is not required, DOD contracting officials should use other available information and techniques to determine price reasonableness and conduct price negotiations. DOD contracting officials are expected to review the information obtained and use appropriate techniques to ensure that DOD avoids paying unreasonable prices and questionable costs. Prior GAO reports show that, in some cases, DOD did not sufficiently evaluate the data or DOD waived the requirement for the contractor to provide the data. For example, when the Air Force purchased spare parts for the Airborne Warning and Control System aircraft program, it did not obtain sales information for the spare parts or similar items to justify the contractor's proposed price.¹⁵ Neither did the Air Force consider analyses performed by the Defense Contract Management Agency that showed a much lower price was warranted. Instead, the contracting officer relied on a contractor-prepared analysis. Similarly, the Army Corps of Engineers (the Corps) recently purchased portable

¹³ GAO, *Contract Management: Guidance Needed to Promote Competition for Defense Task Orders*, GAO-04-874 (Washington, D.C.: July 30, 2004); *Interagency Contracting: Problems with DOD's & Interior's Orders to Support Military Operations*, GAO-05-201 (Washington, D.C.: April 29, 2005); *Rebuilding Iraq: FY2003 Contract Award Procedures and Management Challenges*, GAO-04-605 (Washington, D.C.: June 1, 2004).

¹⁴ Department of Defense, Office of the Inspector General, *Audit Report: Undefinitized Contractual Actions*. Report Number D-2004-112, Arlington, Virginia: August 30, 2004.

¹⁵ GAO, *Contract Management: The Air Force Should Improve How It Purchases AWACS Spare Parts*, GAO-05-169 (Washington, D.C.: Feb. 15, 2005).

classrooms from a contractor to support Hurricane Katrina relief operations.¹⁶ The Corps accepted the contractor's proposed price of \$39.5 million although the Corps had information that the cost of the classrooms was significantly less than what the contractor was charging. We believe that by not using available information, the Corps could have, but failed to, negotiate a lower price. When various pricing information is not fully utilized, DOD contracting activities remain vulnerable to paying more than warranted.

Also, DOD sometimes uses commercial item procedures to procure items that are misclassified as commercial items and therefore not subject to the forces of a competitive marketplace. While the use of commercial item procedures is an acceptable practice, misclassification of items as commercial can leave DOD vulnerable to accepting prices that are not the best value for the department. When an item is designated as commercial, DOD should be able to determine if the price is reasonable on the basis of prices in the commercial sector. However, if DOD designates an item as being a commercial item when it is not readily available in the commercial market, DOD limits its ability to assess the reasonableness of the contractor's price because it might have less information on prices to make its decision. The DOD IG reported in the past few years on two cases in which a commercial item determination was unjustified.¹⁷

Appropriate Contracting Approaches and Techniques

When selecting contracting approaches and techniques for an award, the government's objective is to negotiate a contract type and price that will result in reasonable risk and provide the contractor with the greatest incentive for efficient and economical performance. While the full extent to which business like contracting approaches and techniques have transformed DOD's acquisition processes cannot be ascertained, data collected by GAO suggest that DOD's increased use of certain contracting approaches and techniques over the past few years has increased DOD's vulnerability to contracting fraud, waste, and abuse.

The interagency contracting approach enables DOD and other federal agencies to leverage their buying power and provide a simplified and expedited method of acquiring goods and services. DOD has the option to go to other federal agencies to carry out the contracting process for selected goods and services. When this contracting approach is not utilized properly, however, DOD is exposed to greater risk of fraud, waste, and abuse. In January 2005, GAO designated the use of interagency contracts as a governmentwide high-risk area.¹⁸ GAO and DOD IG have identified instances in which acquisition personnel were provided insufficient training and guidance on the use of

¹⁶ GAO, *Hurricane Katrina: Army Corps of Engineers Contract for Mississippi Classrooms*, GAO-06-454 (Washington, D.C.: May 1, 2006).

¹⁷ DOD, Office of the Inspector General, *Audit Report: Procurement Procedures Used for F-16 Mission Training Center Simulator Services*, Report Number. D-2006-065, Arlington, Virginia: March 24, 2006, and *Audit Report: Contracting for and Performance of the C-130J Aircraft*, Report Number D-2004-102, Arlington, Virginia: July 23, 2004.

¹⁸ GAO-05-207.

interagency agreements and a lack of effective management control and oversight over these contracts occurred. In our high-risk report, we reported that instances of insufficient oversight of contractor services occurred because of blurred lines in the shared contract management responsibilities between DOD and the awarding agency. The DOD IG also reported that the department used interagency contracts to “park”¹⁹ several hundred million dollars in funds, a violation of DOD funding policies and regulations.²⁰ Additional vulnerabilities arose when the non-DOD agency providing acquisition support did not follow prescribed policies and regulations. For example, DOD obtained interrogator services in Iraq through a Department of the Interior acquisition center that used a General Services Administration contract for information technology services. In this situation, the contracted services were not within the scope of the contract and were not subject to competition.

DOD also faces vulnerabilities when it misuses multiple-award indefinite delivery/indefinite quantity contracts and General Services Administration multiple-award schedules. For multiple award indefinite delivery/indefinite quantity contracts, DOD is required to provide all contractors a fair opportunity to be considered for each order unless certain exceptions apply.²¹ This is meant to provide an ongoing competitive environment in which each awardee would be fairly considered for each order issued.²² When ordering from the General Services Administration schedules, agencies are required to follow certain ordering procedures, which, for services, can entail a comparison of quotations from multiple schedule contractors. But in practice, DOD officials have on numerous occasions avoided the time and effort necessary to compete individual orders and instead awarded all the work to be performed to a single contractor. GAO work shows that this practice resulted in the noncompetitive award of many orders that have not always been adequately justified.²³ Without competition for individual task orders (or adequate justification for awarding them noncompetitively), DOD faces increased vulnerability to fraud, waste, and abuse.

DOD faces additional vulnerability to fraud, waste, and abuse in the way it structures and implements award and incentive fees. These monetary incentives are intended to motivate excellent contractor performance and improve acquisition outcomes. However, GAO recently reported that DOD paid an estimated \$8 billion in award fees for contracts in the study population regardless of the outcomes of the contract.²⁴ Furthermore, DOD

¹⁹ The term to “park” funds refers to the transfer of budgetary funds by DOD officials to another agency’s acquisition center for the procurement of goods and services under circumstances where the bona fide need determination is in doubt.

²⁰ DOD, Office of the Inspector General, *Acquisition: DOD Purchases Made Through the General Services Administration*, Report Number D-2005-096, Arlington, Virginia: July 29, 2005.

²¹ 10 U.S.C. 2304c.

²² H.R. Conf. Report No. 103-712, at 178 (1994), reprinted in 1994 U.S.C.C.A.N. 2607, 2608; Senate Report No. 103-258, at 15-16 (1994), reprinted in 1994 U.S.C.C.A.N. 2561, 2575-76.

²³ GAO, *Contract Management: Guidance Needed to Promote Competition for Defense Task Orders*, GAO-04-874 (Washington, D.C.: July 30, 2004).

²⁴ GAO, *Defense Acquisitions: DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes*, GAO-06-66 (Washington, D.C.: Dec. 19, 2005).

gave contractors a second opportunity to earn an estimated \$669 million of initially unearned or deferred fees on approximately half of the award-fee contracts. GAO believes these practices, along with paying significant amounts of fees for “acceptable, average, expected, good, or satisfactory” performance, undermine the effectiveness of fees as a motivational tool, marginalize their use in holding contractors accountable for acquisition outcomes, and waste taxpayer funds. As our report noted, DOD has little evidence to support its belief that these fees improve contractor performance and acquisition outcomes.

Sufficient Contract Surveillance

The role of the acquisition function does not end with the award of a contract. It requires continued involvement throughout contract implementation and closeout to ensure that contracted services are delivered according to the schedule, cost, quality, and quantity specified in the contract. The Federal Acquisition Regulation requires that quality assurance, such as surveillance, be performed at such times and places as necessary to determine that the goods or services satisfy the contract requirements.²⁵ If surveillance is insufficient, is not conducted, or is not documented when appropriate, DOD risks paying contractors more than the value of the goods and services provided.

In the past 4 years, GAO and DOD IG have reported that DOD’s contracts have been subject to insufficient surveillance. In July 2004, we reported that DOD did not have a sufficient number of trained personnel in place to provide effective oversight of its logistics support contractors.²⁶ These contractors provide many of the supplies and services needed to support the Logistics Civilian Augmentation Program, which has been used to support operations in both Kuwait and Afghanistan. In another example, we reported in March 2005 instances of inadequate surveillance on 26 of 90 DOD service contracts we reviewed.²⁷ In each instance, at least one of the key factors to ensure adequate surveillance did not take place. These factors are (1) training personnel in how to conduct surveillance, (2) assigning personnel at or prior to contract award, (3) holding personnel accountable for their surveillance duties, and (4) performing and documenting surveillance throughout the period of the contract. The DOD IG reported similar findings in its reports issued in October 2003 and October 2005. Officials we met with during this review expressed concerns about the current state of the acquisition workforce to support surveillance. The comments included those of Air Force officials who told us that they are concerned that surveillance remains an “other duty as assigned” and, consequently, is a low-priority task.

Recent DOD Initiatives to Address Contracting Fraud, Waste, and Abuse

DOD recognizes that its contracting practices leave the department vulnerable to misusing or wasting taxpayer dollars and is taking some actions to mitigate the risk. In

²⁵ Federal Acquisition Regulation subpart 46.4.

²⁶ GAO, *Military Operations: DOD’s Extensive Use of Logistics Support Contracts Requires Strengthened Oversight*, GAO-04-854 (Washington, D.C.: July 19, 2004).

²⁷ GAO-05-274.

addition to the Defense Science Board review, we identified several DOD-wide and military service initiatives taken since the fall of 2004 that address aspects of the acquisition process in an effort to deal with vulnerabilities to fraud, waste, and abuse. These include a DOD analysis of the self-assessments of the acquisition function made by each military service, the establishment of the Procurement Fraud Working Group, and issuance of policy to address concerns about the use of interagency contracting. The Defense Science Board review and the DOD analysis of the military service self-assessments are directed primarily at senior leadership and oversight vulnerabilities and do not deal with the other areas of vulnerability we identified above. While the initiatives are positive steps, several DOD officials we spoke with agreed that it is too soon to see an impact, particularly from those memorandums dealing with the acquisition culture.

DOD-wide Initiatives

AT&L initiated the Defense Science Board task force review of management oversight in acquisition organizations in November 2004 to examine the checks and balances of the processes to ensure the integrity of acquisition decisions. In the resulting March 2005 report, the Defense Science Board identified weaknesses in the acquisition function related to processes, oversight, leadership, and people, and provided 20 recommendations to address these issues. In response, AT&L initiated multiple efforts to address each recommendation, including the issuance of several policy memorandums to the defense agencies and the largest defense contractors to address the issue of ethics. For example, beginning in fiscal year 2005, AT&L began trying to shift the tone at the top by issuing a series of memorandums to acquisition personnel and contractors with the intent of changing the culture and reinforcing the importance of ethics in the acquisition function. In addition, AT&L issued other memorandums emphasizing the need for the contracting officer to remain independent from the program office and stressing acquisition personnel's responsibility to report unusual practices. Other actions created an overarching fraud awareness and ethics training program. To assist in this effort, the Defense Acquisition University, a DOD-run training institute for the AT&L workforce, appointed a performance learning manager for ethics who is responsible for ensuring that ethics issues are addressed not only in the traditional acquisition courses but also in the executive-level courses. The Defense Acquisition University also added specific ethics-related information to its Web site, including discussion vignettes that pose ethical dilemmas or questions for readers to test their judgment. Appendix III provides a detailed account of the Defense Science Board recommendations and AT&L's responding actions.

Also in November 2004, AT&L issued a memorandum to the military services and other defense agencies directing them to perform a self-assessment of their acquisition organization and processes for use in a DOD-wide Acquisition Integrity Analysis. In March 2006, AT&L completed the analysis and proposed six recommendations to address weaknesses in the oversight, source selection, and contract award processes to improve the integrity of DOD acquisition decisions. AT&L's recommendations included the need for several new policies to address (1) specifically prohibiting senior leaders from performing multiple roles on major acquisition projects, (2) filling vacant positions from below on an acting basis until permanent appointments are made, (3) requiring

documentation of the source selection processes, and (4) requiring legal review of the source selection documentation prior to award. AT&L also recommended that Acquisition Process Reviews, which are currently performed for other defense agencies, be instituted for the military services.

In late 2004, the Air Force's and the Army's general counsel offices initiated a grassroots effort that resulted in the Procurement Fraud Working Group. The goal of the working group is to provide a discussion forum that will develop closer working relationships among the relevant DOD activities and agencies that identify, investigate, and prosecute contracting fraud—the contracting officers, quality assurance personnel, investigative staff, and legal staff—and provide an exchange of information and ideas among these DOD agencies, the Department of Justice, and other government agencies. The working group, which is hosted by the Defense Contract Management Agency, recently established a Web site that allows working group members to solicit advice and share good practices. The working group held its second annual conference in March 2006. The conference provided attendees with information on current issues, future trends, investigative strategies, and enforcement remedies related to contracting fraud. Although the working group includes members from levels within various acquisition and investigative functions across DOD, the working group does not have formal sponsorship or authority from AT&L.

DOD has issued several policies directed at strengthening controls over these types of contracting approaches and techniques. In September 2004, AT&L issued policy on the department's surveillance of cost-reimbursable and time and materials contracts. DOD also issued policies on the use of interagency contracts in October 2004, March 2005, and March 2006.

Military Department-Specific Initiatives

Each of the military departments has taken steps to address some of the vulnerabilities related to contracting fraud, waste, and abuse. These initiatives range from creating new offices to focus resources on the most vulnerable areas to promoting general awareness about fraud through training and newsletters.

In December 2005, the Navy centralized its approach to addressing vulnerabilities to contracting fraud, waste, and abuse by creating its Acquisition Integrity Office. The office links the legal, audit, and investigative resources by dedicating units from both the Naval Audit Service and the Navy Criminal Investigative Service to work alongside the Office of the General Counsel in a coordinated effort to detect, investigate, and correct instances of fraud. The idea for this office grew out of the General Counsel's interest in pursuing fraud and the low number of suspension and debarment cases involving Navy contractors. The Acquisition Integrity Office conducts risk assessments of acquisition functions and has begun data-mining efforts to focus the investigative and audit resources to areas they deem as being most vulnerable to fraud. The Acquisition Integrity Office is also developing a newsletter and a "desk book" reference to educate and assist acquisition personnel in identifying and addressing fraud. In addition, the office is

responsible for issuing fraud alerts to acquisition personnel, as necessary, to inform them of identified instances of fraud.

During 2005, the Air Force initiated several changes to its acquisition policies and procedures to address vulnerabilities identified during the investigation of the senior level acquisition official convicted of violating a conflict-of-interest law. To begin, the Air Force made changes to the Air Force Federal Acquisition Regulation Supplement to require further documentation of source selections. The Air Force also issued memorandums regarding ethics and postemployment restrictions as part of an effort to shift the acquisition culture from the previous emphasis on streamlining procurement to "doing the right thing." As an additional initiative, the Air Force created a Special Assistant for Acquisition Governance and Transparency position to monitor new weapon acquisition programs and ensure that all weapon acquisitions are fully explained to Congress and the public. The goal of the special assistant position is to ensure procurement integrity and adherence to procurement guidance in all weapon acquisition programs. The Air Force also created an ombudsman program to handle concerns of government and contractor employees.

Also during 2005, the Army set up new procurement fraud advisers' offices that are deployed alongside units in Afghanistan and Iraq to address the high vulnerability to fraud in contracts to support the war and reconstruction efforts. The advisers' offices also coordinate with Special Inspector General for Iraq Reconstruction. In addition, the Army created a Fraud Fighters Web site to promote fraud awareness and discuss various issues related to fraud as they arise.

Conclusions

With awards to contractors large and growing, DOD will continue to be vulnerable to contracting fraud, waste, and abuse. As the last several years have shown, those vulnerabilities have resulted in numerous cases in which taxpayer dollars were misused or wasted. As these cases have come to light, DOD has begun to respond. As in other areas, the impact of DOD actions to make corrections will be evident as policies get translated into effective practices. Otherwise, DOD will remain at risk. Ongoing monitoring of results will be the prudent course of action. To do this may be a challenge because no single office within DOD maintains responsibility to monitor the efforts related to detecting and preventing fraud, waste, and abuse across all organizations in DOD.

Agency Comments and Our Evaluation

The Department provided written comments, which are reproduced in appendix IV. DOD concurred with our findings and stated that it shares our concern about the areas of vulnerability to contracting fraud, waste, and abuse that we cited in this letter.

We are sending copies of this report to the Secretary of Defense and interested congressional committees. We will also make copies available to others upon request. In

addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report or need additional information please contact me at (202) 512-4841 or schinasik@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were James E. Fuquay, Assistant Director; Noah Bleicher; Lily Chin; R. Eli DeVan, Tim DiNapoli, Matthew T. Drerup, Jean K. Lee, and Adam Vodraska.

Sincerely,

A handwritten signature in black ink that reads "Katherine V. Schinasi". The signature is written in a cursive style with a large initial "K".

Katherine V. Schinasi
Managing Director, Acquisition and Sourcing Management

Appendix I: GAO and DOD Inspector General Reports Reviewed

Senior Leadership

GAO, *Highlights of a GAO Forum: Managing the Supplier Base in the 21st Century*, GAO-06-533SP, Washington, D.C.: March 31, 2006.

GAO, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita*, GAO-06-461R, Washington, D.C.: March 15, 2006.

GAO, *Defense Acquisitions: Business Case and Business Arrangements Key for Future Combat System's Success*, GAO-06-478T, Washington, D.C.: March 1, 2006.

GAO, *Defense Ethics Program: Opportunities Exist to Strengthen Safeguards for Procurement Integrity*, GAO-05-341, Washington, D.C.: April 29, 2005.

GAO, *Defense Acquisitions: Future Combat Systems Challenges and Prospects for Success*, GAO-05-428T, Washington, D.C.: March 16, 2005.

GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP, Washington, D.C.: February 1, 2005.

Acquisition Workforce

Department of Defense, Office of the Inspector General, *Audit Report: Report on the DoD Acquisition Workforce Count*, Report Number D-2006-073, Arlington, Virginia: April 17, 2006.

GAO, *DOD Civilian Personnel: Comprehensive Strategic Workforce Plans Needed*, GAO-04-753, Washington, D.C.: June 30, 2004.

GAO, *March 19 Hearing on Sourcing and Acquisition—Questions for the Record*, GAO-03-771R, Washington, D.C.: May 23, 2003.

GAO, *Federal Procurement: Spending and Workforce Trends*, GAO-03-443, Washington, D.C.: April 30, 2003.

Pricing

GAO, *Contract Security Guards: Army's Guard Program Requires Greater Oversight and Reassessment of Acquisition Approach*, GAO-06-284, Washington, D.C.: April 3, 2006.

Department of Defense, Office of the Inspector General, *Audit Report: Procurement Procedures Used for F-16 Mission Training Center Simulator Services*, Report Number D-2006-065, Arlington, Virginia: March 24, 2006.

Appendix I: GAO and DOD Inspector General Reports Reviewed

GAO, *Contract Management: The Air Force Should Improve How It Purchases AWACS Spare Parts*, GAO-05-169, Washington, D.C.: February 15, 2005.

Department of Defense, Office of the Inspector General, *Audit Report: Undefined Contractual Actions*, Report Number D-2004-112, Arlington, Virginia: August 30, 2004.

GAO, *Contract Management: Guidance Needed to Promote Competition for Defense Task Orders*, GAO-04-874, Washington, D.C.: July 30, 2004.

Department of Defense, Office of the Inspector General, *Audit Report: Contracting for and Performance of the C-130J Aircraft*, Report Number D-2004-102, Arlington, Virginia: July 23, 2004.

GAO, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight*, GAO-04-854, Washington, D.C.: July 19, 2004.

GAO, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges*, GAO-04-605, Washington, D.C.: June 1, 2004.

Contracting Techniques

GAO, *Defense Acquisitions: DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes*, GAO-06-66, Washington, D.C.: December 19, 2005.

GAO, *Interagency Contracting: Franchise Funds Provide Convenience, but Value to DOD Is Not Demonstrated*, GAO-05-456, Washington, D.C.: July 29, 2005.

Department of Defense, Office of the Inspector General, *Acquisition: DOD Purchases Made Through the General Services Administration*, Report Number D-2005-096, Arlington, Virginia: July 29, 2005.

GAO, *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations*, GAO-05-201, Washington, D.C.: April 29, 2005.

GAO, *High-Risk Series: An Update*, GAO-05-207, Washington, D.C.: January 2005.

Contract Surveillance

Department of Defense, Office of the Inspector General, *Audit Report: Contract Surveillance for Service Contracts*, Report Number D-2006-010, Arlington, Virginia: October 28, 2005.

GAO, *Defense Logistics: High-Level DOD Coordination Is Needed to Further Improve the Management of the Army's LOGCAP Contract*, GAO-05-328, Washington, D.C.: March 21, 2005.

Appendix I: GAO and DOD Inspector General Reports Reviewed

GAO, *Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts*, GAO-05-274, Washington, D.C.: March 17, 2005.

GAO, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight*, GAO-04-854, Washington, D.C.: July 19, 2004.

Department of Defense, Office of the Inspector General, *Audit Report: Contracts for Professional, Administrative, and Management Support Services*, Report Number D-2004-015, Arlington, Virginia: October 30, 2003.

GAO, *Contract Management: High-Level Attention Needed to Transform DOD Services Acquisition*, GAO-03-935, Washington, D.C.: September 10, 2003.

Appendix II: Contracting-Related Terms

Delivery order: An order for supplies placed against an established contract or with government sources.

Indefinite delivery/indefinite quantity contract: A kind of contract used to acquire goods and services when the exact date of future deliveries is unknown but a recurring need is likely to arise. There are three types of indefinite delivery contracts: definite quantity contracts, requirements contracts, and indefinite quantity contracts. Indefinite quantity contracts provide for an indefinite quantity, within stated limits, of supplies or services during a fixed period.

Interagency contract: Agencies may use another agencies' contracting services to purchase goods and services. Typically, such contracts are used to provide agencies with commonly used goods and services, such as office supplies or information technology services. Agencies that award and administer interagency contracts usually charge a fee to support their operations.

Lead systems integrator: Typically, the lead systems integrator is the prime contractor with increased program management responsibilities. These responsibilities may include greater than usual involvement in requirements development, design, and source selection of major system and subsystem subcontractors.

Letter contract: A written preliminary agreement authorizing the contractor to immediately begin manufacturing supplies or performing services.

Obligation: As used here, a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received. An agency incurs an obligation, for example, when it places an order, signs a contract, or purchases a service.

Performance-based contract: Performance-based contracting emphasizes that all aspects of an acquisition be structured around the results of the work to be performed as opposed to the manner in which the work is to be performed. When using this type of contract, the contracting agency specifies the outcome or result it desires and leaves it to the contractor to decide how best to achieve the desired outcome.

Sole-source acquisition: A contract for the purchase of goods or services that is entered into by an agency after soliciting and negotiating with only one source.

Task order: An order for services placed against an established contract or with government sources.

Time and materials contract: A contract that provides for acquiring supplies or services on the basis of direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit and materials at cost.

Appendix III: Status of DOD Actions in Response to March 2005 Defense Science Board Recommendations

#	Recommendation	Action/status
1	For major procurements, Acquisition, Technology, and Logistics (AT&L) should codify best practices into policy (written recommendations by advisory bodies to the source selection authority [SSA] and the SSA decision and rationale)	<p>AT&L is fielding a Best Practices Clearing House. It is also initiating implementation of Acquisition Process Reviews.</p> <p>Air Force issued new Air Force Federal Acquisition Regulation Supplement changes in August 2005 requiring documentation of recommendations made to the SSA, mandatory independent contract clearance approvals, notification of solicitation release for source selections over \$100 million; and expansion of the Ombudsman Program.</p>
2	AT&L should ensure a process for meaningful feedback to bidders	The Acquisition Process Review Working Group is reviewing the military departments'/agencies' use of debriefings.
3	AT&L should ensure distribution of delegated acquisition responsibilities for major procurements	<p>AT&L issued a memorandum, "Acquisition Integrity," requiring services/agencies to prepare policy that reflects procedures for ensuring the separation of functions in all acquisitions, so that authority does not reside in one person. AT&L's Acquisition Integrity Analysis was completed in March 2006, but has not been issued.</p> <p>AT&L recommended issuing a new policy specifically prohibiting a senior leader from performing multiple roles for any one major weapon systems or major service acquisition. AT&L also recommended that vacant positions be filled from below to avoid accretion of duties at the top.</p>
4	Oversight, source selection, and contract negotiations should not reside in one person	<p>Addressed by actions in response to number 3 above.</p> <p>AT&L issued a memorandum, "Change in Milestone Decision Authority" (MDA), March 2005, reducing the Air Force's MDA authority during management organization instability. In January 2006, AT&L redesignated MDA authority for 10 major programs back to the Air Force, but limited the authority to the Secretary of Air Force until a Senior Acquisition Executive is appointed and confirmed.</p> <p>Air Force eliminated the Acquisition Principal Deputy position, restructured the contracting and program management decision authority, and realigned its Program Executive Officer (PEO) structure. Air Force also updated the Air Force regulations. The Secretary of the Air Force appointed a Special Assistant for Governance and Transparency.</p>
5	Provide many avenues for voicing concerns (Ombudsman and ethics offices set up to address concerns)	<p>The Acquisition Process Review Working Group is reviewing the military departments' oversight initiative.</p> <p>AT&L is gathering best practices from the Defense Acquisition University (DAU) and other sources.</p> <p>Air Force incorporated new Ombudsman program in August 2005.</p>
6	AT&L should oversee processes as well as programs	<p>Defense Acquisition Performance Assessment (DAPA) study and Acquisition Process Review study in AT&L. DAPA report was released January 2006.</p> <p>Acquisition Process Review Working Group met with SAEs and outlined plan of action March 2006.</p>
7	Identify and share best practices	<p>In fall 2004, AT&L fielded the Defense Acquisition Guidebook, which contains repository of best practices.</p> <p>Best Practice Clearing House effort is in progress.</p>
8	Question unusual practices and organizational structures	<p>DAU is incorporating the policy and identified Best Practices in Acquisition Oversight into the content of Acquisition Executive Courses.</p> <p>Air Force eliminated the Acquisition Principal Deputy position, restructured the contracting and program management decision authority, and realigned its PEO structure. Air Force also updated its regulations. The Secretary of the Air Force appointed a Special Assistant for Governance and Transparency.</p> <p>AT&L issued a memorandum, "Question Unusual Practices," in October 2005.</p>

Appendix III: Status of DOD Actions in Response to March 2005 Defense Science Board Recommendations

#	Recommendation	Action/status
9	Use mistakes and failures as case studies and communicate them broadly	DAU plans to incorporate case studies based on mistakes and failures in senior-level courses and is reviewing level III courses in all functional areas for the appropriate use of similar case studies. AT&L developed ethics on-line training for the Acquisition Professional Community (APC). All APC staff were required to complete training by October 2005 (over 124,000 took the training as of December 2005).
10	Require defense components to perform periodic self-assessments and demonstrate continuous self-improvement	AT&L developed 360-degree assessments for key leaders. Pilot program was launched in October 2005.
11	Develop and periodically review metrics roll-up on senior acquisition leaders	Plan to submit proposed metrics in October 2005 was delayed due to request for "framing" paper to send to Deputy Secretary for decision.
12	DOD should articulate more explicitly its vision and values as a high-integrity organization and expect the same of its contractors	Issued memorandum, "Ethics and Integrity," signed by Secretary of Defense in September 2005. AT&L memorandum, "Acquisition Integrity and Ethics," issued in September 2005.
13	DOD should put ethics at the forefront of Department communications	Issued memorandums, "Ethics and Integrity" and "Growth and Development," signed by Secretary of Defense September 2005.
14	Institutionalize an orientation program in Office of Secretary of Defense (OSD) for incoming senior leadership that addresses: <ul style="list-style-type: none"> • values/objectives of DOD, • importance of leadership to sustain an ethical culture, and • performance expectation tied to both of the above 	AT&L sent unsigned letter to P&R requesting OSD Orientation Program for Senior Leaders July 2005. AT&L and P&R met December 2005 to discuss. Washington Headquarters Services is now the lead on an orientation program. OSD Director of Administration and Management (ODA&M) is coordinating with DAU to provide quarterly leadership orientation program to address the Defense Science Board recommended objectives. Course material developed March 2006.
15	Senior DOD leadership should ensure flow-down	AT&L and Secretary of Defense issued memorandums to articulate promotion of ethical behavior, encourage prudent risk taking, and distinguish it from illegal and unethical behaviors in September 2005. AT&L issued memorandum on ethics to top 100 companies and trade associations in January 2006. AT&L issued memorandum addressing tanker and leasing issues in March 2006.
16	Secretary of Defense should place priority on filling appointed acquisition positions: <ul style="list-style-type: none"> • champion reforms to streamline nomination and confirmation processes, • institute a succession planning process, and • avoid more restrictions that would limit interest by experienced personnel 	This effort requires coordination at the very highest levels (i.e., Secretary of Defense, President, Senate) across multiple branches of government. DOD supports the efforts of the administration to correct these findings. DAPA study recommended that the Secretary of Defense ask the White House Liaison Office to create a pool of White House precleared, non-career senior executives and political appointees to fill executive positions in acquisition.
17	P&R modernize Senior Executive Service performance management practices: <ul style="list-style-type: none"> • institute 360-degree feedback, • implement 5-year DOD-wide rotation policy, and • reissue bonus and new award system 	AT&L 360-degree pilot program is serving as a pilot for the departmentwide initiative. AT&L memorandum on rotation and tenure is in process. P&R discouraged changes to tenure/rotation policy in light of the need for balance between accountability/retention and "too much authority" concern. Addressed by DAU actions in response to number 10 above.

Appendix III: Status of DOD Actions in Response to March 2005 Defense Science Board Recommendations

#	Recommendation	Action/status
18	Standards of Conduct—add disclosure requirement for employment of majority children	AT&L is developing memorandum, "What you do sends a message about your ethics."
19	DOD should undertake a top-town internal assessment to simplify and streamline the acquisition system and better align workforce as a result	DAPA report was issued in December 2005.
20	AT&L should closely monitor the new defense component services acquisition oversight processes, especially in confirming that these contracts represent the best use of DOD resources	AT&L Acquisition of Services Policy Review is in progress.

Source: DOD (data); GAO (analysis and presentation).

Appendix IV: Comments from the Department of Defense



OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION
TECHNOLOGY
AND LOGISTICS

JUL 06 2006

Ms. Katherine V. Schinasi
Managing Director, Acquisition
and Sourcing Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Schinasi:

This is the Department of Defense response to the GAO draft report, "Contract Management: DoD Vulnerabilities to Contracting Fraud, Waste and Abuse," dated June 19, 2006 (GAO Code 120518/GAO-06-838R).

The Department wishes to thank you for the report. The Department concurs with the report statement that "it is essential that DoD acquisitions be handled in an efficient, effective, and accountable manner" and that "DoD needs to ensure that it buys the right things, the right way." The Department shares your concerns in the specific areas identified in the report: Sustained Senior Leadership, Capable Acquisition Workforce, Adequate Pricing, Appropriate Contracting Approaches and Techniques, and Sufficient Contract Surveillance.

The Department specifically wishes to thank you for recognizing some of the Department's initiatives in these areas, including the efforts of each military department, the establishment of the Procurement Fraud Working Group, and our aggressive efforts in the area of interagency acquisition. We look forward to working with you in our continued efforts to identify and eliminate DoD vulnerabilities to contracting fraud, waste, and abuse.

My point of contact for this action is Michael Canales and he can be reached on (703) 695-8571 or via e-mail at michael.canales@osd.mil.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy



(120518)

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Washington, D.C. 20548

COORDINATION

SUBJECT: Panel on Contracting Integrity Implementation of Action 2 c,
"Implement Processes to Measure Consistency of Tone at the Top"

Sent out date: October 21, 2008

Action Officer: Sandra Ross
Phone: (703) 695-9774

Print name and title under the signature line

DUSD(ARA) Dr. N. Spruill date: October 24, 2008

DoD GC Mr. Douglas P. Larsen date: October 24, 2008

ASD(LA) CDR John Gilliland date: October 22, 2008

Please return no later than **October 23, 2008 (noon)**. After coordination please FAX to 703-614-1254 or email copy to patricia.foley.ctr@osd.mil, cc to [Sandra Ross@osd.mil](mailto:Sandra.Ross@osd.mil), or call Patricia Foley for pick up at 703-693-1145.

COORDINATION

SUBJECT: Panel on Contracting Integrity Implementation of Action 2 c,
"Implement Processes to Measure Consistency of Tone at the Top"

Action Officer: Sandra Ross
Phone: (703) 695-9774

for coordination:
Sent out date:

Note:
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use new
format

Print name and title under the signature line

DUSD(ARA) Asprull - concur date: 10/27/08
as edited

DoD GC Mr. Douglas P. Larsen date: October 24, 2008

ASD(LA) CDR John Gilliland date: October 22, 2008

Please return no later than **October 23, 2008 (noon)**. After coordination please FAX to 703-614-1254 or email copy to patricia.foley.ctr@osd.mil, cc to Sandra Ross@osd.mil, or call Patricia Foley for pick up at 703-693-1145.

COORDINATION

for coordination:

SUBJECT: Panel on Contracting Integrity Implementation of Action 2 c,
"Implement Processes to Measure Consistency of Tone at the Top"

Sent out dates:

Action Officer: Sandra Ross
Phone: (703) 695-9774

Note:
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use new
format

Print name and title under the signature line

DUSD(ARA). *Asprull - concur* date: *10/27/08*
as edited

DoD GC Mr. Douglas P. Larsen date: October 24, 2008

ASD(LA) CDR John Gilliland date: October 22, 2008

Please return no later than **October 23, 2008 (noon)**. After coordination please
FAX to 703-614-1254 or email copy to patricia.foley.ctr@osd.mil, cc to Sandra
Ross@osd.mil, or call Patricia Foley for pick up at 703-693-1145.

Embroid

ACTION MEMO

October 20, 2008. 4:15 pm

FOR: UNDER SECRETARY OF DEFENSE (AT&L)

FROM: DEPUTY UNDER SECRETARY OF DEFENSE (A&T)

SUBJECT: Panel on Contracting Integrity Implementation of Action 2c, "Implementing Processes to Measure the Consistency of Tone at the Top"

- Memorandum at TAB A issues policy emphasizing the need to implement processes to measure the consistency of tone at the top, the ethical atmosphere created by the organization's leadership.
- Section 813 of the John Warner National Defense Authorization Act for FY 2007 (TAB B), directed the establishment of a "Panel on Contracting Integrity" composed of a DoD-wide cross-section of senior contracting leaders to eliminate areas of vulnerabilities within the defense contracting system that allow fraud, waste, and abuse to occur. The memorandum implements one of the Panel actions listed in its 2007 Report to Congress (TAB C) and responds to a recommendation in GAO-06-838R (TAB D).
- *The* Memorandum notes that inculcating shared values in an organization requires frequent reinforcement and language appropriate to each audience. *the* Memorandum provides talking points regarding integrity and encourages senior leaders of the DoD Components to incorporate them frequently in various events. *the* Memorandum is one of several steps to promote the kind of leadership necessary to drive ethics to the forefront of organizational behavior.

(TAB C)
 ↑
misleading
TAB C
is
list
vice
report
to
Congress

RECOMMENDATION: Sign *the* memorandum at TAB A.

COORDINATION: DoD coordination stakeholders are at TAB E, and the Panel on Contracting Integrity Panel member coordinations are at TAB F.

Prepared By: Sandra Ross, DPAP/CPIC, 703-695-9774, sandra.ross@osd.mil, USA000xxx-08.

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implementing Processes to Measure Consistency of Tone at the Top

Section 813 of the John Warner National Defense Authorization Act (NDAA) for FY 2007 (Pub. L 109-364) directed DoD to establish a "Panel on Contracting Integrity" composed of a Department-wide cross section of senior leaders to eliminate areas of vulnerabilities within the defense contracting system that allow fraud, waste, and abuse to occur. The Panel identified inconsistency of Tone at the Top as a contracting vulnerability.

The attachment provides some implementing processes ~~for your consideration~~ identified by the Panel on Contracting Integrity. I ask that you and your senior leadership discuss these issues at every opportunity, in meetings and forums, within your community and with industry. Our commitment to the highest standards of integrity will not be achieved by any memorandum, but through our everyday activities. At a time when the confidence of the public in many institutions is questioned, we must insist on transparency and integrity in our procurement system.

Please make acquisition integrity the center of your everyday decision-making and culture. It has to start at the top, with us.

Attachment:
As stated

DISTRIBUTION LIST:

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COMMANDER, U.S. TRANSPORTATION COMMAND
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AND MATERIAL READINESS)
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF
DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION POLICY, AND
STRATEGIC SOURCING
DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS
DIRECTOR, PORTFOLIO MANAGEMENT
DIRECTOR, SMALL BUSINESS PROGRAMS
DIRECTORS OF THE DOD FIELD ACTIVITIES**

~~Attachment~~

- Communicate values and expected behavior clearly and convincingly. State that unethical conduct will not be tolerated. When conducting a staff meeting or offering remarks, discuss the organization's values as well as its mission. Emphasize the importance of our responsibilities as guardians of the public purse and the primacy of our responsibility to the taxpayers. Frequent communication is important. It takes time for the tone at the top to filter down through the organization.
- Remove the perception that ethics is the general counsel's responsibility, rather than everybody's responsibility. Address ethics at offsites with senior leadership, at town hall meetings, and in other intra-agency communications. Continually reinforce ethics through communications. Be consistent in your message that integrity is essential; do not ignore, joke about, or dismiss it off line or when you are talking to smaller groups.
- Lead by example. Make it clear that you will not tolerate compliance risks. Convey with your actions that compliance, credibility, and long-term reputation are more important than short-term gains. Extend the talk to private industry, requiring activities, and others to prevent product substitution, mischarging, defective pricing, progress payment fraud, and antitrust violations.
- Make ethics and compliance part of your regular education and training efforts; go beyond prepared briefings to embrace well conceived, real-life situations and dialogue. Address ethics as they relate to issues at hand. Consistently follow and enforce the Joint Ethics Regulation, including conducting annual ethics training, and require completion of the Defense Acquisition University's Continuous Learning Module on Ethics. Include fraud prevention and detection training.
- Assign authority and responsibility appropriate to the individual. Place individuals in situations where they are able to succeed. Make integrity part of the promotion, compensation and evaluation processes. Including an ethics or integrity objective in performance plans and appraisals reinforces the importance of integrity.
- Examine and monitor your management control systems.

Flush
w/
margin

Attachment

- Punish unethical actions. Consistent discipline requires strict adherence to the prescribed disciplinary measures. If there is an ethical or legal lapse, be candid about it, acknowledge it, and do not try to minimize it.
- Remind your people of the safe means to report violations. Ensure that all personnel know whom to contact to report misconduct. Promote the fraud hotline. Ensure confidentiality of reports. Prevent reprisals by superiors and coworkers.
- Refer to the provisions in the Joint Contingency Contracting Handbook (JCCI) in a contingency/combat environment.



COORDINATION

SUBJECT: Panel on Contracting Integrity Implementation of Action 2 c,
"Implement Processes to Measure Consistency of Tone at the Top"

Action Officer: Sandra Ross
Phone: (703) 695-9774

Print name and title under the signature line

DUSD(ARA) _____ date: _____

DoD GC  date: -10/24/08

SOCO  24 Oct 08

ASD(LA) CDR John Gilliland Douglas P. Larsen
DGC (A&L)

Please return no later than **October 23, 2008 (noon)**. After coordination please FAX to 703-614-1254 or email copy to patricia.foley.ctr@osd.mil, cc to [Sandra Ross@osd.mil](mailto:Sandra.Ross@osd.mil), or call Patricia Foley for pick up at 703-693-1145.

Foley, Patricia, CTR, OSD-ATL

From: Gilliland, John CDR OSD LA
Sent: Wednesday, October 22, 2008 10:42 AM
To: Foley, Patricia, CTR, OSD-ATL
Subject: RE: Request LA coordination on USA 0001697-08Panel on Contracting Integrity Implementation of Action 2c, "Implementing"

Thanks, Pat. Memo looks good. OSD/LA coordinates.

V/r,
John

-----Original Message-----
From: Foley, Patricia, CTR, OSD-ATL
Sent: Wednesday, October 22, 2008 10:34 AM
To: Gilliland, John CDR OSD LA
Subject: RE: Request LA coordination on USA 0001697-08Panel on Contracting Integrity Implementation of Action 2c, "Implementing"

John,

Thanks for letting me know right away. Please find TAB A attached.

V/r,

Pat

-----Original Message-----
From: Gilliland, John CDR OSD LA
Sent: Wednesday, October 22, 2008 10:15 AM
To: Foley, Patricia, CTR, OSD-ATL
Subject: FW: Request LA coordination on USA 0001697-08Panel on Contracting Integrity Implementation of Action 2c, "Implementing"

Pat -

I think I'm missing the memo - is it Tab A?

Thanks,
John

-----Original Message-----
From: Foley, Patricia, CTR, OSD-ATL
Sent: Tuesday, October 21, 2008 4:58 PM
To: Gilliland, John CDR OSD LA
Cc: Ross, Sandra, Ms, OSD-ATL
Subject: Request LA coordination on USA 0001697-08Panel on Contracting Integrity Implementation of Action 2c, "Implementing"

<<...>> <<...>> <<...>> <<...>> <<...>> <<...>>

John,

Could I ask for your help?

We are trying to complete the attached memo soon so that we can report that this action has been implemented in the annual Report to Congress.

Could we get a Legislative Affairs coordination on the draft memo? The memo is planned for USD(AT&L) signature, so it will not need Mr. Wilkie's signature.

Thanks for your help.

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 16, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army	Mr. Wimpy Pybus	October 21, 2008
2. Department of the Navy	Mr. M. F. Jaggard	October 14, 2008
3. Department of the Air Force	Mr. Steven J. Zamparelli	October 21, 2008
4. USSOCOM	Dr. Dale Uhler	October 24, 2008
5. USTRANSCOM	Mr. Richard Byers	October 15, 2008
6. DLA	Ms. Scottie Knott	October 20, 2008
7. DARPA	Mr. Ron Kurjanowicz	October 11, 2008
8. HCI/DAU	Mr. Frank Anderson, Jr.	October 15, 2008
9. DCAA	Ms. April Stephenson	October 17, 2008
10. DCMA	Mr. Charlie E. Williams	October 17, 2008
11. DISA	Col Robert E. Mitchell	October 14, 2008
12. MDA	Mr. Barney Klehman	October 15, 2008
13. NGA	Mr. Howard Pierce	October 20, 2008
14. NSA	Mr. Jack Russell	October 24, 2008
15. TMA	Ms. Jean Storck	October 17, 2008
16. DoDEA	Mr. Christopher D. Pigott	October 17, 2008
17. DPAP-PACC	Mr. Richard Ginman	October 11, 2008
18. DoDIG	Mr. Richard B. Jolliffe	October 14, 2008
19. DGC	Mr. Douglas P. Larsen	October 24, 2008

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army	 Please see the edits in the 3 rd page of the Memorandum.	21 Oct 08
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG		
19. DGC		

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implementing Processes to Measure Consistency of Tone at the Top

Section 813 of the John Warner National Defense Authorization Act (NDAA) for FY 2007 (Pub. L 109-364) directed DoD to establish a "Panel on Contracting Integrity" composed of a Department-wide cross section of senior leaders to eliminate areas of vulnerabilities within the defense contracting system that allow fraud, waste, and abuse to occur. The Panel identified inconsistency of Tone at the Top as a contracting vulnerability.

The attachment provides some implementing processes identified by the Panel on Contracting Integrity. I ask that you and your senior leadership discuss these issues at every opportunity, in meetings and forums, within your community and with your industry partners. Our commitment to the highest standards of integrity will not be achieved by any memorandum, but through our everyday activities. At a time when the confidence of the public in many other institutions is questioned, we must insist on transparency and integrity in our procurement system.

Please make acquisition integrity the center of your everyday decision-making and culture. It has to start at the top, with us.

John J. Young, Jr.

**Attachment:
As stated**

Attachment

Tone at the Top

- **Communicate values and expected behavior clearly and convincingly. State that unethical conduct will not be tolerated. When conducting a staff meeting or offering remarks, discuss the organization's values as well as its mission. Emphasize the importance of our responsibilities as guardians of the public purse and the primacy of our responsibility to the taxpayers. Frequent communication is important. It takes time for the tone at the top to filter down through the organization.**
- **Remove the perception that ethics is the general counsel's responsibility, rather than everybody's responsibility. Address ethics at offsites with senior leadership, at town hall meetings, and in other intra-agency communications. Continually reinforce ethics through communications. Be consistent in your message that integrity is essential; do not ignore, joke about, or dismiss it off line or when you are talking to smaller groups.**
- **Lead by example. Make it clear that you will not tolerate compliance risks. Convey with your actions that compliance, credibility, and long-term reputation are more important than short-term gains. Extend the talk to private industry, requiring activities, and others to prevent product substitution, mischarging, defective pricing, progress payment fraud, and antitrust violations.**
- **Make ethics and compliance part of your regular education and training efforts; go beyond prepared briefings to embrace well conceived, real-life situations and dialogue. Address ethics as they relate to issues at hand. Consistently follow and enforce the Joint Ethics Regulation, including conducting annual ethics training, and require completion of the Defense Acquisition University's Continuous Learning Module on Ethics. Include fraud prevention and detection training.**
- **Assign authority and responsibility appropriate to the individual. Place individuals in situations where they are able to succeed without resorting to unethical conduct. Make integrity part of the promotion, compensation and evaluation processes. Including an ethics or integrity objective in performance plans and appraisals reinforces the importance of integrity.**
- **Examine and monitor your management control systems.**

- Reward integrity while punishing unethical actions. Consistent discipline requires strict adherence to the prescribed disciplinary measures. If there is an ethical or legal lapse, be candid about it, acknowledge it, and do not try to minimize it.
- Provide a safe mechanism for reporting violations and rRemind your people of the safe means to report violations. Ensure that all personnel know whom to contact to report misconduct. Promote the anti-fraud hotline and e. Ensure confidentiality of reports. Consistently communicate leadership pledge to the whistleblower protection policy to pPrevent reprisals by superiors and coworkers.
- Exercise special care when conducting acquisitions in foreign countries or with foreign firms. Bribery and kickbacks are an accepted way of doing business in certain foreign countries, but is not an accepted business practice in the United States.

Attachment

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DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS
AND MATERIAL READINESS)
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF
DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
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STRATEGIC SOURCING
DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS
DIRECTOR, PORTFOLIO MANAGEMENT
DIRECTOR, SMALL BUSINESS PROGRAMS
DIRECTORS OF THE DOD FIELD ACTIVITIES**

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy	M. F. Jaggard	10-14-08
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCl/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG		
19. DGC		

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force	<i>Stefano Zamporelli</i> for <i>Randall Culpepper</i>	21 Oct 08
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG		
19. DGC		

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM	concur with comments	
5. USTRANSCOM		10/24/08
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG		
19. DGC		

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implementing Processes to Measure Consistency of Tone at the Top

Section 813 of the John Warner National Defense Authorization Act (NDAA) for FY 2007 (Pub. L 109-364) directed DoD to establish a "Panel on Contracting Integrity" composed of a Department-wide cross section of senior leaders to eliminate areas of vulnerabilities within the defense contracting system that allow fraud, waste, and abuse to occur. The Panel identified inconsistency of Tone at the Top as an acquisition and a contracting vulnerability.

Deleted: a contracting

The attachment provides some implementing guidance for your consideration identified by the Panel on Contracting Integrity. I ask that you and your senior leadership discuss these issues at every opportunity, in meetings and forums, within your community and with industry. Our commitment to the highest standards of integrity will not be achieved by any memorandum, but through our everyday activities. At a time when the confidence of the public in many institutions is questioned, we must insist on transparency and integrity in our procurement system.

Deleted: processes

Please make acquisition integrity the center of your everyday decision-making and culture. It has to start at the top, with us.

Attachment:
As stated

DISTRIBUTION LIST:

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
COMMANDER, U.S. TRANSPORTATION COMMAND
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS
AND MATERIAL READINESS)
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF
DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION POLICY, AND
STRATEGIC SOURCING
DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS
DIRECTOR, PORTFOLIO MANAGEMENT
DIRECTOR, SMALL BUSINESS PROGRAMS
DIRECTORS OF THE DOD FIELD ACTIVITIES

Attachment

- Communicate values and expected behavior clearly and convincingly. State that unethical conduct will not be tolerated. When conducting a staff meeting or offering remarks, discuss the organization's values as well as its mission. Emphasize the importance of our responsibilities as guardians of the public purse and the primacy of our responsibility to the taxpayers. Frequent communication is important. It takes time for the tone at the top to filter down through the organization.
- Remove the perception that ethics is the general counsel's responsibility rather than everybody's responsibility. Address ethics at offsites with senior leadership, at town hall meetings, and in other intra-agency communications. Continually reinforce ethics through communications. Be consistent in your message that integrity is essential; do not ignore, joke about, or dismiss it off line or when you are talking to smaller groups.
- Lead by example. Make it clear that you will not tolerate compliance risks. Convey with your actions that compliance, credibility, and long-term reputation are more important than short-term gains. Extend the talk to private industry, requiring activities, and others to prevent product substitution, mischarging, defective pricing, progress payment fraud, and antitrust violations.
- Make ethics and compliance part of your regular education and training efforts; go beyond prepared briefings to embrace well conceived, real-life situations and dialogue. Address ethics as they relate to issues at hand. Consistently follow and enforce the Joint Ethics Regulation, including conducting annual ethics training, and require completion of the Defense Acquisition University's Continuous Learning Module on Ethics. Include fraud prevention and detection training.
- Assign authority and responsibility appropriate to the individual. Place individuals in situations where they are able to succeed. Make integrity part of the promotion, compensation and evaluation processes. Including an ethics or integrity objective in performance plans and appraisals reinforces the importance of integrity.
- Examine and monitor your management control systems.

Comment [J1]: A weakness of the draft memo 2(c) as written is that this 4th bullet only addresses the Joint Ethics Regulation (JER). The draft memo 2(c) would be better served if it also addressed statutory prohibitions from the Procurement Integrity Act or the Competition in Contracting Act (CICA) with such example subjects as unauthorized commitments.

- Punish unethical actions. Consistent discipline requires strict adherence to the prescribed disciplinary measures. If there is an ethical or legal lapse, be candid about it, acknowledge it, and do not try to minimize it.
- Remind your people of the safe means to report violations. Ensure that all personnel know whom to contact to report misconduct. Promote the fraud hotline. Ensure confidentiality of reports. Prevent reprisals by superiors and coworkers.
- Refer to the provisions in the Joint Contingency Contracting Handbook (JCCI) in a contingency/combat environment.

Draft 20

Attachment

COORDINATION FORM

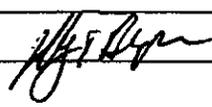
OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		15 Oct 08
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
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18. DoDIG		
19. DGC		

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

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Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Contribution	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA	<i>Sandra Ross</i>	<i>20 OCT 08</i>
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG		
19. DGC		

Foley, Patricia, CTR, OSD-ATL

From: Kurjanowicz, Ron [Ron.Kurjanowicz@darpa.mil]
Sent: Saturday, October 11, 2008 6:30 PM
To: Foley, Patricia, CTR, OSD-ATL
Subject: RE: Request Panel Member Coordination on Panel on Contracting Integrity Initial Action 2c, "Implementing Processes to Measure Consistency of Tone at the Top"

All looks OK, except for the very last statement: * "Exercise special care when conducting acquisitions in foreign countries or with foreign firms."

What is 'special care?'

R

-----Original Message-----

From: Foley, Patricia, CTR, OSD-ATL [mailto:Patricia.Foley.CTR@osd.mil]
Sent: Friday, October 10, 2008 4:50 PM
To: Barboza, Sara A Ms ASA(ALT); Bridges, Jonathan B Lt Col USSOCOM HQ; Burton, Bruce A., OIG DoD; Cannaday, John E COL USSOCOM HQ; howard.w.pierce@nga.mil; rena.ingram@tma.mil; michael.b.mcpeak@dla.mil; Jones, Kermit C COL ASA(ALT); kathleen.lemming@dla.mil; McBride, Barbara, Ms, DoD OGC; McMahon, Paul, Mr, OSD-ATL; Kenneth.Saccoccia@dcaa.mil; Sembenotti, Susan CIV USTRANSCOM AQ; Shook, Debbie M CIV DISA PLD; Knoth, Paul CIV OGC, AIO; barbara.vanbrakle.ctr@mda.mil; karen.penn@dcma.mil; Grover, Jeffrey, LTC, OSD-ATL; Buglisi, Riccardo, OIG DoD; Bartruff, Diana, Ms, DoD OGC; Lee, Frank, CTR, OASD(HA)/TMA; monica.bodnar.ctr@osd.tma.mil; Heather.Campbell.ctr@darpa.mil; Chase, Peter M. CIV ASSTSECNAV RDA WASHINGTON DC DASN(ACQ); Culpepper, Randall Civ SAF/AQCK; Hyosun.Ro@dcaa.mil; mary.clarke@dcma.mil; Bridges, Pamala, CIV, OASD(HA)/TMA; DCMA INBOX; Kayes, Brett Capt SAF/AQCK; Jordan, Gerry A CIV DISA PLD; hadams2@nsa.gov; willie.robinson@hq.dodea.edu; Knoth, Paul CIV OGC, AIO; mai.venson@hq.dodea.edu
Cc: Anderson, Frank J., Jr.; Ginman, Richard, Mr, OSD-ATL; Jaggard, Michael F SES ASN(RDA), DASN Acq & Log Mgt; Jolliffe, Richard B., OIG DoD; ron.kurjanowicz@darpa.mil; Jordan, Gerry A CIV DISA PLD; charlie.williams@dcma.mil; barney.klehman@mda.mil; Storck, Jean, SES, OASD(HA)/TMA; april.stephenson@dcaa.mil; tonya.M.Crawford@nga.mil; Larsen, Douglas, Mr, DoD OGC; Mitchell, Robert E Col USAF DISA PLD; Pybus, Wimpy D SES ASA(ALT); 'Daniel Gilliam; Hildner, Susan, Ms, OSD-ATL; Ross, Sandra, Ms, OSD-ATL; Knott, Claudia, DLA; Calisti, Scott R Col OSD ATL; Jaggard, Michael F SES ASN(RDA), DASN Acq & Log Mgt; Calisti, Scott R Col OSD ATL; retson, nicholas; Correll, Roger S SES SAF/AQC; Uhler Dale G. SES; Jorgenson, Gail CIV USTRANSCOM AQ; Marybeth.olexy@hq.dodea.edu; Bennington, Mark; Wilkoff, Mark SES OGC/AIO
Subject: Request Panel Member Coordination on Panel on Contracting Integrity Initial Action 2c, "Implementing Processes to Measure Consistency of Tone at the Top"

All,

The Panel on Contracting Integrity 2007 Report to Congress included 21 initial actions for implementation in 2008. One of these actions is 2c, "Implementing Processes to Measure Consistency of Tone at the Top." The Sustained Senior Leadership subcommittee prepared the processes in the attached draft policy memorandum to implement this action. Please have your principals review and coordinate on this draft memorandum by Friday, October 17. A copy of the memorandum and the Panel Member Coordination Sheet are forwarded for your convenience. You also may access a copy on the password-protected Panel website.

Sent on behalf of the Executive Secretary.

v/r,

Patricia Foley
OUSD(AT&L) (A&T) DPAP/CPIC
703-693-1145
patricia.foley.ctr@osd.mil

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
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4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU	<i>JAO II</i>	<i>10/15/08</i>
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
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5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCL/DAU		
9. DCAA with proposed revisions	April Stephenson	10/17/2008
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG		
19. DGC		

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implementing Processes to Measure Consistency of Tone at the Top

Section 813 of the John Warner National Defense Authorization Act (NDAA) for FY 2007 (Pub. L 109-364) directed DoD to establish a "Panel on Contracting Integrity" composed of a Department-wide cross section of senior leaders to eliminate areas of vulnerabilities within the defense contracting system that allow fraud, waste, and abuse to occur. The Panel identified inconsistency of Tone at the Top as a contracting vulnerability.

The attachment provides some implementing processes for your consideration identified by the Panel on Contracting Integrity. I ask that you and your senior leadership discuss these issues at every opportunity, in meetings and forums, within your community and with industry. Our commitment to the highest standards of integrity will not be achieved by any memorandum, but through our everyday activities. At a time when the confidence of the public in many other institutions is questioned, we must insist on transparency and integrity in our procurement system.

Please make acquisition integrity the center of your everyday decision-making and culture. It has to start at the top, with us.

John J. Young, Jr.

Attachment:
As stated

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Attachment

Tone at the Top

- Communicate values and expected behavior clearly and convincingly. State that unethical conduct will not be tolerated. When conducting a staff meeting or offering remarks, discuss the organization's values as well as its mission. Emphasize the importance of our responsibilities as guardians of the public purse and the primacy of our responsibility to the taxpayers. Frequent communication is important. It takes time for the tone at the top to filter down through the organization.
- Remove the perception that ethics is the general counsel's responsibility, rather than everybody's responsibility. Address ethics at all sites with senior leadership, at town hall meetings, and in other intra-agency communications. Continually reinforce ethics through communications. Be consistent in your message that integrity is essential; do not ignore, joke about, or dismiss it off line or when you are talking to smaller groups.
- Lead by example. Make it clear that you will not tolerate compliance risks. Convey with your actions that compliance, credibility, and long-term reputation are more important than short-term gains. Extend the talk to private industry, requiring activities, and others to prevent product substitution, mischarging, defective pricing, progress payment fraud, and antitrust violations.
- Make ethics and compliance part of your regular education and training efforts; go beyond prepared briefings to embrace well conceived, real-life situations and dialogues. Address ethics as they relate to issues at hand. Consistently follow and enforce the Joint Ethics Regulation, including conducting annual ethics training, and require completion of the Defense Acquisition University's Continuous Learning Module on Ethics. Include fraud prevention and detection training.
- Assign authority and responsibility appropriate to the individual. Place individuals in situations where they are able to succeed. Make integrity part of the promotion, compensation and evaluation processes. Including an ethics or integrity objective in performance plans and appraisals reinforces the importance of integrity.
- Examine and monitor your management control systems.

Deleted: without resorting to unethical conduct.

- Punish unethical actions. Consistent discipline requires strict adherence to the prescribed disciplinary measures. If there is an ethical or legal lapse, be candid about it, acknowledge it, and do not try to minimize it.
- Remind your people of the safe means to report violations. Ensure that all personnel know whom to contact to report misconduct. Promote the fraud hotline. Ensure confidentiality of reports. Prevent reprisals by superiors and coworkers.
- Exercise special care when conducting acquisitions in foreign countries or with foreign firms.

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Attachment

Draft

DISTRIBUTION LIST:

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
COMMANDER, U.S. TRANSPORTATION COMMAND
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS
AND MATERIAL READINESS)
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF
DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION POLICY, AND
STRATEGIC SOURCING
DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS
DIRECTOR, PORTFOLIO MANAGEMENT
DIRECTOR, SMALL BUSINESS PROGRAMS
DIRECTORS OF THE DOD FIELD ACTIVITIES

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA	<i>Ch...</i>	17 Oct 08
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
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18. DoDIG		
19. DGC		

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

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Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
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2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA	Col Robert E. Mitchell	14 Oct 08
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
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COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA	<i>Barney Helman</i>	<i>10/13/08</i>
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG		
19. DGC		

COORDINATION FORM
OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil



- 1. Department of the Army
- 2. Department of the Navy
- 3. Department of the Air Force
- 4. USSOCOM
- 5. USTRANSCOM
- 6. DLA
- 7. DARPA
- 8. HCI/DAU
- 9. DCAA
- 10. DCMA
- 11. DISA
- 12. MDA
- 13. NGA *Handwritten signature*
- 14. NSA *20 Oct 08*
- 15. TMA
- 16. DoDEA
- 17. DPAP-PACC
- 18. DoDIG
- 19. DGC

Foley, Patricia, CTR, OSD-ATL

From: Russell, John [jgrusse@nsa.gov]
Sent: Friday, October 24, 2008 1:47 PM
To: Foley, Patricia, CTR, OSD-ATL
Subject: RE: Request Panel Member Coordination on Panel on Contracting Integrity Initial Action 2c, "Implementing Processes to Measure Consistency of Tone at the Top"

Pat,

I apologize but I am a bit confused. Is the action to sign the coordination sheet for the memorandum to be issued or is it to actually coordinate/conduct the "tone at the top meetings"? I concur in the memo being issued if that is the action.

Thank you,

Jack Russell

-----Original Message-----

From: Foley, Patricia, CTR, OSD-ATL [mailto:Patricia.Foley.CTR@osd.mil]
Sent: Thursday, October 23, 2008 5:49 PM
To: Gilliam, Daniel; Adams, Heather M; Beck, Kelly ; Kettelberger, Cheryl L; Russell, John
Subject: FW: Request Panel Member Coordination on Panel on Contracting Integrity Initial Action 2c, "Implementing Processes to Measure Consistency of Tone at the Top"

All,

I think that this particular coordination slipped through the cracks. Could we please get a coordination this soonest? The Panel is trying to finish this up for the Report to Congress.

I would appreciate any help that you could provide.

v/r,

Pat
Patricia Foley
DPAP/CPIC
703-693-1145
patricia.foley.ctr@osd.mil

-----Original Message-----

From: Foley, Patricia, CTR, OSD-ATL
Sent: Monday, October 20, 2008 12:58 PM
To: 'Marybeth Olexy (Marybeth.olexy@hq.dodea.edu)'; McBride, Barbara, Ms, DoD OGC; Culpepper, Randall Civ SAF/AQCK; Chase, Peter M. CIV ASSTSECNAV RDA WASHINGTON DC DASN(ACQ); Lee, Kyoung W. Ms ASA(ALT)
Cc: Bartruff, Diana, Ms, DoD OGC; Kayes, Brett Capt SAF/AQCK
Subject: FW: Request Panel Member Coordination on Panel on Contracting Integrity Initial Action 2c, "Implementing Processes to Measure Consistency of Tone at the Top"

All,

The coordination response for action 2c, "Implementing Processes to Measure Consistency of Tone at the Top" was requested by October 16, 2008. Please

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
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6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA	<i>Jean Storch</i>	<i>10/17/08</i>
16. DoDEA		
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18. DoDIG		
19. DGC		

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

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After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA	<i>Christopher D. Pisoff</i>	<i>10/17/2008</i>
17. DPAP-PACC		
18. DoDIG		
19. DGC		

Foley, Patricia, CTR, OSD-ATL

From: Ginman, Richard, Mr, OSD-ATL
Sent: Monday, October 13, 2008 10:54 PM
To: Foley, Patricia, CTR, OSD-ATL
Cc: Hildner, Susan, Ms, OSD-ATL; Grover, Jeffrey, LTC, OSD-ATL; Ross, Sandra, Ms, OSD-ATL
Subject: RE: Request Panel Member Coordination on Panel on Contracting Integrity Initial Action 2c, "Implementing Processes to Measure Consistency of Tone at the Top"
Signed By: richard.ginman@osd.mil

Pat, I'm fine with the letter. Dick

-----Original Message-----

From: Foley, Patricia, CTR, OSD-ATL
Sent: Friday, October 10, 2008 4:50 PM
To: Barboza, Sara A Ms ASA(ALT); Bridges, Jonathan B Lt Col USSOCOM HQ; Burton, Bruce A., OIG DoD; Cannaday, John E COL USSOCOM HQ; 'howard.w.pierce@nga.mil'; 'rena.ingram@tma.mil'; 'michael.b.mcpeak@dla.mil'; Jones, Kermit C COL ASA(ALT); 'kathleen.lemming@dla.mil'; McBride, Barbara, Ms, DoD OGC; McMahon, Paul, Mr, OSD-ATL; 'Kenneth.Saccoccia@dcaa.mil'; Sembenotti, Susan CIV USTRANSCOM AQ; Shook, Debbie M CIV DISA PLD; Knoth, Paul CIV OGC, AIO; 'barbara.vanbrakle.ctr@mda.mil'; 'karen.penn@dcma.mil'; Grover, Jeffrey, LTC, OSD-ATL; Buglisi, Riccardo, OIG DoD; Bartruff, Diana, Ms, DoD OGC; Lee, Frank, CTR, OASD(HA)/TMA; 'monica.bodnar.ctr@osd.tma.mil'; 'Heather.Campbell.ctr@darpa.mil'; Chase, Peter M. CIV ASSTSECNAV RDA WASHINGTON DC DASN(Acq); Culpepper, Randall Civ SAF/AQCK; 'Hyosun.Ro@dcaa.mil'; 'Mary E. Clarke (mary.clarke@dcma.mil)'; Bridges, Pamala, CIV, OASD(HA)/TMA; DCMA INBOX; Kayes, Brett Capt SAF/AQCK; Jordan, Gerry A CIV DISA PLD; 'hadams2@nsa.gov'; 'willie.robinson@hq.dodea.edu'; Knoth, Paul CIV OGC, AIO; 'Mai Venson (mai.venson@hq.dodea.edu)'
Cc: Anderson, Frank J., Jr.; Ginman, Richard, Mr, OSD-ATL; Jaggard, Michael F SES ASN(RDA), DASN Acq & Log Mgt; Jolliffe, Richard B., OIG DoD; 'ron.kurjanowicz@darpa.mil'; Jordan, Gerry A CIV DISA PLD; 'charlie.williams@dcma.mil'; 'barney.klehman@mda.mil'; Storck, Jean, SES, OASD(HA)/TMA; 'april.stephenson@dcaa.mil'; 'tonya.M.Crawford@nga.mil'; Larsen, Douglas, Mr, DoD OGC; Mitchell, Robert E Col USAF DISA PLD; Pybus, Wimpdy D SES ASA(ALT); 'Daniel Gilliam'; Hildner, Susan, Ms, OSD-ATL; Ross, Sandra, Ms, OSD-ATL; Knott, Claudia, DLA; Calisti, Scott R Col OSD ATL; Jaggard, Michael F SES ASN(RDA), DASN Acq & Log Mgt; Calisti, Scott R Col OSD ATL; retson, nicholas; Correll, Roger S SES SAF/AQC; Uhler Dale G. SES; Jorgenson, Gail CIV USTRANSCOM AQ; 'Marybeth Olexy (Marybeth.olexy@hq.dodea.edu)'; ' (Mark.Bennington@darpa.mil)'; Wilkoff, Mark SES OGC/AIO
Subject: Request Panel Member Coordination on Panel on Contracting Integrity Initial Action 2c, "Implementing Processes to Measure Consistency of Tone at the Top"

All,

The Panel on Contracting Integrity 2007 Report to Congress included 21 initial actions for implementation in 2008. One of these actions is 2c, "Implementing Processes to Measure Consistency of Tone at the Top." The Sustained Senior Leadership subcommittee prepared the processes in the attached draft policy memorandum to implement this action. Please have your principals review and coordinate on this draft memorandum by Friday, October 17. A copy of the memorandum and the Panel Member Coordination Sheet are forwarded for your convenience. You also may access a copy on the password-protected Panel website.

Sent on behalf of the Executive Secretary.

v/r,

COORDINATION FORM

OUSD(AT&L)/DPAP/CPIC

SUSPENSE: Please Reply NLT, October 17, 2008

SUBJECT: Panel on Contracting Integrity Action 2c, "Implement Processes to Measure Consistency of Tone at the Top"

After coordination, please email a copy to sandra.ross@osd.mil and patricia.foley.ctr@osd.mil.

Action Officer: Sandra Ross, DPAP/CPIC, 703-693-7062, sandra.ross@osd.mil

Organization	Panel Member Coordination	Date
1. Department of the Army		
2. Department of the Navy		
3. Department of the Air Force		
4. USSOCOM		
5. USTRANSCOM		
6. DLA		
7. DARPA		
8. HCI/DAU		
9. DCAA		
10. DCMA		
11. DISA		
12. MDA		
13. NGA		
14. NSA		
15. TMA		
16. DoDEA		
17. DPAP-PACC		
18. DoDIG	<i>Richard B. Joell</i>	<i>10-14-08</i>
19. DGC		

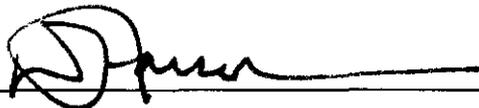
COORDINATION

SUBJECT: Panel on Contracting Integrity Implementation of Action 2 c,
"Implement Processes to Measure Consistency of Tone at the Top"

Action Officer: Sandra Ross
Phone: (703) 695-9774

Print name and title under the signature line

DUSD(ARA) _____ date: _____

DoD GC  date: 10/24/03

5000 Bradley 24 Oct 03

ASD(LA) CDR John Gilliland Douglas P. Larsen
DGC (A&L)

Please return no later than October 23, 2003 (noon). After coordination please
FAX to 703-614-1254 or email copy to patricia.foley.ctr@osd.mil, cc to Sandra
Ross@osd.mil, or call Patricia Foley for pick up at 703-693-1145.

Foley, Patricia, CTR, OSD-ATL

From: McBride, Barbara, Ms, DoD OGC
Sent: Wednesday, October 22, 2008 4:38 PM
To: Foley, Patricia, CTR, OSD-ATL
Subject: RE: Panel on Contracting Integrity Working Group Conference Call for October 22, 2008
Signed By: mcbrideb@dodgc.osd.mil

Pat,

I have sent the Tone at the Top to our Personnel and Health Policy Office for their review, given the personnel implications in the bullets - Performance evaluations, punishment, etc.

I am at a conference tomorrow and Friday and will not be back until Monday.

You could check with Diana on Friday to see if P&HP has returned the package.

Bo

Bo McBride
Associate General Counsel (A&L)
(v) 703.571-9462
(f) 703.571-9469
Room 3B652

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From: Foley, Patricia, CTR, OSD-ATL [mailto:Patricia.Foley.CTR@osd.mil]
Sent: Wednesday, October 22, 2008 4:07 PM
To: Barboza, Sara A Ms ASA(ALT); Bridges, Jonathan B Lt Col USSOCOM HQ; Burton, Bruce A., OIG DoD; Cannaday, John E COL USSOCOM HQ; Grover, Jeffrey, LTC, OSD-ATL; Grover, Jeffrey, LTC, OSD-ATL; Grover, Jeffrey, LTC, OSD-ATL; McMahon, Paul, Mr, OSD-ATL; Mitchell, Robert E Col USAF DISA PLD; Sembenotti, Susan CIV USTRANSCOM AQ; kathleen.lemming@dla.mil; howard.w.pierce@nga.mil; McBride, Barbara, Ms, DoD OGC; Kenneth.Saccoccia@dcaa.mil; Kayes, Brett Capt SAF/AQCK; Knoth, Paul CIV OGC, AIO; Burton, Bruce A., OIG DoD; McBride, Barbara, Ms, DoD OGC; Culpepper, Randall Civ SAF/AQCK; Deane, Ese (HQ DLA); Sembenotti, Susan CIV USTRANSCOM AQ; Ortiz, Evelyn CIV ASN(RDA), DASN(A&LM); Chase, Peter M. CIV ASSTSECNAV RDA WASHINGTON DC DASN(ACQ); Saccoccia, Kenneth, Mr, SES DCAA; Clarke, Mary E.; Buglisi, Riccardo, OIG DoD; Johnson, Robert F. CIV ASSTSECNAV RDA WASHINGTON DC DASN(ACQ)
Cc: Knott, Claudia, DLA; Ginman, Richard, Mr, OSD-ATL; Jolliffe, Richard B., OIG DoD; april.stephenson@dcaa.mil; Williams, Charlie; Jaggard, Michael F SES ASN(RDA), DASN Acq & Log Mgt; Ross, Sandra, Ms, OSD-ATL; Calisti, Scott R Col OSD ATL; Plourde, Nicole Col SAF/AQCK; Hildner, Susan, Ms, OSD-ATL; Anderson, Frank J., Jr.; Ross, Sandra, Ms, OSD-ATL; Correll, Roger S SES SAF/AQC; Retson, Nicholas, Mr, DCMA; Pybus, Wimpy D SES ASA(ALT); Allison, Lorraine C CIV DHRA; Larsen, Douglas, Mr, DoD OGC; Miguel.Zayas@dla.mil
Subject: Panel on Contracting Integrity Working Group Conference Call for October 22, 2008

All,

The Susan Hildner convened the conference call at 2:30 p.m.

UNCLASSIFIED SYSTEM

Office of the Under Secretary of Defense for
Acquisition, Technology, and Logistics
Correspondence Cover Sheet

When Added: Due Date: Tasked Org: **ACT** Item ID: **USA001697-08** OSD #:

Red Tag: Action Type: **USD Signature** Tasked Person:

Subject: **Implementing Processes to Measure Consistency of Tone at the Top**

	Initials	Date	Comments
<input type="checkbox"/> Mr. Young:	_____	_____	
<input type="checkbox"/> Mr. Hartman:	_____	_____	
<input type="checkbox"/> COL Cook:	DK	6/22	
<input type="checkbox"/> Col Bogdan:	_____	_____	
<input type="checkbox"/> Mr. Mackey:	_____	_____	
<input type="checkbox"/> Mr. Graves:	VMB	9/Nov	
<input type="checkbox"/> Mr. Simpson:	AS	11/4	
<input type="checkbox"/> Ms. Wright:	_____	_____	

Notes:

DISPOSITION INSTRUCTIONS:

THIS TASK RESIDES ON THE **NIPRNET** VERSION OF **SACCP.**

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**Office of the Under Secretary of Defense for
Acquisition, Technology, and Logistics
Correspondence Cover Sheet**

When Added: 10/28/08 00:00 **Due Date:** 11/07/08 00:00 **Tasked Org:** DPAP/CPIC **Item ID:** **OSD #:** USA001697-08

N: 3 NOV 08
W: 4 NOV 08

Red Tag: **Action Type:** **Tasked Person:** Sandra Ross

Subject:

Panel on Contracting Integrity Action 2C, "Implementing Processes to Measure Consistency of Tone at the Top"

	Initials	Date	Comments
<input type="checkbox"/> OPS	<i>WJ</i>	<i>29 Oct</i>	For Review <i>AH 10/29/08</i>
<input checked="" type="checkbox"/> DUSD/DIR Level:	<i>MB</i>	<i>10/29/08</i>	For Approval
<input type="checkbox"/> Tasked Org:			For Approval
<input checked="" type="checkbox"/> Action Officer	<i>SMC</i>	<i>29 Oct 08</i>	

	Initials	Date	Comments
<input type="checkbox"/>	_____	_____	
<input type="checkbox"/>	_____	_____	
<input type="checkbox"/>	_____	_____	
<input type="checkbox"/>	_____	_____	
<input type="checkbox"/>	_____	_____	
<input type="checkbox"/>	_____	_____	

DISPOSITION INSTRUCTIONS: Please review and sign TAB A. Information release distribution notes on memo. Please return to AO after distribution. This will not be incorporated in the FAR, DFARS, PGI, or DODD 5000.2. It will be retained in the Policy Vault for 3 months.

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