



# Committing to Procurement Integrity

Who owns the commitment to procurement integrity in a contractor's organization? Traditionally, research and regulations place the requirements at the doorway of the executives as their tone carries throughout the entire workforce.

However, employees have an individual responsibility to follow the organization's established policies, procedures and processes designed to provide reasonable assurance towards achieving and maintaining fair, honest and legal contracting. So, is it then not logical to believe they also share responsibility in the organization's commitment to procurement integrity?

Ernest & Young's "14th Global Fraud Survey," reported that of the 2,825 global executives surveyed, nearly half — 42 percent — were willing to justify unethical behavior when under pressure to meet financial targets. The survey further reported that 10 percent would make a cash payment — in other words, a bribe — to win or retain business in an economic downturn, and 7 percent would be prepared to backdate contracts that would falsely show revenue. Unethical behavior is not limited to those executives in the boardrooms running the company, it can be found at all levels from first-line managers to supply-chain workers.

Regardless if it's the CEO, the director of contracts, or a single employee working the production line, an individual's ethical behavior is influenced to a large part by the moral character of the person and the environment in which they work and live. It is the responsibility of the organization's leadership and management, regardless of its size, to invest reasonable resources and time in ensuring an ongoing culture of ethics and integrity for employees to learn from and work within.

The National Defense Industrial Association has an expectation of its members to implement a formal company ethics program that includes a written code of conduct; to communicate institutional values and expectations; and to guide employees and management in their decisions and conduct.

For those in leadership working within the procurement office, whether in the corporate or public sector, no single element has more influence on the workplace's ethical behavior than a clear, visual, demonstrated direct commitment to ensure fair, honest, impartial and legal contracting. That means procurement management should require adherence, reinforce and periodically articulate the organization's code of conduct and expectations of ethical behavior in all contracting activity.

Further, management should ensure clear procurement policies are published; authority for oversight of contracting activities is assigned; employee performance evaluations promote procurement integrity; and employees are encouraged to communicate procurement integrity amongst their peers.

Another key factor to ensuring a commitment to procurement integrity is conducting a procurement risk assessment in order to identify the organization's unique degree of risk to procurement fraud and abuse.

This type of risk assessment should be conducted periodically and used to form the basis for determining how to manage the identified risks. The procurement fraud and abuse risk

assessment should be focused and tailored and include the most common procurement schemes to which the organization could be vulnerable.

This type of risk assessment differs somewhat from the more conventional methods in that it must be procurement schemes and scenarios based. Once the assessment has identified the high-risk areas, the results will allow the organization to identify and design effective mitigation steps consistent with the organizational management's risk tolerance.

Clearly, the commitment to procurement integrity does not end at the doorway of the executives. It takes an entire workforce's commitment towards a culture of ethics and integrity. Even when employees believe a policy is unnecessary or when there is pressure to speed up the procurement process to satisfy contract award timelines or operational requirements, employees have a responsibility to follow the organization's established rules and processes.

In addition to building a culture of procurement integrity and identifying the organization's unique degree of procurement fraud and abuse risk, there are certain regulations that must be met. Experience has shown that many small and mid-size companies are not aware of the federal and defense procurement requirements to have an effective contractor code of business ethics and conduct.

Those companies that are aware — including larger firms — many times have paper-only programs and therefore have limited their effectiveness. The absence of a well-communicated and periodically tested ethical workforce environment, including the commitment to procurement integrity, not only places defense contractors at risk of contract non-compliance and litigation, but escalates the possibility of fraudulent activity within the workforce.

Contained within NDIA's "Common Ethical Principles and Practices" guidelines is an expectation that all member organizations "establish corporate integrity as a business asset rather than a requirement to satisfy regulators by making ethics integral to all aspects of corporate life and culture to create an environment where employees aspire to do the right thing!"

Defense contractors should assess whether they are living up to that standard in their contracting; has it confirmed it or is it at risk of noncompliance? This standard should be approached as the foundation and not the ceiling when it comes to the responsibilities in ensuring procurement integrity.

A commitment to procurement integrity and operating the business from a foundation of ethical readiness where economic pursuits do not overtake the responsibility to fair, honest and legal contracting will safeguard a contractor's financial assets and reputation.

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