

**Submitted by DII to the Acquisition Advisory Panel in Response to AAP Request  
Made at the May 17, 2005 AAP Public Meeting**

January 31, 2005

Michael W. Wynne  
Acting Under Secretary of Defense for  
Acquisition, Technology and Logistics  
3010 Defense Pentagon  
Washington, DC 20301-3010

**RE: Management and Oversight of DoD Acquisition Activities**

Dear Secretary Wynne:

At our meeting with you on December 23, 2004, you requested the suggestions of the Defense Industry Initiative on Business Ethics and Conduct (“DII”) for improving checks and balances to protect the integrity of procurement decisions. We observed that the DII, currently comprised of over 60 defense contractors to which over 85% of DoD procurement dollars are paid, has had continuous experience since June 1986 in pursuing the highest level of ethical conduct within the defense industry.

Since our meeting with you, we have met with the Defense Science Board Task Force on Management Oversight in Acquisition Organizations, and we have put our collective heads together to give you our perspective from the defense industry. Enclosed with this letter is a listing of suggestions for your consideration. This listing does not represent the views of any particular company. Rather, this is a synthesis of what our DII Working Group believes to be the most helpful thoughts on this matter.

We would be pleased to meet with you to respond to questions and to offer explanations.

Sincerely yours,

Richard J. Bednar

Enclosure

cc: DII Working Group (by email)

January 31, 2005

DoD Review of Management Oversight in Acquisition Activities  
Summary of Defense Industry Initiative (“DII”) Recommendations

**This is a synthesis of suggestions drawn from DII defense industry principal representatives to the DII Working Group. These suggestions do not reflect the view of any particular DII signatory, and are not necessarily in order of importance:**

**1. DoD should designate a “chief ethics officer”, with the responsibility and resources to manage a procurement-focused ethics program. The incumbent would be principally responsible and accountable for assuring that the DoD acquisition agencies establish and maintain a viable ethics program for acquisition personnel at all levels, including periodic ethics training. Joint efforts of DoD and the military services should have a prominent role. To assure continuity of operations, the incumbent “chief ethics officer” should be a senior career civil servant.**

***[All DII companies have such a position, typically at the vice president level, with a solid or dotted line to the board of directors. Smaller DII companies tend to “dual hat” this responsibility with a high-level company official.]***

**2. Assure quality ethics training is provided on a recurring basis to all personnel involved in acquisition activities, including high-level DoD and service acquisition officials.**

***[All DII companies invest substantial resources in quality ethics training. In the past, this training targeted employees, but based on more recent industry experience and the expectations of the Sarbanes-Oxley Act and the Sentencing Guidelines, the DII companies now are providing ethics training for the board of directors as well as continuing the training of employees and senior executives.]***

**3. Place more emphasis on encouraging DoD and service people to report suspected misconduct or to raise ethics questions or concerns.**

***[All DII companies place heavy emphasis on internal reporting of suspected misconduct. Every DII company has an internal reporting, mechanism ranging from toll-free telephone calls to email messages, and more. Employees are strongly encouraged to use these mechanisms and do, both to report suspected misconduct and to seek advice on ethical dilemmas. DII has a wealth of information, protocols, procedures and experience in this area, which it is willing to share with DoD.]***

**4. Periodically engage the Defense Acquisition Excellence Council structure to meet defense industry CEOs or their high-level designees to address matters of mutual ethical concern. The first of such meetings could be used as an occasion for Secretary Wynne to explain to the defense industry what DoD management actions are being taken to prevent or detect another serious procurement integrity problem.**

***[The DII can act as the DAEC contact point for arranging such meetings.]***

**5. In major systems acquisitions, and without adding bureaucracy or delay, require the source selection official to explain and justify his/her decision to a group of disinterested peers before the decision becomes final.**

***[For DII companies, major contract decisions are likely to be “bet the company” issues, and benefit from top-level review. This recommendation should not be implemented if it would result in delay.]***

**6. Encourage defense contractors voluntarily to join the DII. The centerpiece of being a DII signatory company is the eligibility to share approaches and solutions to ethics and business conduct issues with all the other DII companies. This is done on a daily basis between and among company ethics personnel, annually at the DII Best Practices Forum which DoD personnel also attend, at special subject-specific workshops, and by access to a large**

library of DII company codes of ethics, policies and procedures on business conduct, and a wealth of ethics and compliance training materials. The cost of being a DII signatory is scaled to company size, so that affordability is not an issue.

7. Require ethics officers to work with industry counsel to arrive at issue-specific conflicts of interest opinions.

*[There is a perception in industry that the information and advice provided to personnel leaving DoD for industry often is too generic to be useful.]*

8. Consolidate all the procurement integrity-related DoD and service regulations and publications into a single, easy to understand pamphlet for both DoD and contractor use.

*[There is an industry perception that clearer guidance is needed on when military and civilian personnel must report contacts regarding possible future employment and when they must recuse themselves. For example, when do employment negotiations under 18 U.S.C. 208 begin?]*

9. Encourage DoD and service acquisition officials to participate in the annual DII Best Practices Forum.

*[The DII welcomes DoD and services personnel to participate in this annual event. However, those that do come to the forum are typically debarring officials and their lawyers, and persons from the DoD IG; DLA, DCMA, DCAA, and DCIS.]*

10. Adopt a policy of rotating senior acquisition personnel to broaden their experience and to guard against an individual being perceived as an all-powerful, immovable figure. Guard against lengthy vacancies in key positions.

*[In most DII companies this is not an issue, largely because of broad delegation of authority and specific accountability to the company.]*