



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



PROCUREMENT INTEGRITY

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AGENDA

- What is Procurement Integrity?
- What is DoD and DLA Doing to Ensure Procurement Integrity?
- True Integrity Failures
- Personal and Organizational Conflicts of Interest
- Case Studies
- Do I have Integrity?



What is Procurement Integrity?

The screenshot shows a Google search interface. The search bar contains the text "what is procurement integrity" and the search button is labeled "Search". Below the search bar, it indicates "About 12,800,000 results (0.08 seconds)" and provides a link to "Advanced search".

On the left side, there are navigation options: "Everything", "Images", "Videos", "News", "Shopping", and "More". Below these is a section for "Fort Belvoir, VA" with a "Change location" link, and a "Show search tools" link.

The search results are as follows:

- USDOJ: JMD: Departmental Ethics Office: Procurement Integrity Act**
The **Procurement Integrity Act** prohibits the release of source selection and contractor bid or proposal information. Also, a former employee who served in ...
www.justice.gov/jmd/ethics/procurea.htm - Cached - Similar
- [PPT] Procurement Integrity**
File Format: Microsoft Powerpoint - Quick View
Problems in **Procurement Integrity**. Some Obvious Problems. October 2004 Shocker. Ex-Air Force Official Gets Prison Time. Boeing Received Special Treatment in ...
www.iecjournal.org/iec/files/yukins_aug06.ppt - Similar
- Procurement Integrity Guidance**
SUBJECT: Guidance on Application of the **Procurement Integrity** Law and Regulation . This memorandum provides guidance on applying the **Procurement Integrity** ...
www.dod.gov/dodgc/defense_ethics/dod.../procinteglaw.htm - Cached - Similar



Procurement Integrity Act



Justice Management Division Serving Justice - Securing Results

The Procurement Integrity Act prohibits the release of source selection and contractor bid or proposal information. Also, a former employee who served in certain positions on a procurement action or contract in excess of \$10 million is barred for one year from receiving compensation as an employee or consultant from that contractor.

48 C.F.R. § 3.104-1-11

The post-employment restrictions on receiving compensation are in addition to the post-employment restrictions of 18 U.S.C. § 207. See “[Leaving Government](#).”



What is Procurement Integrity?

- Definition According to Merriam-Webster
 - **Procurement**: the act or process of procuring; *especially* the obtaining of military supplies by a government
 - **Integrity**: a firm adherence to a code of especially moral or artistic values; incorruptibility
- Procurement Integrity is the act of obtaining and supplying military supplies with the utmost moral candor



What is DoD and DLA Doing to Ensure Procurement Integrity?

- DoD
 - Panel on Contracting Integrity
 - Ombudsman Program
- DLA
 - Procurement Management Reviews
 - Operational Evaluation Team



Panel on Contracting Integrity

- Sanctioned:
 - Section 813 of the John Warner National Defense Authorization Act (NDAA) for FY2007, Public Law 109-364
- Directed DoD to establish a Panel on Contracting Integrity (PCI)



Panel on Contracting Integrity

- Cross Section of DoD Senior Leaders
 - Ms. Heimbaugh, DLA Acquisition (J7) chairs Subcommittee 1, Panel on Contracting Integrity

DPAP website for Panel on Contracting Integrity information:
http://www.acq.osd.mil/dpap/cpic/cp/panel_on_contracting_integrity.html



Panel on Contracting Integrity

- Purpose:
 - Review DoD's progress in eliminating areas of vulnerability in contracting that allow for fraud, waste, and abuse
 - Recommend changes in law, regulations, and policy to eliminate/mitigate these areas of risk



13 PCI Subcommittees and Agency Chairs

SC1 Current Structure on Contracting Integrity

Component Acquisition Executive, Defense Logistics Agency

SC2 Sustained Senior Leadership

Deputy Assistant Secretary of Army (Procurement)

SC3 Capable Contracting Workforce

OASD(A)/President, Defense Acquisition University

SC4 Adequate Pricing

Co-Chairs: Director, Defense Contract Audit Agency and Deputy Director, DPAP/Program Acquisition and Strategic Sourcing

SC5 Appropriate Contracting Approaches and Techniques

Deputy Assistant Secretary of the Air Force (Contracting)



13 PCI Subcommittees and Agency Chairs

SC6 Sufficient Contract Surveillance

Deputy Assistant Secretary of the Navy (Acquisition & Logistics Management)

SC7 Contracting Integrity in a Combat/Contingent Environment

Panel Executive Director and Deputy Director,
DPAP/ Program Acquisition and Contingency Contracting

SC8 Procurement Fraud Indicators

Assistant Inspector General, Acquisition and Contract Management, DoD Inspector General

SC9 Contractor Employee Conflicts of Interest

General Counsel, Defense Contract Management Agency



13 PCI Subcommittees and Agency Chairs

SC10 Recommendations for Change

Deputy General Counsel, Department of the Air Force

SC11 Evaluation of Contractor Business Systems

Deputy Director, DPAP/Cost, Pricing, and Finance

SC12 Peer Reviews

Deputy Assistant Secretary of the Navy (Acquisition and Logistics Management)

SC13 Opportunities for More Effective Competition

Assistant Deputy Commandant, Installations and Logistics, Marine Corp Field Contracting



PCI Working Groups

- **Subcommittee Working Groups**
 - Volunteers from other DoD Agencies
 - Subcommittee 1:
 - DLA – Kathleen Lemming
 - TRANSCOM – Susan Sembenotti
 - National Geospatial-Intelligence Agency – Howard Pierce
 - Responsible for developing policy directives, memorandums, legislative proposals, and training materials to implement assigned tasks



Procurement Integrity Ombudsman

- Product of Panel on Contracting Integrity
- Ombudsman Identified for Each Contracting Activity in DLA
 - This program provides a neutral, informal, confidential, and independent alternative for employees, managers, and customers to seek assistance in resolving procurement integrity issues
 - Implemented in 2009

Not to be confused with Task/Deliver Order Ombudsman in FAR 6.505(b)(6)



Other PCI Tasks

- Develop checklist to provide for contractor compliance with FAR Table 15-2 proposal requirements
- Inherently Governmental Definition
- Establish policy and procedures within DoD regarding the Department's audit and administration of contractors' business systems
- Establish a Department of Defense-wide values-based ethics program.



Operational Evaluation Teams

- Team of Subject Matter Experts from across DLA
- Perform end-to-end vulnerability assessment of supply and service purchases to ensure optimal stewardship of Agency and Department of Defense (DoD) resources and compliance with various Federal statutes, policies and regulations



Operational Evaluation Team

- Expected Outcome
 - Identify and communicate potential vulnerabilities in current Afghanistan contracts and provide corrective action recommendations (including risk assessments) as required
 - Develop a repeatable process to ensure vulnerabilities are identified and corrected for all complex contracting vehicles



DLA PMRs

- United States Code, Title 41, Chapter 17, Section 1702, paragraph (c), January 4, 2011 and Executive Order 12931, Subject: Federal Procurement Reform “Defense Acquisition”, October 13, 1994
 - These documents assign responsibility to the Senior Procurement Executive (SPE) within the Agency to establish accountability for all contracting functions and to measure and evaluate each contracting office’s performance against established goals
- The DLA PMR Program is the SPE’s primary process for accomplishing these responsibilities



DLA Procurement Management Reviews

- Review each DLA contracting activity
 - Mission
 - Business Processes
 - Contract Files
 - Special Areas of Interest
 - Contractor Performance Assessment Rating System (CPARS)



DLA Procurement Management Reviews

- Activity provided a report with a rating based on findings and risk
- Corrective Action Plans



True Integrity Failures

A CIA employee paid \$48,000 to settle a complaint brought by the Department of Justice that the employee had participated in official matters in which his spouse had a financial interest. The employee had served as the Contracting Officer Technical Representative (COTR) on certain contracts between his agency and a private corporation, where his wife worked. The contracts involved millions of dollars awarded to the corporation. Although the employee's wife did not work on the same contracts as the employee, she received stock options for the purchase of the corporation's stock that were affected by the corporation's profits from the contracts her husband had worked on.



True Integrity Failures

An Army technician ordering a Seal Replacement Parts Kit from a defense contractor noted that the price of the kit seemed unusually high based on the price of each individual component, and contacted investigators. Investigators examined the price of the components and the cost the company incurred to assemble each kit, and discovered that the contractor was marking up each kit by approximately \$500. Investigators further discovered that the Government had purchased a large number of the kits at the inflated price.

As a result of the observant technician's number-crunching, the defense contractor agreed to a voluntary refund of \$44,000.



Personal & Organizational Conflicts of Interest

- Over 27,000 DLA Employees Across the World
- 1.9 Million Active Cage Codes
- Employees
 - Family
 - Friends
 - Neighbors
 - Complete Strangers



Personal Conflicts of Interest Case Studies

- Your company has submitted a proposal in response to a requirement that was posted to FedBizOpps. Your fishing buddy's wife is the contracting officer.
- Is this a PCI
 - Why or Why Not?
 - What should be done?
- What if the proposal was submitted prior to knowing who the contracting officer was?



Organizational Conflicts of Interest (OCI) Case Studies

- Company A, prime contractor, awards major subsystem contracts for a major defense acquisition program to Business Units C, D, & E, of the same parent corporate entity. Particularly, the award of subcontracts for software integration or the development of a proprietary software system architecture.
- Is this an OCI?
 - Why or Why not?
 - What should be done?



OCI Case Studies

- Company A, a large multinational defense contractor, had been hired to assist with the technical factors to be used in evaluating proposals for the acquisition of a highly classified major weapon system. Additionally, Company A's service contract requires their assistance in the evaluation of those technical factors. Company B has submitted a proposal along with four other defense contractors for said acquisition. Company B is a subsidiary of Company A.
- Is this an OCI? Why or Why not?
- What should be done?



OCI Case Studies

- Same Scenario as on the Previous Page
- Company B is the only proposal submitted
 - Is this an OCI? Why or Why Not?
 - What should be done?



Do I Have Integrity?

- Can It Be Compromised?
 - Hard Economic Times
 - Affect Family Dynamic
 - Job in Jeopardy
 - Thrill
- Do I Have Integrity?

Fraud, Waste, & Abuse Hotline: 1-800-232-5454

