

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

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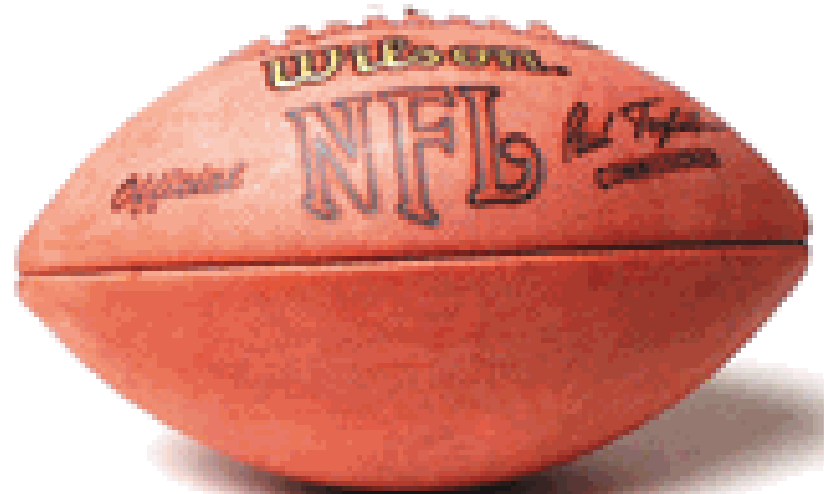


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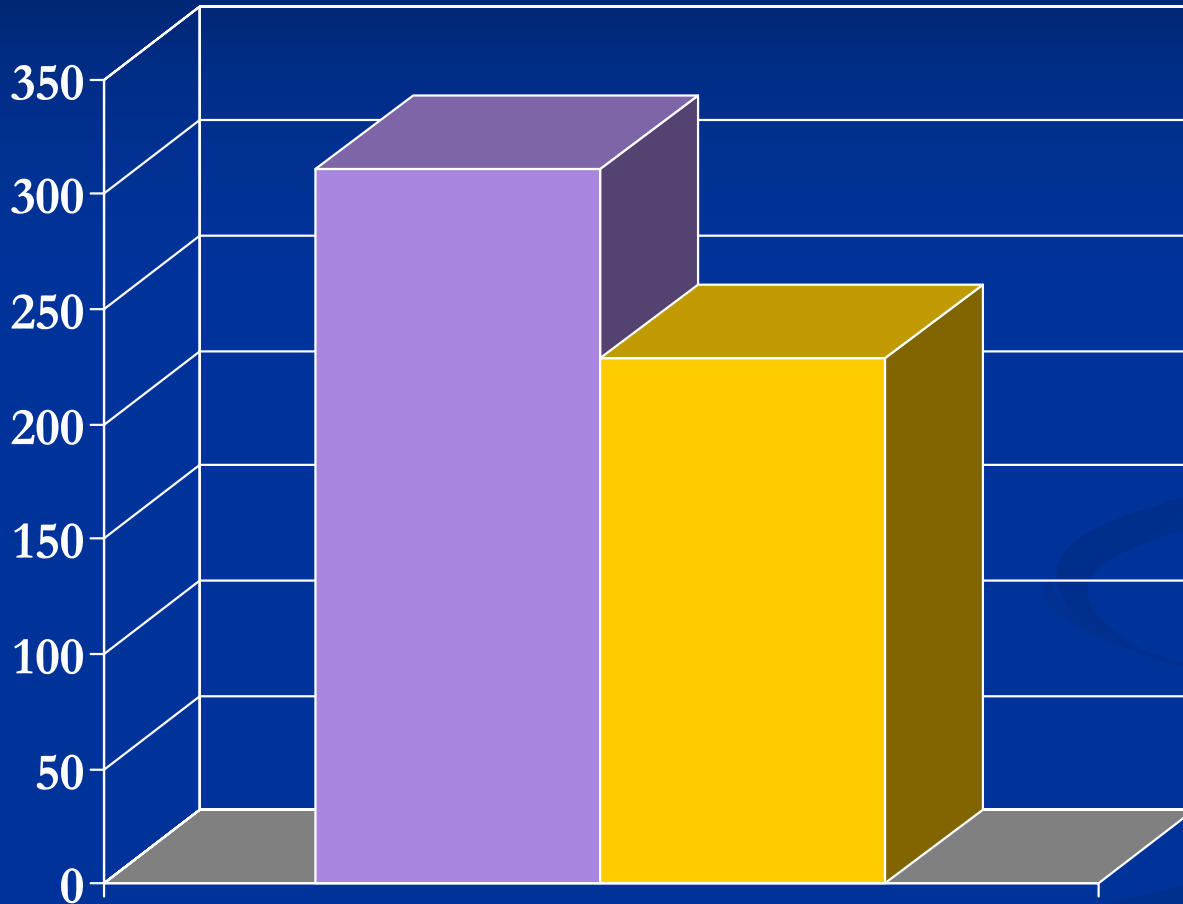
# Understanding the U.S. Procurement System



V.



# Defense Spending Dominates U.S. Procurement



■ Total Fed Procurement (FY04)  
■ DoD Procurement (FY04)

(In \$Billions)



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# Goals, Principles, Constraints?

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

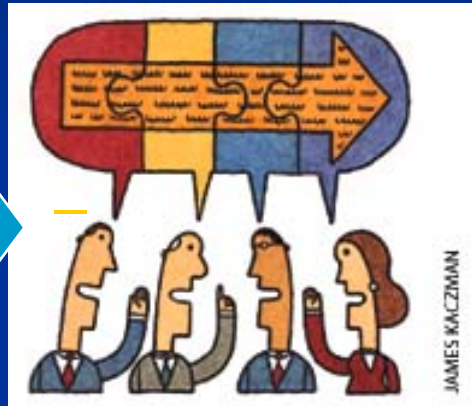
**Competing  
Policies and  
Aspirations**



# Historical Progression



Sealed  
Bids



Negotiated  
Procurements



“Frameworks”  
Contracting



# Impact of Shift to “Frameworks”<sup>6</sup> Contracting



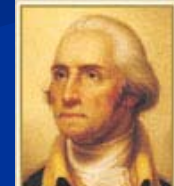
**Competition**



**Procurement  
Integrity**



**Transparency**



# Bad Actors

## Some Obvious Problems



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# Darleen Druyun

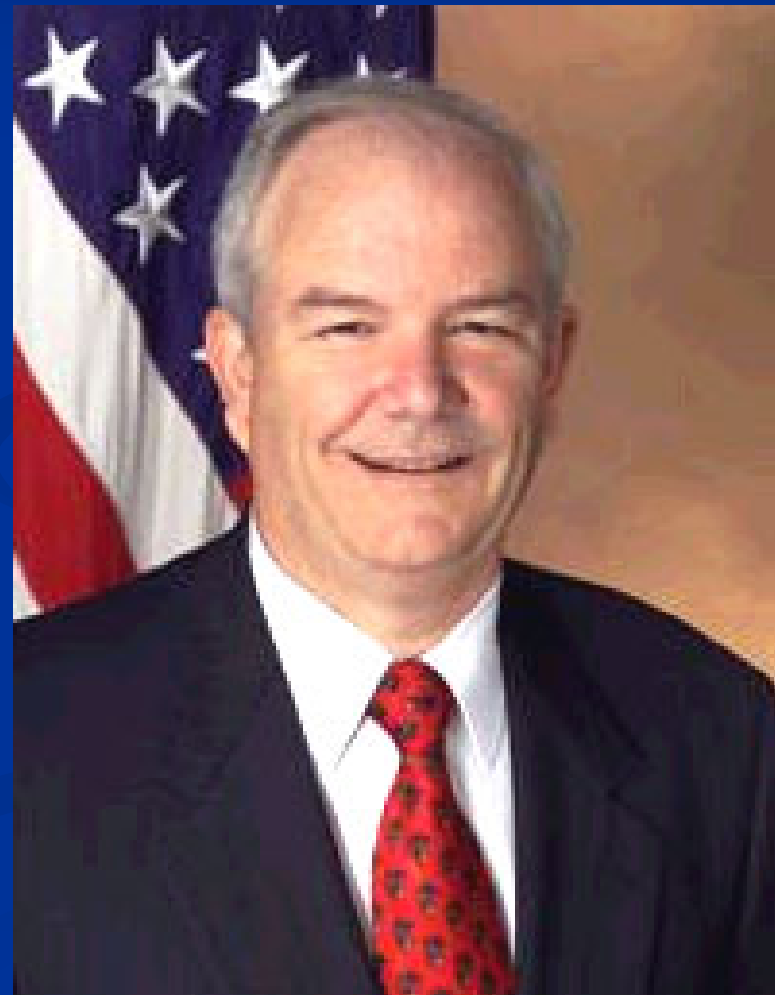
- Previously highest-ranking civilian official in Air Force procurement systems
- Convicted of improper job negotiations with Boeing
- Admitted favoring Boeing in hundreds of millions of dollars in procurement
- Sentenced to prison
- \$650M Boeing settlement





## Michael Wynne on the Boeing tanker-lease deal

“They [Airbus] came in a couple of weeks ago and offered to build the majority [of the tankers] here in America. . . . I am not sure where this will lead, *but the benefits of competition may be revealing. . . .*”





***“Mike, you must be out of your mind!!!”***

**AF Secretary JAMES ROCHE**

# More Obvious Problems

Duke  
Cunningham →  
David Safavian ↓



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

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

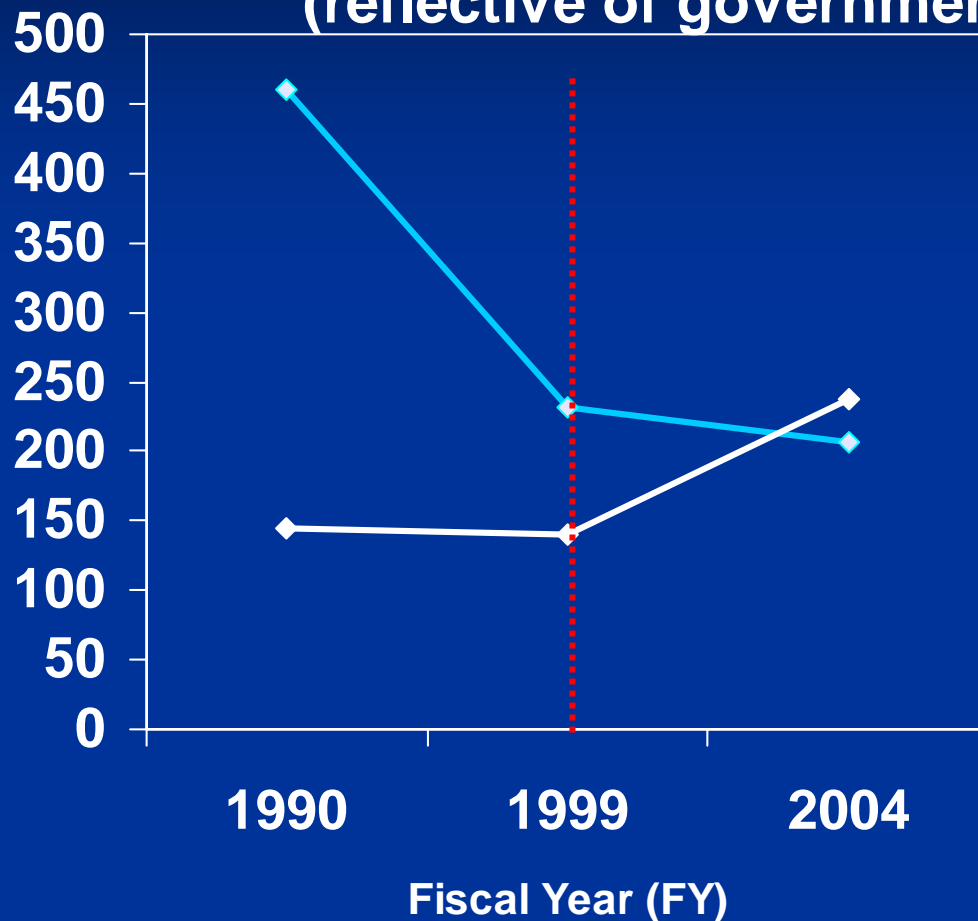
# Combating Corruption

- **Human capital – to bolster procurement system from within**
  - Proper staffing
    - Qualification, Recruiting, Training, Retention, Incentives
- **A Culture of Anti-Corruption**
  - At leadership levels: costs of corruption
    - Creates large, albeit unstable, coalitions aligned against governing party
  - At field level: how to instill ethics in those in public service – public and private?



# Acquisition Workforce & Procurement Spending Defense

(reflective of government-wide experience)



◆ Acquisition Workforce  
(In hundreds of  
thousands, Packard  
Commission  
Methodology)

◆ DoD Procurement  
Spending (in billions of  
dollars)



# Other Causes for Concern: Outsourcing of Procurement Positions



Which code of ethics –  
government or contractor's?



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# How Guidelines and DFARS Compare

Sentencing Guidelines	DFARS 203.7001
1. Standards and procedures	Code of Ethics
2. Knowledgeable leadership	
3. Exclude risky personnel	
4. Training	Training
5. Monitor, evaluate, reporting hotline	Periodic review; audits; hotline
6. Incentives and discipline	Discipline
Adjust program to risk	
Self-reporting = sentencing factor	Timely reporting to government
Cooperation = sentencing factor	Full cooperation with government





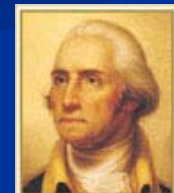
# United Nations Initiatives



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<i>UN Convention Against Corruption (Art. 9)</i>	<i>UNCITRAL Model Procurement Law</i>
<b>Public Information</b>	Yes
<b>Advance award criteria and publication</b>	Yes
<b>Objective and predetermined criteria for award</b>	Yes
<b>Bid protest and appeal</b>	Maybe
<b>Measures to control procurement personnel – e.g., rules and codes</b>	No
<b>Transparency, including in budgeting and accounting</b>	Yes



# Conclusion

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