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NAVAL POSTGRADUATE SCHOOL Monterey, California



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THESIS

A COMPARATIVE STUDY OF GOVERNMENT
AND NON-GOVERNMENT ETHICS PROGRAMS,
PRACTICES, AND POLICIES

by

Laurie A. McKee

June 1992

Thesis Advisor:

Rodney Matsushima

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**A Comparative Study of Government and Non-Government
Ethics Programs, Practices, and Policies**

by

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Lieutenant Commander, United States Navy
B.A., Indiana University, 1978

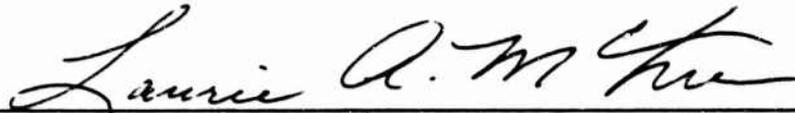
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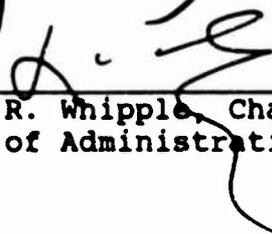
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ABSTRACT

This thesis studied the ethics programs, practices, and policies of both Government and non-Government contractors. The environment in which these programs, practices, and policies have been developed is presented. Academic attitudes are provided regarding the necessity for and effectiveness of ethics legislation directed toward Government contractors.

The objective of this study was to identify both similarities and differences between Government and non-Government contractor ethics programs, practices, and policies, and to determine whether or not unique legislation directed toward Government contractors makes a difference in the content of ethics policy documents. A survey was developed and used for ranking and analysis of primary areas of ethical interest to contractors.

The thesis concludes that the ethics policies of Government and non-Government contractors are almost identical. While rankings of the relative importance of individual ethical concerns varies, the overall content of all programs is the same. Further, academicians are in disagreement as to the need for unique ethics standards and legislation for Government contractors as opposed to non-Government contractors. The thesis provides alternatives to efforts to legislate the content of contractors' ethics programs.

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I. INTRODUCTION

A. BACKGROUND

Congress has enacted many laws regarding the conduct of Government contractors. This legislation imposes stricter guidelines than that imposed on non-Government contractors engaged in commercial enterprise. Recent criminal proceedings such as those resulting from "ILL WIND", a probe into alleged misconduct between the Government and contractor personnel, and newsworthy reports of other questionable conduct by Government contractors has brought to the forefront the issue of "proper ethical business conduct." At issue are those business practices which impact the moral business conduct of corporate America. Because of the new emphasis on ethics, Congress is considering additional legislation addressing ethics. In addition, sentencing guidelines have been enacted addressing crimes which involve unethical conduct. Experts in management ethics have become more predominant in business as corporations have requested assistance in their efforts to improve the business conduct of corporate employees and representatives.

Because of an increase in legislation addressing proper business conduct, many corporations have developed internal guidelines by which employees are expected to conduct business relationships. These guidelines are based on the standards

which each company believes is necessary to maintain a certain level of business integrity with the public, company stockholders, customers, suppliers, employees, and legislators.

As evidenced by proposed legislation by the Office of Government Ethics, and discussed in the thesis, there is a perception that special ethical standards need to be applied to corporations doing business with the Government. The researcher will examine the self-imposed ethical standards of both Government and non-Government contractors to determine if there are differences, which would imply the need for special standards applying to the Government contractors. Similar self-imposed ethical standards by the two groups may imply that ethical problems arise out of lack of enforcement rather than the content of ethics programs, practices, and policies.

B. OBJECTIVES

This thesis will present the environment in which Government and non-Government contractors work and the efforts of both groups to establish reasonable guidelines for ethical business conduct. The ethics programs, practices, and policies of both Government and non-Government contractors will be examined as well as the attitudes of academicians regarding the need for unique standards for Government contractors.

C. RESEARCH QUESTIONS

1. Primary

What differences exist between ethics programs, practices, and policies of Government Contractors and non-Government contractors?

2. Secondary

- a. What are the ethics programs and policies among Government contractors?
- b. What are the ethics programs and policies among non-Government contractors?
- c. What are the differences between Government and non-Government contractors?
- d. What are the similarities between Government and non-Government contractors?
- e. What do business acquisition educators say regarding necessity and effectiveness of ethics legislation that refers to Government contractors?
- f. What recommendations can be made as to the necessity for additional ethics legislation?

D. SCOPE, LIMITATIONS, AND ASSUMPTIONS

This thesis will focus on the internal ethics programs, practices, and policies of Government and non-Government contractors. The study is limited to those documents provided by the surveyed corporations. Some ethics issues may be covered by documents not provided to the researcher and, therefore, were not considered in the study. The researcher will assume that all issues which the individual corporations consider to be of ethical concern are covered within the documents provided to the researcher.

The researcher assumes that the reader has a basic knowledge of the political and social environment concerning ethical conduct in business relationships. Ethics terminology used by contractors describing areas which they consider to be ethical issues are described in Chapter III.

E. METHODOLOGY

The methodology and study consisted of a comprehensive literature review and survey. The literature review consisted of professional journals and newsletters pertaining to acquisition and contract management, proposed procurement integrity legislation, standards of conduct and ethics documents of Government and non-Government contractors, and other publications of the Ethics Resource Center, the Center for Advanced Purchasing Studies/National Association of Purchasing Management, Incorporated, and the Josephson Institute of Ethics.

The researcher surveyed selected academicians listed in Contract Management [Ref. 1:pp. 28-30, 49-51] whose institutions provide business degrees related to acquisition or contracting in order to obtain opinions on the necessity for and effectiveness of ethics legislation directed toward Government contractors.

The researcher established contact with Staff Counsel Jane Ley of the Office of Government Ethics [Ref. 2] as well as Tim Mazur of the Center for Applied Ethics [Ref. 3] to determine the status of legislation and sentencing guidelines.

The focus of the research was on company ethics and standards of conduct documents of Government and non-Government contractors. An objective review was conducted on forty-seven responses by contractors and thirteen responses by academicians. The objective analysis involved a mathematical scoring process. The subjective analysis provided the supporting information on the objective analysis.

F. DEFINITIONS

The term ethics should be explained as it applies to business decision making. "Proper" business conduct may be referred to as ethical decision making. The most comprehensive discussion of ethical decision making found by the researcher follows:

One cannot solve all problems by resorting to a mechanistic formula, but one can be more effective by using a decision-making process which systematically considers the ethical principles involved in a decision. This tends to prevent inadvertent unethical conduct and allows one to choose consciously which values to advance.

Ethical decision making refers to a process of choosing (i.e., principled reasoning) which delineates and evaluates alternate courses of conduct in terms of the list of ethical principles (honesty, integrity, promise-keeping, fidelity, fairness, caring/respect for others, accountability, etc.). It does not proceed on the assumption that there is a single "right" answer to most problems. To the contrary, it recognizes that though some responses would be unethical, in most situations there are a number of ethical ways of dealing with a situation.

In the "real world" there are many shades of gray, even in routine decisions. Since most decisions have to be made in the context of economic, professional and social pressures--which compete with ethical goals and conceal or confuse the moral issues--ethics is easier said than done. The first task of ethical decision making is to distinguish ethical from unethical responses; the second

is to choose the best response from the ethically appropriate one. Although there may be several ethical responses to a situation, all are not equal.

Making the distinctions necessary is much more difficult and complex than is normally thought. Often, there are a multitude of competing interests, and many values and crucial facts are unknown or ambiguous. Since our actions are likely to benefit some people or interests at the expense of others, ethical decision makers attempt to foresee and predict the likely consequences of their actions. [Ref. 4:p. 2]

Clearly, it may be difficult if not impossible to delineate what is or is not ethical and apply one's definition to every situation, yet that appears to be the desire of those individuals who wish to delineate by legislation "proper ethical conduct" by all who wish to do business with the Government.

Other terms will be defined as necessary in the text of this thesis.

G. ORGANIZATION OF STUDY

1. Chapter II.

The researcher provides a brief history of legislation pertaining to procurement integrity and other legislation pertinent to ethical conduct. The proposed "Standards of Ethical Conduct for Employees of the Executive Branch" which is scheduled for review in April 1992 is discussed. New sentencing guidelines were enacted on November 1, 1991, imposing incentives for corporations to institute ethics programs. These documents describe the current environment

and regulatory efforts pertinent to contractor ethical conduct.

2. Chapter III.

Chapter III presents a breakdown of individual ethics programs, practices, and policies and standards of conduct with statistical summaries of the contents of these documents is provided. The researcher reveals similarities and differences between Government and non-Government contractors in their published policies. The researcher does not attempt to explain why similarities or differences exist, nor will the researcher explain why certain issues are not addressed by individual companies. These subjects are recommended for further research.

3. Chapter IV.

The researcher lists responses to questionnaires as provided by surveyed academicians in acquisition and contract-related business degree programs, regarding the necessity for unique Government contractor ethics legislation.

4. Chapter V.

Chapter V is the conclusion chapter where the research questions will be answered and other conclusions and recommendations will be presented. Finally, this thesis offers comments regarding alternatives to legislating unique ethical conduct for those contractors conducting business with the Government.

II. BACKGROUND

A. INTRODUCTION

With a desire to establish uniform standards of ethical conduct, businesses have altered their conduct from agreement by personal handshake, as a guarantee of gentleman-like conduct between contracting parties, to an environment where guidelines must be written and laws established to ensure that businesses operate with integrity. These guidelines take various forms from internal company guidance, to industry accepted practices, to formal legislation. This thesis reviews numerous internal company documents relating to ethical conduct. Most of these documents are based on accepted practices as well as formal legislation such as antitrust laws. This chapter deals with the legislative environment and selected pertinent documents on which corporate internal standards are based in part.

B. SUMMARY OF LEGAL BACKGROUND

1. Standards of Conduct Legislation

As part of the proposed legislation, 5 CFR Part 2635 RIN 3209-AA04 "Standards of Ethical Conduct for Employees of the Executive Branch," the Office of Government Ethics prepared a summary of the legal background for the ethics legislation. This background is applicable to this thesis and is provided in part as follows. The legislation mentioned

which impacts the Executive Branch of the Government is applicable to those conducting business with the Government or with Government contractors.

Since 1965, officers and employees of the executive branch have been subject to individual agency regulations setting forth standards of conduct. Underlying standards common to all existing executive department and agency regulations are contained in parts I and II of Executive Order 11222 of May 8, 1965, as amended, and are implemented by Office of Personnel Management regulations at 5 CFR part 735, subparts A-C.

Consistent with the decentralized regulatory scheme established by the 1965 Executive order, subpart A of 5 CFR part 735 required each executive agency to issue regulations implementing part 735 and prescribing additional standards of ethical conduct appropriate to its particular functions and activities, including exceptions to the restrictions on solicitation or acceptance of gifts from prohibited sources.

In early 1989, as part of a comprehensive review of the ethics laws applicable to all three branches of Government, the President's Commission on Federal Ethics Law Reform recommended that the standards of conduct be updated and that the Office of Government Ethics (OGE) be given authority to issue uniform regulations applicable to all agencies within the executive branch. Thereafter, on April 12, 1989, President Bush issued Executive Order 12674 revoking the 1965 Executive order. Executive Order 12674 was modified by Executive Order 12731, October 17, 1990. The modified Executive order is hereinafter referred to as Executive Order 12674.

Section 201(a) of the new Executive order authorizes OGE, in consultation with the Attorney General and the Office of Personnel Management, to issue regulations that "establish a single, comprehensive, and clear set of executive-branch standards of conduct that shall be objective, reasonable, and enforceable." Section 201(c) of the new Executive order further authorizes OGE, with the concurrence of the Attorney General, to issue regulations interpreting 18 U.S.C. 207-209.

Part I of Executive Order 12674 incorporates most of the concepts contained in the 1965 Executive order and imposes additional standards, including a prohibition in Section 102 on receipt of outside earned income by Presidential appointees to full-time noncareer positions. Under the

Executive order, special Government employees are subject to the same basic principles of ethical conduct that apply to other executive branch employees.

Section 502(a) of Executive Order 12674 provides that, except insofar as irreconcilable with its provisions, regulations issued under the 1965 Executive order shall remain in effect until properly amended, modified, or revoked. Under this savings provision, individual agency regulations remain in effect until the uniform regulations, which are the subject of this notice, take effect. Because existing standards cannot be reconciled with the prohibition on receipt of outside earned income applicable to Presidential appointees to full-time noncareer positions, that provision became effective on April 12, 1989.

As did its predecessor, Executive Order 12674 prohibits employees from soliciting or accepting gifts from specified categories of persons. Title III of the Ethics Reform Act of 1989 amended title 5 of the U.S. Code to add a new section 7353 which contains virtually identical language restricting the solicitation or acceptance of gifts. In its statutory form, this prohibition applies to personnel in all three branches of Government. It authorizes OGE to issue implementing regulations for the executive branch, including "reasonable exceptions as may be appropriate." Thus, the draft regulations contained in subpart B of the proposed rule implement 5 U.S.C. 7353 as well as Section 101(d) of Executive Order 12674.

Under current part 735 and 2635.101 of 5 CFR and implementing agency regulations, employees are prohibited from giving gifts to official superiors and from accepting gifts from employees receiving less pay than themselves. This prohibition at 5 CFR 735.202(d) is based on the longstanding statutory prohibition against gifts to superiors at 5 U.S.C. 7351. The Ethics Reform Act of 1989 amended section 7351 to give OGE authority to issue implementing regulations applicable to employees of the executive branch. These are contained in subpart C of the proposed rule.

Title VI of the Ethics Reform Act of 1989 added three other provisions that impact directly upon the outside activities of employees, other than special Government employees. One prohibits receipt of honoraria (payment for an appearance, speech, or article) by any individual while serving as an officer or employee. Another limits receipt of outside earned income by certain noncareer employees paid at or above the basic rate for a position above GS-15. The third prohibits those same noncareer

employees from engaging in certain outside employment activities. These three provisions are implemented by 5 CFR part 2636, which was issued by OGE as an interim rule at 56 FR 1721-1730 (January 7, 1991). Relevant provisions of that interim rule are cross-referenced in the outside activities provision at subpart H of this proposed rule to ensure the review of relevant regulations by covered noncareer employees and by other employees who wish to receive compensation for an appearance, speech, or article.

This proposed rule is published by the Office of Government Ethics (OGE) in consultation with the Department of Justice and the Office of Personnel Management pursuant to Section 201(a) and (c) of Executive Order 12674 of April 12, 1989, as modified by E.O. 12731 of October 17, 1990, and authorities contained in titles I and IV of the Ethics in Government Act of 1978, Public Law 95-521, October 26, 1978, as amended, 5 T.S.C. appendixes III and IV, and 5 U.S.C. 7351(d)(1) and 7353(b)(1) as added by the Ethics Reform Act of 1989, Public Law 101-194, November 30 1989, as amended. Formerly a part of the Office of Personnel Management, the Office of Government Ethics became a separate executive branch agency on October 1, 1989 pursuant to Sections 3 and 10 of the 1988 OGE reauthorization legislation, Public Law 100-598. Hence, OGE is issuing this proposed rule as revised part 2635 in OGE's chapter XVI of 5 CFR. [Ref. 5:p. 33778]

According to Staff Counsel Jane Ley of the Office of Government Ethics, this proposed legislation is being re-drafted, based on public comment and the next revision will be available for review, and consideration for legislative action, in April 1992. The only major re-write has been the temporary elimination of restrictions on membership in professional organizations such as the National Contract Management Association among others.

2. Sentencing Commission

New federal sentencing guidelines that became law on November 1, 1991, impose dramatic new incentives for

organizations to institute wide ranging ethics programs [Ref. 6:pp. 1, 3]. As reported by the Josephson Institute, new guidelines imposed by the Federal Sentencing Commission place responsibility for and give consideration to those corporations advancing ethics training and business conduct.

Under the guidelines, judges are required to impose heavy penalties on organizations, including corporations, nonprofit agencies and government entities, whose agents commit crimes unless the organization can prove it exercised "due diligence" in preventing such offenses.

Thus, organizations with formal policies and programs to deter such crimes as fraud, labor or safety violations, bribery, or crimes involving antitrust, securities or money laundering will substantially mitigate the stiff fines called for by the new guidelines.

One requirement of the guidelines is that organizations, nonprofit groups and even government entities must demonstrate that they have effectively conveyed their policies to employees through publications or training. In most cases, formal training will be required.

Organizations can gain credits against potential penalties by complying with certain steps including:

- Assigning high-level employees to enforce standards;
- Communicating anti-crime standards to employees and agents either in writing or through training programs;
- Preventing employees with an apparent propensity to engage in criminal activity from exercising discretionary authority;
- Establishing crime prevention standards for employees;
- Devising strategies to prevent and detect crimes and protecting whistleblowers from reprisals.

An organization's compliance program must establish the standard for ethical and lawful business conduct and take steps to ensure employees are familiar with the standards. [Ref. 6:pp. 1,3] [Ref. 7:pp. B1,B8] [Ref. 8]

C. DEFENSE INDUSTRY INITIATIVE ON BUSINESS ETHICS AND CONDUCT, 1990 ANNUAL REPORT TO THE PUBLIC AND THE DEFENSE INDUSTRY, FEBRUARY 1991

This document gives the background and report-to-date of the Packard Commission which was appointed by President Reagan to conduct a study of defense management. The commission studied the budget process, procurement, organization and operation, and the streamlining and improving of defense management. As an original product of the commission, six principles that later became known as the Defense Industry Initiative on Business Ethics and Conduct were developed by representatives of 18 defense contractors [Ref. 9:pp. 2, 3]. These principles first appeared in the 1986 final report to the President, "A Quest for Excellence," with pledges by the signatory companies to promote ethical business conduct through the implementation of policies, procedures, and programs in the following six areas:

1. Codes of ethics;
2. Ethics training;
3. Internal reporting of alleged misconduct;
4. Self-governance through the implementation of systems to monitor compliance with federal procurement laws and the adoption of procedures for voluntary disclosure of violations to the appropriate authorities;
5. Responsibility to the industry through attendance at Best Practices Forums; and
6. Accountability to the public. [Ref. 10]

This report indicates that updates have been made to include additional provisions as a result of the Operation Ill Wind

Investigation as well as new signatories, formation of a Steering Committee, and internal positions for administrative purposes. The Defense Industry Initiative (DII) Report identified the following as issues usually discussed and guidance offered in codes of conduct by members:

1. Business Courtesies
2. Kickbacks
3. Conflicts of Interest
4. Employing and Recruiting Current or Former U.S. Government Personnel
5. Confidential Information
6. Use of Company Resources
7. Complete and Accurate Books, Records, and Communications
8. Bidding, Negotiation, and Performance of Contracts
9. Charges to Government
10. Relationships with Suppliers and Representatives
11. Violation of Standards by Others
12. Inside Information and Investment in Securities
13. Antitrust and Restriction of Trade
14. International Business Practices
15. Work Place Relationships
16. Corporate Citizenship and Relations with the Community
17. Political Contributions
18. Product Quality
19. Environmental Compliance

D. DEFENSE ETHICS, A STANDARDS OF CONDUCT GUIDE FOR DOD EMPLOYEES, IGDG 5500.8 AFU JANUARY 1989

This document is a basic guideline on ethical conduct for Department of Defense employees. The guideline is written in question-and-answer format and is meant to function as a users guide.

E. INDICATORS OF FRAUD IN DOD PROCUREMENT, DEPARTMENT OF DEFENSE, OFFICE OF INSPECTOR GENERAL, IG, DOD 4075.1-H

This document published in June 1987 is provided as a handbook for Department of Defense personnel to be used for the detection of any action related to fraud or fraudulent practices. The following subjects were addressed by this publication:

1. Crimes involved in contract fraud
2. Fraud in Government contracts
3. Defective pricing
4. Antitrust violations: collusive bidding and price fixing
5. Cost mischarging
6. Product substitution
7. Progress payment fraud
8. Fast pay fraud
9. Bribery, gratuities, and conflicts of interest
10. Commercial bribery and kickbacks
11. Civil, contractual, and administrative remedies for fraud
12. Voluntary disclosure of fraud

F. OTHER DOCUMENTATION

In addition to the standards of ethical conduct set forth in the proposed "Standards of Ethical Conduct for Employees of the Executive Branch," the following statutes were considered to be applicable to ethical business conduct by the Office of Government Ethics.

- a. The prohibition against solicitation or receipt of bribes (18 U.S.C. 201(b)).
- b. The prohibition against or receipt of illegal gratuities (18 U.S.C. 201(c)).
- c. The prohibition against seeking or receiving compensation for certain representational services before the Government (18 U.S.C. 203)).
- d. The prohibition against assisting in the prosecution of claims against the Government or acting as agent or attorney before the Government (18 U.S.C. 205).
- e. The post-employment restrictions applicable to former employees (18 U.S.C. 207).
- f. The post-employment restrictions applicable to former procurement officials (41 U.S.C. 423(f)).
- g. The prohibition against participating in matters affecting an employee's own financial interests or the financial interests of other specified persons or organizations (18 U.S.C. 208).
- h. The prohibition on a procurement official's negotiating for employment with competing contractors (41 U.S.C. 423(b)(1)).
- i. The prohibition against receiving salary or any contribution to or supplementation of salary as compensation for Government service from a source other than the United States (18 U.S.C. 209).
- j. The prohibition against gifts to superiors (5 U.S.C. 7351).
- k. The prohibition against solicitation or receipt of gifts from specified prohibited sources (5 U.S.C. 7353).

- l. The prohibition against solicitation or receipt of gifts from competing contractors (41 U.S.C. 423(b)(2)).
- m. The Code of Ethics for Government Service (Pub.L. 96-303, 94 Stat. 855).
- n. The prohibitions against certain political activities (5 U.S.C. 7321 et seq. and 18 U.S.C. 602, 603, 606 and 607).
- o. The prohibitions against disloyalty and striking (5 U.S.C. 7311 and 18 U.S.C. 1918).
- p. The prohibition against employment of a member of a Communist organization (50 U.S.C. 784).
- q. The prohibition against acting as the agent of a foreign principal required to register under the Foreign Agents Registration Act (18 U.S.C. 219).
- r. The prohibition against employment of a person convicted of participating in or promoting a riot or civil disorder (5 U.S.C. 7313).
- s. The prohibition against employment of an individual who habitually uses intoxicating beverages to excess (5 U.S.C. 7352).
- t. The prohibition against misuse of a Government vehicle (31 U.S.C. 1344).
- u. The prohibition against misuse of the franking privilege (18 U.S.C. 1719).
- v. The prohibition against fraud or false statements in a Government matter (18 U.S.C. 1001).
- w. The prohibition against concealing, mutilating or destroying a public record (18 U.S.C. 2071).
- x. The prohibition against counterfeiting or forging transportation requests (18 U.S.C. 508).
- y. The prohibitions against disclosure of classified information (18 U.S.C. 798 and 50 U.S.C. 783(b)).
- z. The prohibition against disclosure of proprietary information and certain other information of a confidential nature (18 U.S.C. 1905).
- (aa) The prohibition against unauthorized disclosure of certain procurement sensitive information, including

proprietary or source selection information (41 U.S.C. 423(b)(3) and (d)).

- (bb) The prohibition against unauthorized use of documents relating to claims from or by the Government (18 U.S.C. 285).
- (cc) The prohibition against certain personnel practices (5 U.S.C. 2302).
- (dd) The prohibition against interference with civil service examinations (18 U.S.C. 1917).
- (ee) The prohibition against participation in the appointment or promotion of relatives (5 U.S.C. 3110).
- (ff) The prohibition against solicitation or acceptance of anything of value to obtain public office for another (18 U.S.C. 211).
- (gg) The prohibition against conspiracy to commit an offense against or to defraud the United States (18 U.S.C. 371).
- (hh) The prohibition against embezzlement or conversion of Government money or property (18 U.S.C. 641).
- (ii) The prohibition against failing to account for public money (18 U.S.C. 643).
- (jj) The prohibition against embezzlement of the money or property of another person that is in the possession of an employee by reason of his employment (18 U.S.C. 654).

Other pertinent documents and background information will be provided in the text of the thesis.

G. SUMMARY

Numerous pieces of legislation have been enacted since 1965 with the purpose of improving the ethical conduct of Government employees and those conducting business with the Government. As examination of events resulted in the identification of misconduct by Government or Government

contractor personnel, additional guidance was issued in the form of executive orders, rules, regulations, or legislation. In the 1980s, contractor representatives made attempts through the Defense Industry Initiative to create a degree of self-governance in ethics management. In 1991, direct influence on judicial decisions came as a result of new sentencing guidelines to be imposed when ethical misconduct was indicated in criminal activity. To ensure a complete understanding by all Department of Defense employees, guidelines have been developed addressing standards of conduct and indicators of fraud when conducting business for the Government. All of these documents and legislative efforts have resulted in an environment in which Government employees and Government contractors are sensitive to actions which may be construed as unethical or at a minimum questionable. It is this environment in which Government contractors have determined a need to establish ethics guidelines for their employees. Chapter III outlines the written guidelines of Government contractors as well as those of non-Government contractors.

III. ANALYSIS OF ETHICS PROGRAMS

A. INTRODUCTION

In order to compare ethics programs, practices, and policies of Government and non-Government contractors, it was necessary to examine the ethics packages consisting of standards of conduct, ethics policies, and other related documents of each group. The researcher elected to solicit documentation from major companies operating in the continental United States in order to conduct this comparison of corporate programs, practices, and policies. The selection of companies for participation in the survey was made from the book entitled Jobs '91 because this book represented current major corporations, based on revenue, operating in the United States as of 1990 [Ref. 11]. In the researcher's opinion, such corporations could be expected to have standard policies governing employees. Jobs '91 is broken into chapters governing all professional groups, thereby allowing the researcher to select a cross-section of corporate America. Four to seven companies were randomly selected from each of the following industry groups for a total of 105 companies:

Advertising and Public Relations	Aerospace
Agriculture	Automotive
Aviation	Banking
Broadcasting	Chemicals

Computers and Electronics	Conglomerates
Consumer Products	Energy
Fashion	Film and Entertainment
Financial Services	Food and Beverage
Health Service and Pharmaceutical	Hospitality
Insurance	Manufacturing
Metals and Mining	Paper and Forest Products
Publishing	Real Estate/Construction
Retailing	Telecommunications
Transportation	Travel
Utilities	

Each corporation was requested by letter to provide copies of company ethics programs, practices, and policies, and to indicate whether or not the corporation considered itself to be a Government contractor [APPENDIX A-1, B]. The latter was necessary in order not to skew the data based on the Government's "opinion" as to who is/is not a Government contractor because, although a company may have Government contracts, those contracts may constitute only a small portion of a company's overall business. The researcher determined that the corporations were in the best position to determine the relative importance and percentage of overall business with the Federal Government; this being the determining factor as to whether or not a corporation should be considered a Government vice non-Government or commercial concern.

Section B reflects the response rates to the researcher's request for ethics information. Upon receipt of corporate

packages consisting of standards of conduct and other ethics related documents, the researcher segregated each into Government or non-Government groups. After reading all the packages, the researcher determined which categories of ethics issues appeared most frequently using numerical scoring. Ethics issues which appeared less than ten times were not considered further. This was done in order to eliminate "company unique" or unusual issues. Those categories which appeared ten or more times were thereafter considered "Primary Areas of Concern."

Government contractors identified twenty-two Primary Areas of Concern. Commercial contractors identified only twenty of these as Primary Areas of Concern. This chapter reports the quantitative results of the review of the ethics programs, practices, and policies and identifies the similarities and differences between Government contractor and non-Government contractor issues.

B. OVERALL QUANTITATIVE RESULTS OF REVIEW

A survey of 105 major contractors was conducted requesting copies of their standards of conduct and ethics codes of conduct [APPENDIX A-1]. Contractors were also asked to indicate whether or not they considered themselves to be Government contractors.

The response rate to the survey was as follows:

Total companies surveyed:	105	
Total responses:	48	
Response rate:	45.71%	
Response rate Government:		16.19%
Response rate Non-Government:		<u>29.52%</u>
		45.71%
No Response:	<u>54.29%</u>	
Total:	100.00%	
Total responses:	48	
% Respondees Government:	35.42%	
% Respondees Non-Government:	<u>64.58%</u>	
Total:	100.00%	

Some respondees who did not consider themselves to be Government contractors indicated that although the company does conduct business with the Federal Government, the percentage of Government-generated revenue is minimal compared to total company revenues. For that reason, these companies do not consider themselves to be "Government contractors."

C. GOVERNMENT CONTRACTORS

1. Introduction

Government contractors represented 35.42% of respondees or seventeen out of the forty-eight responding to the survey. Contractors indicated by cover letter whether or not they consider themselves Government contractors. Companies which indicated that revenues from Government contracts represented a minimal percentage of their total

revenues were determined to be commercial or non-Government contractors.

2. Survey Results

Seventeen respondees were categorized as Government contractors. Their representation by industry group was as follows:

Aerospace	7
Conglomerates	2
Computers and Electronics	3
Energy	1
Manufacturing	3
Consumer Products	1

As might be expected by those familiar with Government contracts, most Government contractors represented the aerospace, manufacturing, and the computers and electronics industries. Respondees in these three groups represented not only Government contractors, but Government defense contractors in all cases.

A review of the seventeen Government contractor responses revealed twenty-two primary areas covered by their standards of conduct and/or ethics programs, practices, and policies. Appendix C outlines each document provided by individual contractors.

a. Identification of Primary areas

While each resposdee's standards of conduct and ethics program documents differed in format and outline, the researcher determined by examination that certain issues were covered more frequently than others. Each issue covered was categorized by the primary focus of the particular issue or section discussed in the document. These issues were subsequently identified as "primary areas of concern (PAOC)." The criteria for inclusion as a primary area of concern in the researcher's list was as follows: the issue was discussed by at least 58.82%, or ten out of the seventeen responding Government contractors.

After reading all packages, the researcher developed an explanation of each primary area of concern based on a consensus of how companies defined the issues and/or applied them. The terminology used by Government contractors was the same or similar in all cases. Only one Government contractor deviated from the majority. This contractor addressed corporate ideology of good ethical conduct without providing guidance as to how this translates into specific conduct or action. Where this general ideology touched on a primary area, the contractor was given credit for addressing that ethics issue. Appendix C provides an outline of each resposdee's standards of conduct and/or ethics program, practice, and policy.

b. Primary Area of Concern (PAOC) Explanation of Terminology

The following explanation of the Government contractor ethics issues will hereafter be referred to as Primary Areas of Concern (PAOCs).

1. Accuracy, Correctness of Data, Records, and Reports. This PAOC directs that all company business data, records, and reports are accurately and correctly prepared. It also directs that all records and allocations of labor, material, and other costs are accurate and assigned to the correct direct or indirect cost account.
2. Customer/Supplier Relations. This PAOC area directs fair and reasonable relationships, obedience of laws and regulations, and following of good business practices in dealings with customers and suppliers.
3. Competition/Competitor Relationships. This PAOC discourages unfair business practices, disparaging competitors, illegal use and/or acquiring of competitor information.
4. Conflicts of Interest. This PAOC directs the avoidance of any actions that may involve, or that may reasonably be construed to involve, a conflict of interest with company obligations both professional and personal.
5. Company Funds & Property. This PAOC addresses the use of company funds and property (both physical and intellectual) for proper company applications and identifies those instances considered to be improper applications of resources.
6. Proprietary Information. This PAOC addresses the use of company proprietary information and what may constitute improper disclosure.
7. Classified, Technological, Sensitive Data. This PAOC addresses the proper handling of company and Government classified, technological, and sensitive data.
8. Accuracy of Invoices/Proper Payments (Bribes, Kickbacks). This PAOC directs the accurate preparation and submission of invoices, and addresses what constitutes improper invoicing and payments such as bribes and kickbacks.

9. Business Hospitalities General. This PAOC addresses company philosophy and policies regarding business hospitalities such as gifts, entertainment, and meals to any customer, supplier, or other business affiliate.
10. Employee Relations. This PAOC addresses general company philosophy regarding employee/employer roles and relationships in conducting business.
11. Quality. This PAOC addresses company quality standards for supplies and services and the meeting or exceeding of specifications and contract requirements.
12. Reporting/Resolving Violations. This PAOC establishes reporting and resolution policies for ethics and standards of conduct violations. It further establishes a mechanism for reporting and resolving violations.
13. Inside Information/Securities Trading. This PAOC directs compliance with laws and regulations regarding proper disclosure and use of company information as it pertains to business decisions and securities exchanges.
14. Business Hospitalities to Government Employees. This PAOC addresses specifically proper/improper gifts, entertainment, and meal exchanges/offers to and from Government employees.
15. Receiving Business Hospitalities. This PAOC addresses company philosophy regarding employee receipt of any business hospitality such as gifts, entertainment, and meals.
16. Political Contributions. This PAOC provides guidance as to restrictions on political contributions and proper contributions to political organizations and groups.
17. Business Hospitalities-International Business. This PAOC addresses special considerations regarding customary business hospitalities to International Businesses which differ from general company restrictions.
18. Environmental. This PAOC addresses company policy regarding the environmental impact of operations, products, and disposal.
19. Receipt, Use of Government Information. This PAOC addresses the proper handling of general Government

information including procurement information in the hands of company employees.

20. Hiring of Former Government Employees. This PAOC addresses restrictions on hiring and conversations regarding same with Government employees and former Government employees. It further directs compliance with all current legislation.
21. Safety. This PAOC addresses compliance with current safety laws and regulations as well as in-company safety philosophy.
22. International Trade Practices. This PAOC addresses compliance with laws and regulations regarding international trade, boycotts, and other restrictions.

c. Quantitative Results

Table I reflects the frequency with which each PAOC was discussed in each company's ethics and standards of conduct documents. PAOCs are listed by the frequency with which that particular area was covered by each company. Company names have been replaced by assigned numbers for anonymity. A listing of all participating companies is included in Appendix B. Outlines of each company's ethics documents are included as Appendix C.

An "x" is indicated under the company number if that company's ethics documents included coverage of the listed PAOM.

Total PAOCs:	22
Total number Government contractors	17

TABLE I (CONTINUED)

Company Number	Areas Addressed																	
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Quality	Reporting/Resolving Violations
1																		
X	X	X		X	X	X	X		X	X	X	X	X	X	X	X		
X	X	X	X	X	X	X	X3	X		X	X	X		X	X	X		

X1: Non-specific and weak
 X2: Property not covered
 X3: Non-specific and weak

PAOC Frequency of Appearance

Total Government companies: 17

The frequencies reflected in the table represent the following:

16 of 17 companies cover area:	94.12% coverage
15 of 17 companies cover area:	88.24% coverage
14 of 17 companies cover area:	82.35% coverage
13 of 17 companies cover area:	76.47% coverage
12 of 17 companies cover area:	70.59% coverage
11 of 17 companies cover area:	64.71% coverage
10 of 17 companies cover area:	58.82% coverage

Company Funds & Property	88.24%
Proprietary Information	88.24%
Classified, Technological, Sensitive Data	88.24%
Receipt, Use of Govt Information	70.59%
Accuracy, Correctness of Data, Records, and Reports	94.12%
Accuracy of Invoices/Proper Payments (bribes/kickbacks)	88.24%
Inside Information/Securities Trading	82.35%
Business Hospitalities General	88.24%
Business Hospitalities Government	82.35%
Receipt of Business Hospitalities	82.35%
Business Hospitalities International Business	76.47%
Hiring of Former Government Employees	70.59%
Customer/Supplier Relations	94.12%
Employee Relations	88.24%
Safety	64.71%

Environmental	76.47%
Competition/ Competitor Relationships	94.12%
International Trade Practices	58.82%
Political Contributions	82.35%
Conflicts of Interest	94.12%
Quality	88.24%
Reporting/Resolving Violations	88.24%

PAOCs in Order of Frequency:

94.12%	Accuracy, Correctness of Data, Records, and Reports Customer/Supplier Relations Competition/Competitor Relationships Conflicts of Interest
88.24%	Company Funds & Property Proprietary Information Classified, Technological, Sensitive Data Accuracy of Invoices/Proper Payments (Bribes, Kickbacks) Business Hospitalities General Employee Relations Quality Reporting/Resolving Violations
82.35%	Inside Information/Securities Trading Business Hospitalities Government Receiving Business Hospitalities Political Contributions

- 76.47% Business Hospitalities International Business
Environmental
- 70.59% Receipt, Use of Govt Information
Hiring of Former Government Employees
- 64.71% Safety
- 58.82% International Trade Practices

d. Comments

Ethics document formats varied between contractors, ranging from strictly narrative to contract-like specifications. Frequently, separate example sections or booklets were provided in question-and-answer format for employees.

While a drug-free workplace was mentioned in several policies, this was not consistently listed as a primary ethics issue because it appeared less than ten times, the stated minimum. As identified in corporate update bulletins, the newest sections included those applicable to environmental issues.

D. NON-GOVERNMENT CONTRACTORS

1. Introduction

Non-Government contractors represented 64.58% of respondees or 31 out of the forty-eight responding to the survey. Contractors indicated by cover letter whether or not they considered themselves to be Government contractors and/or to what extent their business dealt with Government contracts.

Those indicating "minimal" Government contracts were not considered to be Government contractors.

2. Survey Results

Thirty one respondees were categorized as non-Government contractors. Their representation by industry group was as follows:

Agriculture	2
Automotive	4
Aviation	4
Banking	1
Chemicals	1
Consumer Products	3
Energy	1
Food and Beverage	3
Health Services	1
Hospitality	3
Manufacturing	2
Metals and Mining	1
Real Estate	1
Retail	1
Transportation	1
Utilities	2

A review of the thirty one respondees revealed the same Primary Areas of Concern, but the extent to which each company covered the areas differed greatly. There were no new PAOCs introduced by at least ten percent of the responding companies.

a. Identification of Primary areas

As with the Government contractors, the standards of conduct and ethics program documents differed in format and outline; however, the PAOCs were the same as those identified by the Government contractors.

b. PAOC Explanation of Terminology

The terminology for non-Government contractor Primary Areas of Concern is identical to that for the Government contractors.

c. Quantitative Results

Table II reflects the frequency with which each PAOC was covered by each non-Government company. As with Government contractors, company names have been replaced by numbers and all participating companies are included in Appendix B. Outlines of each company's ethics documents are included in Appendix C.

An "x" is indicated under the company number if that company's ethics documents included coverage of the listed PAOC.

Total PAOCs:	22
Total number non-Government contractors:	31

PAOC Frequency of Appearance

Total non-Government companies: 31

The frequencies reflected in the table represent the following:

30 of 31 companies cover area:	96.77%
29 of 31 companies cover area:	93.55%
28 of 31 companies cover area:	90.32%
27 of 31 companies cover area:	87.10%
26 of 31 companies cover area:	83.87%
25 of 31 companies cover area:	80.65%
24 of 31 companies cover area:	77.42%
23 of 31 companies cover area:	74.19%
22 of 31 companies cover area:	70.97%
21 of 31 companies cover area:	67.74%
20 of 31 companies cover area:	64.52%
19 of 31 companies cover area:	61.29%
18 of 31 companies cover area:	58.06%
17 of 31 companies cover area:	54.84%
16 of 31 companies cover area:	51.61%
15 of 31 companies cover area:	48.39%
14 of 31 companies cover area:	45.16%
13 of 31 companies cover area:	41.94%
12 of 31 companies cover area:	38.71%
11 of 31 companies cover area:	35.48%
10 of 31 companies cover area:	32.26%
9 of 31 companies cover area:	29.03%
8 of 31 companies cover area:	25.81%
7 of 31 companies cover area:	22.58%
6 of 31 companies cover area:	19.35%
5 of 31 companies cover area:	16.13%
4 of 31 companies cover area:	12.90%
3 of 31 companies cover area:	9.68%
2 of 31 companies cover area:	6.45%
1 of 31 companies cover area:	3.23%
Company Funds and Property	48.39%
Proprietary Information	58.06%
Classified, Technological, Sensitive Data	38.71%
Receipt, Use of Government Information	6.45%

Accuracy, Correctness of Data, Records, Reports	64.52%
Accuracy of Invoices/Proper Payments (bribes, kickbacks)	64.52%
Inside Information/Securities Trading	58.06%
Business Hospitalities General	64.52%
Business Hospitalities Government	16.13%
International Business Hospitalities	22.58%
Receiving Business Hospitalities	61.29%
Hiring of Former Government Employees	0%
Customer/Supplier Relations	61.29%
Employee Relations	58.06%
Safety	25.81%
Environmental	22.58%
Competition/Competitor Relationships	58.06%
International Trade Practices	32.26%
Political Contributions	64.52%
Conflict of Interest	74.19%
Quality	19.35%
Reporting/Resolving Violations	61.29%

PAOCs in Order of Frequency:

74.19%	Conflict of Interest
64.52%	Accuracy, Correctness of Data, Records, Reports
	Accuracy of Invoices/Proper Payments (bribes, kickbacks)
	Business Hospitalities General
	Political Contributions

61.29‡	Receiving Business Hospitalities
	Reporting/Resolving Violations
	Customer/Supplier Relations
58.06‡	Proprietary Information
	Insider Information/Securities Trading
	Employee Relations
	Competition/Competitor Relationships
48.39‡	Company Funds & Property
38.71‡	Classified, Technological, Sensitive Data
32.26‡	International Trade Practices
25.81‡	Safety
22.58‡	Environmental
	International Business Hospitalities
19.35‡	Quality
16.13‡	Business Hospitalities Government
6.45‡	Receipt, Use of Government Information
0‡	Hiring of Former Government Employees

d. Comments

As with Government contractors, non-Government contractors varied their formats which ranged from narrative to contract-like specifications of each area. Separate question-and-answer sections were provided in some booklets. A drug-free workplace section was included in only a few of the documents therefore, as with Government contractor area lists, this was not included as a primary area of concern.

E. ANALYSIS

1. Introduction

The researcher reviewed those ethics areas covered by Government and non-Government contractors to determine the similarities and the differences between the two categories of contractor types. By far, the similarities between categories far exceeded the differences. Both categories placed their emphasis on the same Primary Areas of Concern, although the percentages of those companies covering any particular area differed between the two groups. In some instances, this was due to the unique situations facing Government contractors versus those facing non-Government contractors. In other instances, the differences are easily explained, such as a company not addressing international business practices because that company did not have any international dealings. The researcher found that there were companies with ethics programs for which there was no clear evidence as to why a specific PAOC was not discussed by the non-Government group to the extent that the area was covered by a majority of Government contractors.

2. Similarities

Both Government and non-Government contractors focused on the same PAOCs in all cases except the hiring of former Government employees. The rankings of emphasis on PAOCs by frequency of coverage are as follows:

Government

- #1 Accuracy, Correctness of Records, Data, and Reports
- Customer/Supplier Relations
- Competition/Competitor Relations
- Conflict of Interest
- #2 Company Funds & Property
- Proprietary Information
- Classified, Technological, Sensitive Data
- Accuracy of Invoices, Proper Payments (bribes, kickbacks)
- Business Hospitalities General
- Employee Relations
- Quality
- Review/Resolving Violations
- #3 Inside Information/Securities Trading
- Business Hospitalities Government
- Political Contributions

non-Government

- #1 Conflict of Interest
- #2 Accuracy, Correctness of Data, Records, and Reports
- Accuracy of Invoices, Proper Payments (bribes, kickbacks)
- Business Hospitalities General
- Political Contributions
- #3 Receiving Business Hospitalities
- Reporting/Resolving Violations
- Customer/Supplier Relations

- | | |
|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| #4 Business Hospitalities
International

Environmental | #4 Proprietary
Information

Employee Relations

Competition/
Competitor
Relationships

Insider Information/
Securities Handling |
| #5 Receipt, Use of Government
Information

Hiring of Former Government
Employees | #5 Company Funds &
Property |
| #6 Safety | #6 Classified,
Technological,
Sensitive Data |
| #7 International Trade Practices | #7 International
Trade Practices

#8 Safety

#9 Environmental

Business
Hospitalities
International

#10 Quality

#11 Business
Hospitalities
Government

#12 Receipt, Use of
Government
Information |

Those areas covered by at least 50% of Government and at least 50% of non-Government contractors included the following:

Conflict of Interest
Accuracy of Data, Records, and Reports
Accuracy of Invoices/Proper Payments (bribes, kickbacks)
Business Hospitalities General
Political Contributions

Receiving Business Hospitalities
Reporting/Resolving Violations
Customer/Supplier Relationships

Both Government and non-Government contractors listed the area concerned with conflicts of interest in the first priority group.

The similarities between Government and non-Government contractor PAOCs were restricted to the categories of concerns. The degree to which each category was covered, as reflected by the percentage of companies covering the particular area, is discussed further as differences.

3. Differences

Although both Government and non-government contractors covered all of the same areas with the exception of hiring of former Government employees, there were significant differences in the percentages of companies covering any particular PAOC.

Over fifty percent of all Government contractors covered all PAOCs, but only eleven of these primary areas were covered by fifty percent or more of the non-Government contractors. Those categories not covered by at least fifty percent of non-Government contractors were as follows:

Company Funds & Property
Classified, Technological, Sensitive Data
International Trade Practices
Safety
Environmental
Business Hospitalities International
Receipt, Use of Government Information
Hiring of Former Government Employees

Five of these areas are easily understood as not being covered primarily due to the nature of the individual company's business. These five areas are:

International Trade Practices-The company may not operate internationally.

Business Hospitalities Government-The company may not conduct any business with the Government.

Classified, Technological, Sensitive Data-The nature of the company's business may not lend itself to this type of information.

Receipt, Use of Government Information-The company may not have access to this type of information or deal with the Government.

Hiring of Former Government Employees-There may be no requirement for this since no conflict or restrictions are in place regarding employment of former Government employees in this field or with this company.

No clear explanation was evident to the researcher as to why the following four areas were not addressed by non-Government contractors.

Company Funds & Property
Safety
Environmental
Quality

Four of the responding non-Government contractors had no published policies regarding ethics rules and standards of conduct or responded negatively to requests for documentation regarding the existence of such policies. The researcher concludes that although no policies were provided, the companies concerned may operate within existing rules, regulations, and laws regarding proper ethical conduct. The

4. Summary

Based on a review of ethics and standards of conduct programs, practices, and policies for both Government and non-Government contractors, the researcher concludes that both contractor categories cover the same primary areas of concern in their written policies pertaining to ethics and standards of conduct. The only exception to this was coverage of the hiring of former Government employees which can be explained by the absence of any ethical conflicts for those companies not dealing with Government contracts. The two categories of contractors differed in the extent to which any particular area of concern was ranked and the frequency with which areas of concern were covered by a majority of non-Government contractors. The differences were generally due to the nature of the non-Government contractor's business.

The similarities between the Government and non-Government contractors can also be explained by company ethics policy staffing practices. According to the Center for Applied Ethics [Ref. 12], there are limited numbers of professionals available as resource experts in the development of ethics programs for corporate entities. For this reason, most corporate ethics programs are modeled by only these few professionals. This results in similarities among most ethics programs with some tailoring to unique corporate situations.

Clearly, this situation results in a great deal of standardization among both Government and non-Government programs, practices, and policies.

Chapter IV will address the attitudes of academicians regarding the necessity for unique ethical standards for companies conducting business with the Government.

IV. ANALYSIS OF ACADEMIC COMMENT

A. INTRODUCTION

There are mixed views on how to ensure proper ethical business standards. One view, as supported by recently proposed legislation on the issue, directs that stricter standards be adopted for contractors dealing with the Government [Ref. 13] [Ref. 14]. Another view as espoused by ethics organizations such as the Center for Applied Ethics and Defense Industry Initiative members takes the position that proper ethics training for all businesspersons (educational institution as well as in-company training) and executive level role modeling will result in social and business norms of proper ethical behavior [Ref. 15] [Ref. 16]. Industry has responded by setting written guidelines for proper ethical conduct.

It is clearly the desire of those who propose ethics legislation, that such legislation will ensure proper ethical conduct by those who do business with the Government. However, it is the researcher's opinion as well as that of surveyed academicians, and members of ethics research organizations such as the Ethics Resource Center that legislation may result in undesirable externalities which must be considered. A consensus of these opinions include:

1. Restrictions so suffocating as to preclude 'good business' for fear of any conflicts with Government-

directed ethics legislation. This may result in losses to the industrial base because businesses will avoid Government contracts where business conduct will be challenged.

2. Confusion in business and allegations of non-ethical conduct where none was intended. (e.g., maintaining good business relationships versus collusion and conflict of interest.)

Even if externalities could be prevented, every situation cannot be addressed, and as discussed above, ethical decision-making may differ by situation. Decision Support Systems may assist in this environment, but a definition of what is or is not ethical remains unstructured and one answer for all ethics questions cannot be provided.

An example of an attempt to apply one standard for all situations was the Procurement Integrity Act of 1991. This document resulted, in some cases, in an exodus from Government service by some individuals for what was considered to be unreasonable restrictions on post-Government employment or "extra" Government occupations (books, teaching, lectures, etc.). Similar reactions have been made to the proposed "Standards of Ethical Conduct for Employees of the Executive Branch" which was previously discussed in the thesis. Existing legislation has been primarily concerned with Procurement Officials, however, there is disagreement not this emphasis hits the mark.

Legislators have likewise earmarked Government contractors as entities needing to meet higher standards than all other contractors.

The researcher examined academic attitudes using the survey method to determine how those academicians teaching business management view ethics standards for both Government and non-Government contractors. [Appendix A-2]

B. SURVEY OF ACADEMICIANS

1. Introduction

Using a letter survey, the researcher surveyed sixty-five educators whose institutions specialize in acquisition, contract, or business management as listed in Contract Management (CM) [Ref. 17]. The CM was selected because it is an acquisition and contracting professional magazine and those individuals listed in the article were considered by the researcher to represent an excellent population of academicians for the survey. Sixty-five of the researchers were selected because the programs offered at their respective institutions were particularly focused on acquisition or contracts or advanced studies relating to this type of business management. The responses to the question-naire provided mixed opinions on the effectiveness of legislation and the need for unique ethics legislation.

2. Research Questions

Three research questions were submitted to each surveyed academician. The questions were designed by the researcher to determine whether or not the academician felt that there was a need for special ethics legislation for Government contractors beyond that for non-Government

contractors and whether or not existing ethics legislation was directed at the appropriate problem areas. The questions developed by the researcher were as follows:

Question 1. Do you believe Government-contractor unique legislation is necessary to ensure proper ethical conduct by those conducting business with the Government?

Question 2. Do you believe that current ethics legislation has resulted in improved ethical conduct by Government contractors?

Question 3. Do you believe that the focus of current ethics legislation is directed toward the area(s) requiring the greatest attention? (Example: limited legislation is directed toward elected officials while substantial legislation has been directed toward procurement officials.)

3. Research Question Responses

The response rate was 21.54% or fourteen of the sixty-five academicians surveyed responded. The following represent the responses:

a. Question #1. Do you believe Government-contractor unique legislation is necessary to ensure proper ethical conduct by those conducting business with the Government?

(1) **Results:** 8 yes
3 no
3 responder felt unqualified to answer

(2) **Responses:**

(a) Responses 1-3.

Responder felt unqualified/unfamiliar with subject area: 3 responses.

(b) Response 4.

No law is going to assure ethical conduct by employers. However, the guidelines/regulations that are considered to be acceptable by Government standards need to be regulated so as to assure compliance. Due to the specific nature of unique circumstances associated with Government contracting, laws need to be on the books--and enforced by non-participating (impartial) parties.

(c) Response 5.

Yes. Past contractor abuses suggest that human nature is such that behavioral contingencies must be clearly stipulated.

(d) Response 6.

No! All business ethical conduct should be the same; the fact that the Government is a party to the contract should have no impact.

(e) Response 7.

Yes. We need proper/better guidelines for Government buyers. Not necessarily more strict, but clear . . . laid out so each will know where they stand in all situations.

(f) Response 8.

Yes. The contracting context entails processes that while not necessarily unique, require careful regulation of moral content. Additional legislation would provide required emphasis and focus.

(g) Response 9.

Yes: (a) Too many abuses already known-only the "tip of the iceberg"?

(b) We're talking taxpayers' dollars here!

(c) Conflict of interest a major problem.

(h) Response 10.

No. Despite the few cases of unethical conduct, overall, considering the size of Government contractor base (in terms of dollars and numbers of procurement actions) things work rather well.

(i) Response 11.

I firmly believe that no additional Government-contractor unique legislation is necessary to ensure proper ethical conduct by those conducting business with the Government.

I do believe that those doing business with the Government should be held to a higher standard of conduct than business in general, but I also believe that Government contractors are meeting such higher standards, have met them in the recent past (10-20 years) and will continue to meet them in the future. Even if we assume all of the recent publicity concerning the defense industry is true, the number of tainted incidents compared with total DOD procurement transactions is remarkably low.

Obviously the standard of ethics in the business community in general is not entirely what we would like for it to be. One has only to consider recent publicity concerning Banking, Insurance, Stock trading, Ministry, Medicine/Hospital Mgt., Nursing home, Retail Marketing, not to mention the US Congress to make the point. Of course, the media's propensity to accentuate the negative is well known, but as was the case with the defense industry 5 years ago there is probably enough basis for the stories to cause concern. My point is that the problem to be attacked is by no means confined to the defense industry.

We do need to generally improve the education level/standards of ethics throughout industry as well as maintain the current higher level within Defense contracting. At University of Dallas, Graduate School of Management the faculty has had several meetings seeking better ways to emphasize ethics in our respective classes. In addition we have initiated a series of special ethics lectures, attended by both students and faculty, which are conducted by visiting professors from other schools in the area. If the US Congress is interested in helping they should be seeking ways to improve education and define ethical standards throughout industry in general rather than seek new laws/reporting requirements for defense industry.

(j) Response 12.

No. Established statutory, executive order, and regulatory rules are adequate and in some cases excessive in detail already. Legislation generally adds reports, record keeping and sanction, or threats of sanctions, along with increased specificity and detail. These additions inhibit decision making and add costs to the system. Emphasis should now be

placed on personnel qualifications and on administrative procedures to place proper emphasis on ethical behavior.

(k) Response 13.

Yes, I do. The Government is not just another business. Political interests enter the picture, and the scale of operation is significant. The public interest must be protected, not just the stockholder interest. Business officials often have the advantage of having been in Government work or at least having access to those who have been; they know the people making the decisions for the Government and sometimes know more about the process than Government officials themselves. One example would prevent some glaring abuses. A public, open bidding process would prevent secret deals and allow examination of the decisions, although some accommodation to avoid frivolous lawsuits by unsuccessful bidders would have to be instituted.

(l) Response 14.

Yes, because of public accountability. The general public's right to know all about how their money is being spent puts Government contractors in a uniquely sensitive position vis-a-vis their strictly private sector producer counterparts.

b. Question #2: Do you believe that current ethics legislation has resulted in improved ethical conduct by Government contractors?

(1) **Results:** 3 yes (qualified by comments)
6 no
3 responder felt unqualified to answer
2 don't know

(2) **Responses:**

(a) Responses 1-3.

Responder felt unqualified/unfamiliar with subject area: 3 responses.

(b) Response 4.

Not especially. Too much bureaucracy.

(c) Response 5.

It certainly has heightened awareness, and therefore has resulted in the elimination of "thoughtless" unethical behavior.

(d) Response 6.

No.

(e) Response 7.

Yes, to some extent.

(f) Response 8.

Don't know.

(g) Response 9.

No.

(h) Response 10.

No. I don't believe you can write laws that will insure ethical behavior.

(i) Response 11.

I do not believe that recent ethics legislation applicable to defense industry has improved ethical conduct. What it has done is to substantially increase reporting requirements which in turn increases contractors' cost of operation and ultimately the cost of defense hardware. The Government's cost to review and audit the reports are also increased. The other thing that it has done is to add to the public's general perception of dishonesty and inefficiency in the defense industry. (Of course every person in the US capable of reading a newspaper or watching TV already knows that the reason for high cost of Defense Systems is dishonest and incompetent managers within the industry-no one ever mentions the extra requirements imposed by Congress and the rest of the Bureaucracy). I do not believe that additional legislation would improve ethics within the defense industry, but rather would only continue the negative trends referred to above.

(j) Response 12.

The publicity over Ill Wind and other transgressions may have resulted in improved conduct, but the added procedures, rules and sanctions are not likely to do more than satisfy the

legislators' vanity. Major corporations have adopted new, more explicit standards of conduct, policies and practices over the last decade.

(k) Response 13.

I have no specific knowledge which would enable me to give an exact answer. It is my impression, however, that bad publicity and heavy fines have resulted in improved ethical conduct by contractors rather than current legislation.

(l) Response 14.

No--but it should have led to more ethical behavior by Government personnel (Operation "Ill Wind" and other indictments & convictions of contractor personnel may well lead to improved ethical conduct by contractor personnel.)

c. Question #3. Do you believe that the focus of current ethics legislation is directed toward the area(s) requiring the greatest attention? (Example: limited legislation is directed toward elected officials while substantial legislation has been directed toward procurement officials.)

(1) **Results:** 1 yes (qualified by comments)
7 no
3 not definitive
3 responder felt unqualified to answer

(2) **Responses:**

(a) Responses 1-3.

Responder felt unqualified/unfamiliar with subject area: 3 responses.

(b) Response 4.

Great attention needs to be directed toward all Governmental agencies--elected officials included. Less partisan politics and more uniformity in the application of the law is needed.

(c) Response 5.

I believe that the focus must be extended to elected (and appointed) Government officials. The current state of ethical review in the Congress is a joke.

(d) Response 6.

No! The new ethics legislation should be directed at the conduct of persons who are political appointees as distinguished from persons who attain their positions through career civil service procedures.

(e) Response 7.

No--attention should also be paid to elected officials, their staffs, lobbyists--also stronger guidelines toward channel members of distribution.

(f) Response 8.

There is enough to go around.

(g) Response 9.

Only partly--all parties should be covered.

(h) Response 10.

As you might expect from my responses above, the current focus is a joke. Prevent Congressional interference and the process will improve. Too often Congressional pressure results in Government procurement officials doing dumb things.

(i) Response 11.

As I noted in answer to the previous question, I do not have, much positive to say about the current trends of Congress efforts to legislate ethics in the defense industry. If Congress wants to help, they should concentrate on ways to improve education, efficiency and productivity in US industry across the board; Defense Industry might well serve in a leadership role in such a program. In addition Congress should spare no effort to improve its own image. Congress should have an image of the best ethical standards in the country, not the worst. Their recent activities hardly move them in the direction they should be going.

(j) Response 12.

My basic view is that good, ethical behavior does not differ for Government sponsored contracting from good, ethical behavior in private transactions.

(k) Response 13.

Political influence has to be controlled, but I don't know how much control is best. Again, I think publicity can be an

effective weapon to keep the politicians in line. Significant penalties for abuses would make an example of politicians who abused the system. The trouble is that politicians aren't going to pass legislation against themselves. At least there should be a public record as to who lobbied for what and how it turned out. This situation is definitely not a matter of normal "good business" practices.

(1) Response 14.

No. It should be directed equally at elected officials--These are the persons most distrusted by the general public when it comes to wasting their money. Note: What really is needed is better education of all employees (especially Government employees & corporate consultants). as to their ethical duties & fiduciary responsibilities under the common law of agency.

4. Analysis

While there is no clear consensus among the surveyed educators, there are some distinct issues identified. Among these are (1) some educators are neither emphasizing/nor making themselves knowledgeable in the ethics arena; (2) educators are concerned that legislators and political appointees/staffs are not well-covered by ethics legislation; (3) there is disagreement on whether unique legislation is necessary to cover those companies contracting with the Government. The survey response rate was 21.54%, or fourteen of sixty-five individuals surveyed.

Even among National Contract Management Association (NCMA) members, there is concern regarding any legislation that dictates what may or may not be considered proper ethical conduct. Specifically, the national president submitted a letter addressing the limitations on participation in activities of professional associations and similar entities

organized to enhance the skills and abilities of its members [Ref. 18].

Among academicians, there is no consensus on the need for special legislative guidelines to Government contractors. On the contrary, those responsible for teaching ethical business practices to the novice business student are very much in disagreement.

Having an established ethics programs is not unique to Government contractors nor does the existence of an ethics program guarantee ethical conduct by any individual corporation or its agents.

C. COMMENTS

With a response rate of 21.54%, the researcher was concerned as to why more academicians did not respond. Other than a lack of interest in responding, those surveyed may not have been involved in the ethics branches of their respective business programs or their institutions did not have a well defined ethics training program which they felt to be a foundation for answering the survey questions. The Ethics Resource Center conducted a survey of American business schools and published the results in February 1988 [Ref. 12]. The report was a study of the content and scope of ethics education in the nation's accredited graduate and undergraduate business school programs. Although ninety percent of the business schools responding indicated that ethics is included in their curricula, the degree of emphasis placed

on ethics varied widely and the report survey responses revealed the absence of a generally accepted approach to providing education in ethics. The Center's questionnaire surveyed deans of 208 graduate schools of business accredited by the American Assembly of Collegiate Schools of Business and resulted in a response rate of 46% [Ref. 19]. The following results were revealed in the Center's report:

1. Three-quarters of the responding deans report that ethics is a required part of the MBA program. Three-quarters report that it is a required part of the undergraduate program as well.
2. Two-thirds of the MBA programs teach ethics by including it in other required courses, but do not require a separate ethics module or course. Fifty-three percent of the undergraduate programs follow this approach.
3. Only 5% of the MBA programs require a separate course on ethics. Twenty percent of the undergraduate programs require one.
4. Discussion and lecture are used with about equal frequency for teaching ethics at the MBA level. Lecture is used slightly more frequently than discussion at the undergraduate level.
5. Case studies are the primary classroom materials used for teaching ethics at the MBA level. Textbook readings are used more frequently than case studies in undergraduate ethics teaching.
6. The most commonly addressed topics related to ethics at the MBA level are conflicts of interest and product liability and safety. Honesty heads the list for undergraduates.
7. Ethical theory is the topic mentioned most frequently by respondents as needing new or continued research.
8. Eighty-two percent of the 96 respondents expressed interest in regional faculty workshops on integrating ethics into the business school curriculum. [Ref. 20]

Based on the results of the thesis survey, the researcher agrees with the Center's conclusions that although there is widespread acceptance of the idea of ethics education, there is a variety of approaches as well as breadth and depth of coverage at educational institutions. It is the researcher's opinion that these inconsistent approaches as well as a degree of apathy in responding to surveys that led to the limited response to the researcher's questionnaire. In addition, it should be considered that deans of educational institutions are more sensitive to responding to an organization such as the Ethics Resource Center than individual professors may be in responding to a master's student thesis questionnaire. This may be due to the public access to the Ethics Research Center information and a desire by deans to have their institutions "advertised" in the most favorable light by ensuring public knowledge of the existence of ethics programs at their institutions.

D. SUMMARY

There is no consensus among academicians on the effectiveness of legislation in ensuring proper ethical conduct by contractors. There is consensus among academicians on the desirability for ethics standards to apply to legislators and political appointees.

Chapter V will provide the summary and conclusions of the research as well as recommendations for further research.

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

A. RESTATEMENT OF OBJECTIVES

The area of research for this thesis was the ethics programs, practices, and policies of both Government and non-Government contractors. The goal was to determine the similarities and differences between each group, to determine whether legislation makes a difference as to the content of ethics programs between the groups, and to discuss the attitudes of academicians regarding the need for special ethics legislation for Government contractors.

Briefings by two different ethics organizations, the Center for Applied Ethics and the Ethics Resource Center, led the researcher to believe that the content of ethics programs is similar among both Government and non-Government contractors [Ref. 21 and Ref. 22]. The researcher examined this idea by reviewing the content of ethics programs, practices, and policies of both Government and non-Government contractors on a case-by-case basis. A numerical scoring was applied which resulted in the identification of twenty-two primary areas of ethics concern to both Government and non-Government contractors. Concerns were generally consistent between the two groups.

The role of ethics legislation was considered to be a factor in the research; therefore, a survey was conducted of

academicians to determine their opinions regarding existing legislation pertaining to the practices of corporations. The researcher found academicians divided in their opinions on the effectiveness and the focus of ethics legislation. The following conclusions apply.

B. MAJOR CONCLUSIONS

- 1. Ethics programs, practices, and policies of Government and non-Government contractors focus on the same primary areas of ethical concern.**

The survey results indicated that the same primary ethics areas were identified by both Government and non-Government contractors as being areas of corporate concern. These primary areas were discussed in each group's policy documents although priority rankings and the depth with which each area was discussed differed. The only area not included by both Government and non-Government contractors was the area entitled "hiring of former Government employees." This area was not covered by non-Government contractors.

- 2. Most ethics legislation examined by the researcher focuses on Government contractors; however, ethics programs do not differ greatly between Government and non-Government contractors.**

Non-Government contractors have ethics programs even though they are not directed to comply with stringent legislation applicable to Government contractors. Although some ethics issues, such as antitrust laws, are covered by legislation governing all corporations, the studied non-Government contractors surpassed legislative guidelines in

their ethics programs. This implies that specific legislation is not the sole reason for the existence of ethics programs.

3. **With the enactment of the 1991 Federal Sentencing Guidelines discussed in Chapter II, more non-Government contractors can be expected to implement ethics programs.**

As discussed in Chapter II, the 1991 Federal Sentencing Guidelines place responsibility for and give credit to those corporations advancing ethics training and business conduct. More companies can be expected to "come on line" with ethics programs in order to mitigate damages in liability cases where they show evidence of training and business conduct practices which favor "good" ethical conduct. Companies will be anxious to ensure credits against potential penalties by complying with the Sentencing Guideline steps.

4. **Academicians are divided on the effectiveness of ethics legislation. There was no consensus as to the effectiveness of ethics legislation, the focus of legislation, or the need for unique legislation for those conducting business with the Government.**

The results of the survey indicated that the academicians surveyed have varied opinions. These opinions range from total concurrence with current legislative efforts and acknowledgement that improvements have been made because of ethics legislation, to total disagreement with the direction of ethics legislation and its results. The academicians concurred by the majority of their responses in only one area: legislators and political appointees should be covered by ethics legislation to a greater degree than currently exists.

5. Not all academicians are familiar with ethics legislation.

Three out of the fourteen responding academicians responded that they felt unfamiliar or unqualified to respond to the survey questions.

6. The aerospace, computers and electronics, and manufacturing industries responded most frequently of the Government contractors; the aviation and automotive industries responded most frequently of the non-Government contractors. There is some indication by this that "product" industries have ethics programs more frequently than service industries such as transportation, health services, and accounting.

The Chapter III survey results indicated that more responses were received from companies providing some kind of commodity than those providing services.

7. The Defense Industry Initiatives identify as essential the same ethics areas as those covered by both Government and non-Government contractors in their ethics programs.

The Defense Industry Initiatives (DII) cover nineteen ethics issues which correspond to twenty-one of those listed by both Government and non-Government contractors. The one missing issue is safety which the DII did not identify as an ethics issue. This implies that regardless of whether or not a company is a member of the DII, its ethical concerns are the same as those who participate in the DII.

8. Conflicts of interest appear as the number one priority ethical concern for both Government and non-Government contractors.

The survey results indicated that 94.12% of Government contractors and 74.19% of non-Government contractors consider conflicts of interest to be a primary area of ethical concern.

9. The following areas are considered to be of primary ethical concern by a majority of both Government and non-Government contractors:

Conflicts of Interest

Accuracy of Data, Records, and Reports

Accuracy of Invoices/Proper Payments (bribes, kickbacks)

Business Hospitalities General

Political Contributions

Receiving Business Hospitalities

Reporting/Resolving Violations

Customer/Supplier Relationships

The survey results indicated that at least 50% of Government contractors and at least 50% of non-Government contractors listed these areas as primary in their ethical concerns. Some of these areas are discussed in legislation, such as political contributions, while others are not.

C. RECOMMENDATIONS

1. Corporate entities should standardize ethics programs, practices, and policies under general guidelines such as the Defense Industry Initiatives, but expanded to include, at a minimum, all of the twenty-two primary areas of concern currently covered in most corporate standards of conduct and business ethics programs.

Standard accepted practices are endorsed by such efforts as the Defense Industry Initiatives. The benefit of standardization is uniformity throughout the business community in corporate expectations of their personnel and resolution of conflicts. Business-wide standards encourage development of formal training to meet those standards.

Current splinter efforts result in diverse expectations, varied standards among industry groups, and an inability to develop formal training programs to meet the vast variety of programs at the corporate level. Since most Government and non-Government programs are already very similar, there is already some impetus towards standardization.

2. **Emphasize formal ethics training in all undergraduate and graduate business schools. Core courses pertaining to ethics should be offered in conjunction with or as part of all decision-making modeling and management training courses.**

The surveyed academicians displayed inconsistency as to their familiarity with ethics legislation and applicability. As discussed in Chapter IV, only five percent of MBA programs require a separate course on ethics and only twenty percent of the undergraduate programs require one. While the cited research in Chapter IV by the Ethics Resource Center revealed that ethics is a part of most degree programs, methods of studying the subject differ greatly, as does the degree of emphasis placed on ethics training at business schools.

3. **Corporations must place greater emphasis on continuing education in ethics as well as ensuring implementation of ethical practices in day-to-day business conduct.**

Although ethics program policy documents are in place in most Government and non-Government businesses, this does not guarantee implementation or enforcement of ethics programs. Some of the surveyed Government and non-Government contractors were accused of misconduct after the

implementation of their ethics programs. The previously mentioned Federal Sentencing Guidelines will take into consideration efforts by companies to train and encourage employees to perform ethically in daily business.

4. Political appointees and legislators should be covered by ethics legislation.

The consensus of academicians was that legislators and political appointees should be covered by the same legislation as other Government employees when dealing with contractors. Academicians expressed concern that legislators provided privileged status for themselves by exclusions from rules governing other Government employees. Because of "pork barrel" legislation and allegations of political misconduct in the news media, the public has become more concerned with the conduct of elected and appointed Government officials than any other group of Government employee. Existing legislation has focused on Government procurement officials and Government contractors. As identified in Chapter II, the proposed "Standards of Ethical Conduct for Employees of the Executive Branch" places very little emphasis on a restrictions regarding Congress, although some are mentioned. In order to regain public confidence, legislators and political appointees must be held to the same standard as all other Government employees and business persons. This is consistent with the concept that those issuing compliance guidelines must themselves comply with those guidelines.

5. Prior to enactment, legislation pertaining to ethics should be studied by ethics "experts" to determine whether legislation is the most effective mechanism for compliance with desired standards.

The survey results indicated that legislation is not necessarily the only motivator for ethics programs; therefore, legislation may prove unnecessary in some instances to achieve the desired results. The Defense Industry Initiatives are examples of non-legislative efforts to achieve these desired results.

6. Where legislation is deemed necessary, all legislation pertaining to ethical considerations should be consolidated in order to be consistent with efforts to simplify acquisition and contract management rules and regulations.

Major improvements have been made to streamline the acquisition process. In keeping with this philosophy, all enacted legislation pertaining to ethics should be so standardized and streamlined and should apply to both Government and non-Government contractors. Such a policy is consistent with quality management programs and does not encourage double standards when dealing with Government or non-Government concerns. Likewise, confusion is eliminated at the individual corporate level as to what standards apply to Government versus non-Government business conduct.

D. ANSWER TO PRIMARY RESEARCH QUESTION

What differences exist between ethics programs, practices, and policies of Government Contractors and non-Government contractors?

There are virtually no differences between the primary programs, practices, and policies of Government and non-Government contractors. Differences exist in the ranking and the depth of coverage of each primary area of interest, but the areas covered are almost identical. The only exception to this is coverage of the area pertaining to employment of former Government employees which is not discussed by non-Government contractors.

E. ANSWERS TO SUBSIDIARY QUESTIONS

- 1. What are the ethics programs and policies among Government contractors?**

The programs and policies of Government contractors included coverage of the following twenty-two categories in priority sequence:

- 1. Accuracy, Correctness of Data, Records, and Reports**
Customer/Supplier Relations
Competition/Competitor Relationships
Conflicts of Interest
- 2. Company Funds & Property**
Proprietary Information
Classified, Technological, Sensitive Data
Accuracy of Invoices/Proper Payments (Bribes, Kickbacks)
Business Hospitalities General
Employee Relations
Quality
Reporting/Resolving Violations

3. Inside Information/Securities Trading
Business Hospitalities Government
Receiving Business Hospitalities
Political Contributions
4. Business Hospitalities International Business
Environmental
5. Receipt, Use of Government Information
Hiring of Former Government Employees
6. Safety
7. International Trade Practices
2. What are the ethics programs and policies among non-Government contractors?

The ethics programs and policies of non-Government contractors include the following in priority sequence:

1. Conflict of Interest
2. Accuracy, Correctness of Data, Records, Reports
Accuracy of Invoices/Proper Payment (bribes, kickbacks)
Business Hospitalities General
Political Contributions
3. Receiving Business Hospitalities
Reporting/Resolving Violations
Customer/Supplier Relations
4. Insider Information/Securities Trading
Employee Relations
Competition/Competitor Relationships
Proprietary Information
5. Company Funds & Property

6. Classified, Technological, Sensitive Data
 7. International Trade Practices
 8. Safety
 9. Environmental
International Business Hospitalities
 10. Quality
 11. Business Hospitalities Government
 12. Receipt, Use of Government Information
3. What are the differences between Government and non-Government contractors?

Non-Government contractors do not cover the hiring of former Government employees. The percentage of Government and non-Government contractors covering any particular area differs, thereby, implying a difference in the relative importance of each area between the groups (as shown by the results to questions 1 and 2). For example, 94.12% of Government contractors consider Conflicts of Interest to be of primary concern while only 74.19% of non-Government contractors considered this area to be of primary concern.

4. What are the similarities between Government and non-Government contractors?

Both Government and non-Government contractors focus on the same basic primary areas of ethical concern in their published documents. These areas are listed in detail in the answers to questions 1 and 2. The non-Government contractors covered twenty-one of the same twenty-two ethical areas covered by Government contractors. The only area not covered

by both groups was that entitled "hiring of former Government employees."

5. What do business acquisition educators say regarding the necessity and effectiveness of ethics legislation that refers to Government contractors?

Academician responses did not indicate a consensus on the necessity and effectiveness of ethics legislation. Opinions ranged from total disagreement on effectiveness and necessity to an opinion of absolute agreement that unique legislation is both necessary and effective. In only one instance was there consensus among the surveyed academicians: the need to include political appointees and legislators in legislation directed toward improved ethical conduct. There is consensus that political appointees and legislators should be held to the same standard as other Government officials in their dealings with Government contractors.

6. What recommendations can be made as to the necessity for additional ethics legislation?

As discussed in the recommendations of the thesis, where ethics legislation is deemed necessary, it should be standardized and applicable to both Government and non-Government contractors. A better approach may be to develop a corporate consensus of good business practices which is supported by education, training, business conduct, and the newly imposed Federal Sentencing Guidelines discussed in Chapter II. The Defense Industry Initiatives (DII) are a starting point, but do not provide the specifics outlined in most corporate ethics programs. Expansion of the DII to

include primary areas of ethical concern may provide a basis for developing this corporate consensus of good business practices.

F. SUGGESTIONS FOR FURTHER RESEARCH

1. The next draft of the proposed "Standards of Ethical Conduct for Employees of the Executive Branch," 5 CFR Part 2635 RIM 3209-AA04 is scheduled for release in April 1992. This proposed legislation and its impact on Government contractors could be explored.
2. An examination of the ethics programs, practices, and policies published subsequent to the 1 November 1991 New Sentencing Guidelines should reveal greater standardization of documentation by all corporate entities. This area should open to research greater uniformity in business regarding ethics and could be the topic of further examination after sufficient implementation time for corporations to draft new policies.
3. Reasons for different ethics training programs in educational institutions can be investigated beyond that provided by the Ethics Resource Center as discussed in Chapter IV.
4. Reasons for differences in ethics programs as well as reasons for not establishing programs can be explored. The researcher identified quantitatively the similarities and differences between programs; however, reasons for these similarities and differences is available for further research.
5. Reasons for exclusion of Congress from certain restrictions as well as non-existence of legislation governing Congress with respect to ethics can be explored. This issues are currently covered under documents such as Senate rules vice legislation. A detailed study of the justification for this type of coverage may enlighten both legislators and public sectors.
6. A study of the success of the Defense Industry Initiatives in deterring incidences of ethical misconduct could be explored.

G. SUMMARY

Legislation continues to be introduced which focuses on holding Government contractors to a higher ethical standard than other business concerns. Based on a review of both Government and non-Government contractors, the ethics programs in place for each group are almost identical. It seems clear, therefore, that legislative efforts are not the only reason for their existence. However, the existence of a program does not guarantee its enforcement. Likewise, a concern in the business community over ethical conduct does not guarantee that the issue is covered properly in academic training or at the corporate level.

The weight of the evidence implies that proper education, training, business conduct, and enforcement of standardized practices are the ingredients necessary to move forward in efforts to improve the overall ethical conduct of all businesses. Unique legislation aimed at Government contractors may prove detrimental to the process if it causes confusion among the business community and an environment of legislative micro-management. It is the business community which must be the first line of attack in standardizing ethics practices and enforcing compliance. At the judicial level, all Government and non-Government officials and organizations must be held to the same high standards in order to ensure public trust and confidence.

APPENDIX A-1

CORPORATE LETTER

300 Glenwood Circle
#204
Monterey, CA 93940
(408) 655-9870
12 October 1991

Sir:

I am conducting research on Ethical Practices, Programs, and Policies for my thesis in Acquisition and Contract Management at Naval Postgraduate School, Monterey, California. As part of my research, I am comparing ethics policies of Department of Defense (DOD) and other government contractors to those not currently conducting business with the government. With the research, I hope to provide recommendations as to whether legislation is necessary to establish unique guidelines for DOD/government contractors or if normal "good business" practices attain the same standards.

In support of this research, I request a copy of your company's policy handbooks, directives, or other information regarding ethical conduct expected of your employees. Any unique information to acquisition/contracting will be particularly helpful. In addition, I would appreciate verification as to whether or not you consider your company a DOD or government contractor.

If you wish to provide any comments regarding Congressional legislation addressing ethics or Procurement Integrity, this will be a welcome addition. I will ensure confidentiality if you so indicate.

A response by 20 November will help me in my efforts. Your assistance is greatly appreciated.

Sincerely,

Laurie A. McKEE
Lieutenant Commander
Supply Corps
United States Navy

APPENDIX A-2
ACADEMIC LETTER

300 Glenwood Circle
#204
Monterey, CA 93940
(408) 655-9870
15 October 1991

Professor,

I am conducting research on Ethical Practices, Programs, and Policies for my thesis in Acquisition and Contract Management at the Naval Postgraduate School, Monterey, California. As part of my research, I am comparing ethics policies of Department of Defense (DOD) and other government contractors to those not currently conducting business with the government. With the research, I hope to provide recommendations as to whether legislation is necessary to establish unique guidelines for DOD/government contractors or if normal "good business" practices attain the same standards.

In support of this research, I request your assistance by answering a short questionnaire. I have enclosed a self-addressed stamped envelope for its return.

If you wish to provide any additional comments regarding Congressional legislation addressing ethics or Procurement Integrity, this will be a welcome addition. I will ensure confidentiality if you so indicate.

A response by 20 November will help me in my efforts. Your assistance is greatly appreciated.

Sincerely,

Laurie A. McKEE
Lieutenant Commander
Supply Corps
United States Navy

ETHICS QUESTIONNAIRE

1. Do you believe that Government-contractor unique legislation is necessary to ensure proper ethical conduct by those conducting business with the Government? Why/why not?

2. Do you believe that current ethics legislation has resulted in improved ethical conduct by Government contractors?

3. Do you believe that the focus of current ethics legislation is directed toward the area(s) requiring the greatest attention? (Example: Limited legislation is directed toward elected officials while substantial legislation has been directed toward procurement officials.)

APPENDIX B

LIST OF RESPONDING CORPORATIONS

This following corporations responded to the request for copies of ethics programs, practices, and policies and standards of conduct documents for their respective companies.

Alaska Airlines
Allied Signal
American Honda Motor Company, Incorporated
Armstrong
Atlantic Dairy Cooperative
Avon Products, Incorporated
BankAmerica
Bethlehem Steel Corporation
Burger King
Caterpillar Incorporated
Data General
Deere & Company
Delta Airlines, Incorporated
Dow Chemical Company
Exxon
FMC
General Dynamics
General Electric
Gillette Company
Grumman
Harris Ranch Beef Company
Healthcare Company
IBM
Ingersoll-Rand
Kroger
Lockheed
Marriott Hotels Resorts
May Company
Maytag Company
McDonnell Douglas
Philip Morris Companies Incorporated
Pittston Company
Pontiac Division Chrysler Corporation
Prudential Property Company
Roadway Services, Incorporated
Rockwell International
Safeway Stores Incorporated
Snap-on Tools Corporation
Southern California Electric Corporation
Southern Company Services, Incorporated

Sunstrand Corporation
Taco Bell
Toyota Motor Sales U.S.A., Incorporated
United Airlines
United Technologies Corporation
UNISYS
USAir

APPENDIX C

OUTLINES OF RESPONDING COMPANIES' ETHICS DOCUMENTATION

All company ethics practices, policies, and procedures and standards of conduct documents are outlined as provided for by the respective corporations. In some cases titles of sections were used while in other cases, corporations used phrases or sentences to describe the section. Outlines are consistent with those used by the corporation, therefore, in some cases these outlines do not comply with standard or accepted outline format. Phrasing, grammar, and structure is consistent with that used in the documents provided by individual corporations and for that reason complete sentences are not used. This is consistent with The Macmillan Handbook of English.

Company: 1

Defense Industry Initiative Member

Document Titles: "Code of Ethics"
"Standards of Conduct"

Summary: "Code of Ethics"

- I. Describes characteristics of integrity and ethics
- II. Describes difficulties in ethical decision
 - A. Making decisions (close call, new problem, conflicting policies, multiple consultations, high personal cost, outdated policy/procedure)
 - B. Reasoning methods
 - 1. Rights/principles analysis
 - 2. Benefit-harm analysis
 - 3. Social justice analysis
 - C. Checklist
 - 1. Analysis
 - 2. Solution development
 - 3. Selecting optimum solution
 - D. Implementation
 - E. Follow-up
 - F. Self-Governance
 - G. Methods of reporting violations
 - 1. Supervisor
 - 2. Chain of Command
 - 3. Law or Human Resources Offices
 - 4. Ombudsman
 - 5. Ethics Representative

Summary: "Standards of Conduct"

Each standard is given in general terms, by specific example, and provides information where to go for further information. Standards phrasing and outline is listed as written in the booklet.

Standard #1. To protect assets, and those assets of others entrusted to us, including physical property and proprietary information, against loss, theft, and misuse

- 1.1 Company funds and property
 - A. Proper/improper use of resources
 - B. No secret/unrecorded cash/assets
 - C. Transactions proper & properly documented
- 1.2 Proprietary information
 - A. Safekeeping

- 1.3 U.S. Government classified, technical and sensitive data
 - A. Compliance with Government requirements
- 1.4 Receipt and use of U.S. government procurement related information
 - A. Responsibility in propriety of seeking, obtaining, use, disclosing U.S. Government procurement information

Standard #2. To handle and report all information accurately, honestly, and properly

- 2.1 Company data, records, reports
 - A. Accuracy/truthfulness
 - B. Internal and external
 - C. Recording and allocating costs
 - D. Cost or pricing data for U.S. Government contracts
- 2.2 Invoicing and payments to customers, representative, consultants, and suppliers
 - A. Accuracy
 - B. Avoid practices (bribery, kickbacks, gratuities)
- 2.3 Outside Disclosure of Information
- 2.4 Use of inside information in securities trading

Standard #3. To refrain from any activity that might involve a conflict of interest, including giving or accepting anything that could reasonably be seen as improperly influencing the recipient

- 3.1 Business hospitalities: meals, gifts, transportation, and entertainment
 - A. Providing hospitality
 - 1. To U.S. Government officials, employees, consultants
 - a. Civilian or military personnel in DOD or NASA.
 - (1) Nominal value only and in course of business meeting
 - b. Transacting business with other U.S. Government officials
 - (1) Compliance with federal law
 - c. Conducting business with members of Congress
 - (1) Compliance with federal law
 - (2) Compliance with Senate/House rules
 - 2. To Non-U.S. Government officials or employees
 - a. Customary
 - B. Receipt of business hospitality by employees
 - 1. Prohibitions against acceptance by any employee in material/purchasing supplier management,

engineering/product definition, manufacturing/production, or facilities, or otherwise involved in a supplier source selection or procurement

a. Exceptions

- (1) Home entertainment/reciprocal basis
- (2) Shared cost entertainment off-duty
- (3) Modest/infrequent business luncheon at suppliers facility
- (4) Unsolicited advertising/promotional item with value <\$10
- (5) Non-lavish business courtesies authorized by senior management

2. Personnel not listed above may accept unsolicited, modest, infrequent gifts

3. Gifts

- a. Greater than \$75
- b. Greater than \$150

4. Honoraria

- a. Received for work done on company time or with company resources to be given to company. Gifts handled as listed previously.

C. Documentation

1. All requests for reimbursement to be documented

3.3 Hiring current or former Government employees

- A. Compliance/knowledge of current laws applies

Standard #4. To perform assigned tasks in a responsible, reliable, and cooperative manner and with a commitment to high levels of productivity and quality

4.1 Commitment to total product quality

4.2 Use of time and facilities

Standard #5. To represent company in a manner which is law abiding and sensitive to the needs and justifiable expectations of the various publics we serve--our customers; our shareholders; fellow employees; subcontractors and suppliers; lenders; local/national communities; international communities; and governments

5.1 Customer/supplier relations

5.2 Employee Relations

5.3 Safety of the Workplace and Environmental Protection

5.4 Competitor relations

- A. Proprietary/sensitive information
- B. Anti-trust Laws
- C. Fair competition

5.5 Restrictive international trade practices

5.6 Political contributions

Company: 2

Defense Industry Initiative Member

Document Title: "Code of Conduct"

Summary: "Code of Conduct"

Sections are listed as provided in the corporate booklet.

1. Commitment to customers
 - A. Quality products/services
 - B. Meet schedules
 - C. Fair prices
2. Commitment to employees
 - A. Trust, respect, recognition
 - B. Competitive pay/benefits
 - C. Safe environment
 - D. Open communications
3. Commitment to shareholders
 - A. Reasonable return
 - B. Value of investment
4. Commitment to suppliers
 - A. Honesty/fairness based on value, price, reliability, integrity
5. Commitment to society
 - A. Obey laws/regulations
 - B. Pay taxes
 - C. Produce safe products
 - D. Protect environment
 - E. Support community organizations/involvement
 - F. Help disadvantaged
 - G. Conserve energy/other resources
6. Proper Business Practices
 - A. Prohibits bribes, kickbacks, payoff (indirect/direct)
 - B. Prohibits acceptance of bribes, kickbacks, etc.
 - C. Business entertainment which is reasonable in nature, frequency, and cost permitted unless prohibited by law. Application to gifts.
7. Other Payments
 - A. All payments for commissions, discounts or rebates to be made with Corporate check
8. Conflict of Interest
 - A. Avoidance by employees and immediate families

9. Books and Records
 - A. Accuracy
 - B. Undisclosed accounts or assets not allowed
10. Government Contracts
 - A. Compliance with specific laws, regulations and standards
11. International Business
 - A. Compliance with laws and regulations
12. Political Contributions
 - A. No contributions to party or candidate
 - B. Allows contributions for local initiatives, referendum campaigns (where lawful)
13. Violations
 - A. Employee responsibility for bringing forward violations
14. Anti-Trust
 - A. Compliance
15. Securities Laws
 - A. Compliance
16. Health, Safety and the Environment
 - A. Design, manufacture, and distribution; handling, disposal
 - B. Compliance with environmental laws and regulations
 - C. Unique standards where laws not applicable
 - D. Compliance
 - (1) Identification/control
 - (2) Prevention and safeguards
 - (3) Research
 - (4) Cooperation with Government and other organizations

Company: 3

Defense Industry Initiative Member

Document Titles: "Standards of Business Ethics and Conduct"
"Ethics Program Update"
"Ethics Program 1985/1986"
"Standards of Business Ethics and Conduct:
The First Six Years"

Summary: "Standards of Business Ethics and Conduct"

1. Conflicts of interest
 - A. Avoidance
2. Gifts, gratuities, and entertainment to customers
 - A. No gifts, gratuities, entertainment or other favors to customer or customer's representative to influence contract award or action
 - B. Foreign country customary gifts allowed
 - C. Customary gifts received become property of company
3. Inside information
 - A. Not allowed for personal gain
4. Outside interests
 - A. Material investment in or as an official, director, or employee of another enterprise must be disclosed in writing and approved
5. Former Government employees
 - A. Compliance with federal laws and regulations
6. Selling and marketing
 - A. Unethical or illegal activity not allowed
7. Antitrust
 - A. Compliance with laws
8. Pricing, billing, and contracting
 - A. Adherence to procurement regulations and policies
 - B. Application of cost accounting standards and principles of cost allowability
 - C. Fair prices and Truth in Negotiations Act
 - D. Invoices and overpayments
9. Time card reporting
 - A. Timeliness
 - B. Accuracy

22. Points of contact
 - A. Supervisors
 - B. Ethics Program Directors
 - C. Company attorneys

23. Disciplinary sanctions for violations
 - A. Warning
 - B. Fermanent reprimand
 - C. Probation
 - D. Demotion
 - E. Temporary suspension
 - F. Discharge
 - G. Required reimbursement of losses or damages
 - H. Referral for criminal prosecution or civil action

Summary: "Ethics Program Update"

1. Aims
2. Reasons for program
3. Implementation
 - A. Organization
 - B. Standards update and distribution
 - C. Corporate policies and procedures
 - (1) Training
 - (2) Communication and hotlines
 - (a) Statistics
 - D. Investigations and sanctions
 - (1) Initial screening
 - (2) Preliminary review
 - (3) Formal investigation
 - (4) Statistics on investigations and sanctions
 - E. Rewards and recognition
 - F. Review and planning
4. Lessons learned

Summary: "The Ethics Program 1985/1986"

This document discusses overview of the corporate program and DII initiatives.

Summary: "Standards of Business Ethics and Conduct: The First Six Years"

This document provides reporting statistics and actions/sanctions taken in response to reports. It further provides the nature of reported violations.

Company: 4

Document Titles: "Ethics and Competitiveness--Putting First Things First"
"Business Conduct Guidelines"

Summary: "Ethics and Competitiveness--Putting First Things First"

This document is a Sloan Management Review Reprint Series article Winter 1989, Volume 30 Number 2 by John F. Akers, a personal perspective on ethics.

Summary: "Business Conduct Guidelines"

Sections are listed and described as given in the booklets.

SECTION 1: You and Your Job

1. Personal conduct

General philosophy regarding honesty and fairness, privacy and impact on company

2. Work environment

A. Healthy, safe, and productive environment

B. Social conduct

C. Reporting

(1) Manager

(2) Speak Up program

(3) Open door

(a) Protection against retaliation

(4) Protection against threats, violent behavior
use/sale/possession of illegal substances

3. Employee privacy

4. Protecting assets

A. Physical assets

B. Proprietary information

C. Inadvertent disclosure

D. Direct requests for information

E. Disclosure and use of confidential information

F. Agreement regarding confidential information and intellectual property

G. Copyrightable material

(1) Owned by company

(2) Contractual Agreement with company

H. Leaving company

Restrictions on disclosures

I. Legal remedies

5. Use of assets
 - A. Supplies
 - B. Internal information systems
6. Recording and reporting information
 - A. Accuracy and honesty

SECTION 2: Conducting Business

1. General standards
 - A. Avoid misrepresentation
 - B. Refraining from using corporate size unfairly
 - (1) Precludes intimidation or threats
 - C. Fair treatment
 - (1) Modifications to service or contracts
 - (2) Terms
 - (3) Impartiality in weighing competitive suppliers
 - (4) Avoidance of special treatment from particular suppliers
 - (a) Preclusion of individual as supplier for one year after employment
 - D. Avoiding reciprocity
 - E. Reporting violations of procurement laws
 - (1) Responsibilities
 - (2) Protection against retaliation
2. Fairness in the field
 - A. Disparagement
 - Discourages disparagement of competitors
 - B. Premature disclosure
 - C. Selling against a competitive order
3. Multiple relationships with other organizations
 - A. Complementary third parties
 - B. Business contacts with competitors
 - C. Prohibitions
4. Information about others
 - A. Acquiring information
 - Disallows illegal collection of information
 - B. Using information
5. Information owned by others
 - A. Receiving information
 - (1) Compliance with written agreements and protection of information
 - B. Acquiring software
 - (1) Compliance with laws, terms, and agreements
6. Bribes, gifts and entertainment
 - A. Allows acceptance and offering of customary business amenities if reasonable
 - B. Transportation, food, lodging acceptable subject to management approval
 - C. Receiving

- (1) Disallows solicitation or acceptance from supplier or customer which could be construed to be connected with business relationship
- (2) Allows acceptance of special bonus club benefits available to travelers generally
- (3) Allows acceptance of nominal advertising novelties
- (4) Reporting
- E. Giving
 - (1) Disallows giving money or gifts if such could be construed as impacting business relationship
- F. Relationships with Government employees
 - (1) Compliance with relevant laws and regulations
 - (a) Precludes discussing employment or business opportunities
 - (b) Precludes offer or providing gratuities
 - (c) Precludes soliciting or obtaining proprietary or source selection information
 - (d) Compliance regarding hiring of former Government employees
 - (2) Reporting

SECTION 3: On Your Own Time

- 1. Conflicts of interest
 - A. Assisting a competitor
 - B. Competing against company
 - C. Supplying company
 - D. Use of time and assets
- 2. Public service
 - A. Abstaining where unlawful or in conflict
- 3. Participation in political life
 - A. Precludes contributions to political parties or candidates
 - B. Precludes international contributions
 - C. Provides for uncompensated time off for personal political reasons
- 4. Personal financial interests
 - A. Avoidance of conflict of interest
 - B. Publicly traded securities
 - C. Closely held organizations
- 5. Using Inside information
 - A. Preclusions
- 6. Someone close to you working in the industry

SECTION 4: You, the Company, and Competition Law

- 1. Competition law and conduct
 - A. Anti-trust
 - B. Restricting competition

Company: 5

Document Title: "Statement of Business Ethics"

Summary: "Statement of Business Ethics"

1. General principles
2. Employee relationships
 - A. Fair and equitable treatment
 - B. Compliance with occupational health, safety, labor laws
 - C. Privacy
3. Company assets
 - A. Protection of physical and technological assets and concepts
 - B. Protection of financial information
 - C. Accuracy of books and records
 - D. Cooperation with auditors and counsel
4. Customer relationship
 - A. Commitments
 - (1) Quality
 - (2) Honesty
 - B. Product information
 - (1) Provided as customer information unless a valid non-disclosure agreement has been executed
 - C. Payments/gifts/business meals
 - (1) Precludes payoffs, bribes, contributions, compensation as inducements for business
 - (2) Gifts/entertainment to comply with laws, but may be conducted consistent with generally accepted business practices
 - (3) Gifts/entertainment limited in value so as not to be construed as influencing a course of action
 - (4) Nominal business meals acceptable consistent with business nature of meetings and in accord with business practices if not construed as influencing a course of action
 - D. Competitors
 - (1) Free and open competition
 - (2) Anti-trust
 - (3) Disparagement
 - E. Consulting
 - (1) Not allowed other than as part of an approved program
5. Supplier relationships
 - A. Payments/gifts/business meals
 - (1) Not allowed
 - (2) Business meals allowed
 - (3) Minimal advertising gifts allowed
 - (4) Nominal value gifts for cultural exchange purpose where accepted business practice allowed

6. Outside affiliations
 - A. Precludes association resulting in conflict of interest
7. Relationships with the public
 - A. Proper disclosure
8. Trading stock
 - A. Company stock
 - B. Other companies' stocks

Company: 6

Defense Industry Initiative Member

Document Title: "Business Conduct and Ethics Reference Manual"

Summary: "Business Conduct and Ethics Reference Manual"

SECTION 1: Code of Business Conduct and Ethics

1. Commitments
 - A. Legal, ethical conduct
 - B. Value products/services meeting/exceeding requirements
 - C. Supplier relationships
 - D. Community relationships
 - E. Shareholder relationships
 - F. Employee relationships
2. Program implementation
3. Business development and marketing activities
 - A. Precludes seeking, accepting, or providing illegal information
4. Pricing, negotiation, and performance of contracts
 - A. Compliance with laws and regulations
 - B. Accuracy and truthfulness
5. Quality and testing
6. Business gratuities
 - A. Precludes bribes, kickbacks, other gratuities which could be construed as influencing business decisions
 - B. Allows for gratuities in accordance with reasonable and lawful customs
 - C. Precludes gratuities to federal officials
 - D. Provides for approval of the Corporate Director for gratuities allowed where limited agency or organization (other than DOD) permit
 - E. Allows for promotional gratuities of fair market value of \$10 or less) including promotional items, food or refreshment in conduct of business meeting, or where approved by Corporate Director (e.g., conference/trade shows) in connection with federal government contracts and subcontracts
 - F. Unrelated to federal contracts
 - (1) Allows entertainment meals, other business courtesies which are infrequent, arise out of course of business, reasonable, do not obligate the recipient
 - (2) Allows gifts to customers or potential customers where lawful and normal to business practice and must be reasonable and in the name of the company
 - (3) Allows receipt of gifts as above and provides for reporting and approval of same

(4) Requires turn-in of gifts of substantial value or payment for same

7. Complete and accurate accounting books and records
8. Preservation of assets
9. Technology, information, and security
10. Conflicts of interest
11. Government employees
 - A. Compliance with laws and regulations
12. Political contributions
 - A. Disallows company contributions
 - B. Encourages personal contributions and involvement
13. Business with foreign governments
14. Compliance with antitrust laws
15. Compliance with securities laws
16. Foreign boycotts and restrictive trade practices
17. Environmental compliance
18. Drug-free workplace
19. Compliance and discipline

SECTION 2: 1-5 Series Policies for All Employees

Title: Legal and Ethical Conduct

- I. Purpose
- II. Scope
- III. Definitions
 - A. Bribe
 - B. Boycott
 - C. Conflict of interest
 - D. Gratuity
 - E. Kickbacks
 - F. Material inside information
 - G. Restrictive trade practice
- IV. Policy
 - A. Agents, consultants, and other representatives
 - B. Pricing, negotiation, and performance of contracts
 - C. Quality and testing
 - D. Business gratuities, bribes, and kickbacks
 - E. Complete and accurate accounting books and records
 - F. Preservation of assets
 - G. Technology, information, and security
 - H. Conflicts of interest
 - I. Employment of current or former government employees
 - J. Political interests and contributions
 - K. Business with foreign governments
 - L. Antitrust laws
 - M. Securities laws
 - N. Foreign boycotts and restrictive trade practices
 - O. Environmental compliance

- P. Equal employment opportunity
- V. Implementation
 - A. Organization
 - B. Violation
 - 1. Warning
 - 2. Reprimand
 - 3. Referral for prosecution
 - C. Review
 - D. Referral/Questions
- VI. Administration
- VII. Audit
- VIII. Cross references

Title: Business Conduct and Ethics Program

- I. Purpose
- II. Scope
- III. Policy
- IV. Implementation
 - A. Distribution and implementing policies
 - 1. Current employees
 - 2. New employee orientation
 - 3. Other
 - B. Corporate business conduct and ethics committee
 - C. Corporate director, business conduct and ethics
 - D. Operating organization business conduct and ethics awareness committee
 - E. Documentation
 - 1. Documentation of problems/questions
 - F. Recruitment
 - G. Training programs
 - H. Reporting procedures
 - 1. Allows anonymity
 - 2. Precludes retaliation
 - I. Code violations
- V. Administration
- VI. Audit
- VII. Cross reference

Title: Business Gratuities

- I. Purpose
- II. Scope
- III. Definitions
- IV. Policy
 - A. General preclusion against
 - B. Application
 - C. Offering of gratuities
 - D. Acceptance of gratuities
 - E. Recording of expenditures
 - F. Employee awareness

- V. Implementation
 - A. Organization
 - B. Application/reporting
 - C. Questions regarding
- VI. Administration
- VII. Audit
- VIII. Cross references

Title: Conflicts of Interest

- I. Purpose
- II. Scope
- III. Definition
- IV. Policy
 - A. Avoidance
 - B. Application
 - C. Circumstances involving
- V. Implementation
 - A. Organization
 - B. Application/questions
 - C. Reporting and resolution
- VI. Administration
- VII. Audit
- VIII. Cross references

Title: Political Contributions

- I. Purpose
- II. Scope
- III. Policy
 - A. Disallowance of corporate contributions
 - B. Application
 - C. Employees free to contribute
 - D. Non-reimbursement to employees
 - E. Disallows use of facilities/assets
 - F. Contributions to Political Action Committees (PAC) and Political Education Committees (PEC)
 - G. Corporate approvals
- IV. Implementation
- V. Exceptions
- VI. Administration
- VII. Audit
- VIII. Cross references

Title: Foreign Corrupt Practices Act of 1977

Preclusions are listed as described by law.

Title: Compliance with Antitrust Laws

Preclusions are listed as described by law.

Title: Compliance with Securities Laws

Preclusions are listed as described by law.

Title: Honoraria

- I. Purpose
- II. Scope
- III. Definitions
- IV. Policy
 - A. Application
 - B. Preclusion against acceptance without approval of Corporate executive office
 - C. Compliance with applicable laws, regulations, rules
 - D. Must not be in excess of usual and customary value
 - E. Must not reflect or reward favorable treatment
- V. Implementation
- VI. Administration
- VII. Audit
- VIII. Cross references

SECTION 3: Doing Business and Contracting with or for the United States Government

Title: Doing Business and Contracting with or for the United States Government

- I. Purpose
- II. Scope
- III. Definitions
- IV. Policy
 - A. Compliance with laws and regulations
 - B. Application
 - C. Awareness
 - D. Quality, terms, conditions, pricing
 - E. Violation
 - F. Standards
 - G. Special categories
 - 1. Labor/material costs
 - 2. Allowability
 - 3. Cost/pricing data
 - 4. Quantity, quality, material, and testing accuracy
 - 5. Security
 - 6. Improper use
 - 7. Criminal and civil statutes and federal regulations regarding gratuities
 - 8. Bribes, kickbacks
 - 9. Employment/compensation of current or former government employees
 - 10. Disclosure of information

11. Identification of federal government information and assets
12. Compliance with Defense Priorities and Allocation System (DPAS)

- V. Implementation
- VI. Administration
- VII. Audit
- VIII. Cross references

Title: Safeguarding Government Classified Information

The requirements are as described by Government regulations.

Title: Quality Assurance Management-Government Contracts

The requirements are as described by Government regulations and contracts.

Title: Cost Accounting and Contract Pricing-Government Contracts

The requirements are as described by Government regulations, laws, and contracts.

Title: Gratuities and Kickbacks-Government Contracts

The requirements are as described by Government regulations, laws, and contracts.

Title: Employment of Current or Former Federal Employees

The requirements as described by Government regulations, laws, and contracts.

Company: 7

Defense Industry Initiative Member

Document Title: "Code of Business Conduct"

Summary: "Code of Business Conduct"

- I. Our Values**
 - Overview**

- II. Acknowledgement**
 - Employee requirement to acknowledge in writing**

- III. Introduction**
 - A. Applicability and purpose**
 - B. Policy**
 - 1. Role of Board of Directors and Audit Committee**
 - 2. General business conduct**
 - a. Company philosophy**
 - 3. Disclosure**
 - a. Requirement to disclose information regarding business transactions or courses of action**
 - 4. Compliance and disciplinary action**
 - a. Compliance with laws and company policy**
 - b. Disciplinary actions for failure to comply**

- IV. Business Ethics Committee**
- V. Compliance With laws**
 - A. General**
 - B. Securities**
 - C. Disclosure of company information**
 - D. Political contributions**
 - 1. Restrictions**
 - E. Business gratuities**
 - 1. Prohibition against bribes, kickbacks, etc.**
 - 2. Documentation of company approved gratuities**
 - 3. Relationships with Government personnel**
 - a. Prohibitions against gratuities**
 - 4. Relationships With non-Government personnel**
 - a. Related to federal contracts and subcontracts**
 - (1) Legal restrictions regarding gratuities**
 - (2) Allowance for nominal value gifts of <\$10**
 - (3) Allowance for nominal food/ refreshments**
 - (4) Allowance for special approval gifts**

- b. Unrelated to federal contracts
 - (1) Allowed if infrequent, arising out of normal course of business, non-obligatory, reasonable and appropriate
 - (2) Allowed where lawful and expected as a customary course of business
 - (3) Discourages values in excess of \$25 per year to any individual
 - (4) Gifts not meeting requirement must be returned or given to charity
 - F. International business
 - 1. Corrupt & improper practices
 - 2. Restrictive trade practices/boycotts
 - 3. Antitrust laws
 - 4. Technology transfers
 - G. Record keeping
 - 1. Accuracy and auditability
 - H. Antitrust regulations
 - 1. Sherman Antitrust Act
 - 2. Other laws
 - 3. Available assistance
- VI. Marketing, Bidding, Negotiation, and Performance of Government Contracts
 - A. Marketing
 - B. Security
 - C. Gratuities
 - D. Pricing and negotiation
 - E. Accounting for costs/time card reporting
 - F. Dealing with suppliers
 - G. Contract performance
 - 1. Quality and specification compliance
 - H. Voluntary disclosures
- VII. Conflict of interest
 - A. General
 - B. Investments
 - C. Outside activities
 - D. Employment of current and former U.S. Government employees
 - E. Responsibility of employees' relatives
 - F. Company assistance
 - G. Employee's duty to report conflicts of interest
- VIII. Environmental compliance
- IX. Equal opportunity and working conditions
- X. Drug-free workplace compliance

Company: 8

Document Title: "Standards of Business Conduct"

Summary: "Standards of Business Conduct"

1. Antitrust
2. Conflicts of interest
3. Occupational health
4. Alcohol and drug use
5. Customer relations and product quality
 - A. Meet/exceed specifications
 - B. Accuracy and information on products
 - C. Guarantees and warranties
 - D. Truth in advertising
6. Environment
 - A. Compliance with laws and regulations
 - B. Prevention of incidents
 - C. Response to incidents
 - D. Research
 - E. Reviews and evaluations of operations
7. Ethics
 - A. Compliance with laws
 - B. Compliance with local customs and traditions
 - C. Responsibility to report corruption
 - D. Honesty in bookkeeping, budget proposals, and economic evaluation
 - E. Accuracy in books and records
 - F. Disallowance of special fund accounts
8. Equal Employment Opportunity
9. Political activities
 - A. Preclusions against contributions
10. Safety
 - A. Design
 - B. Response
 - C. Compliance
 - D. Research
 - E. Training
 - F. Reviews
 - G. Evaluation
11. Toxic Substances
 - A. Compliance with laws and regulations
 - B. Precautions
 - C. Controls
 - D. Research
 - E. Reviews
 - F. Evaluations

Company: 9

Defense Industry Initiative Member

**Document Titles: "A Commitment to Integrity"
"Standards of Conduct in Transactions with
the United States Government"**

Summary: "A Commitment to Integrity"

**This document provides a management overview/philosophy for
company values.**

**Summary: "Standards of Conduct in Transactions with the
United States Government"**

1. Need for Policy
2. Statement of policy
 - A. Cost documentation accuracy
 - B. Accuracy of cost and pricing data
 - C. Obtaining and conducting business
 - (1) Prohibition against improper payments or gratuities
 - (2) Compliance with agency regulations
 - (3) Compliance with conflict of interest regulations and hiring of former government employees
 - (4) Antitrust
3. Violations of the policy
 - A. Grounds for discharge or other disciplinary actions
 - B. Applicability
4. Responsibility and authority
 - A. Management responsibility
 - (1) Compliance
 - (2) Training
 - B. Corporate oversight
 - (1) Government contract Compliance Review Board
 - (2) Corporate audit staff
 - C. Employee reported violations
 - (1) Reporting
 - (2) Investigation
 - D. Policy review process
5. Contracts with local and state government

Company: 10

Document Titles: "Company 10 Relies on Practice, Not Code of Ethics"
"Operating Principles"

Summary: "Company 10 Relies on Practice, Not Code of Ethics"

This document provides the corporate president's philosophy that actions and applied principles are central to management rather than a written code of ethics.

Summary: "Operating Principles"

Section 1. Operating principles

1. Respect dignity and rights of individuals
2. Maintain high moral and ethical standards.
Reflect honesty, integrity, reliability and forthrightness
3. Reflect tenets of good taste and courtesy
4. Serve fairly and in balance all groups: customers, stockholders, employees, suppliers, community, government, general public

Section 2. Corporate strategy

1. Build on existing strengths in core business
2. Continue searching for expansion through technology
3. Acquire companies in related businesses
4. Look to markets and customers using Quality Management

Section 3. Corporate quality policy

1. Commitment to quality
2. Seek out specific needs of those dependent on Armstrong
3. Satisfy needs by doing everything right the first time

Company: 11

Defense Industry Initiative Member

**Document Titles: "Ethics Is Good Business"
"Corporate Policy on Defense Industry
Initiatives"**

Summary: "Ethics Is Good Business"

1. Integrity is the bottom line overview
2. Time charging, other costs, and accurate books and records
 - A. Accuracy
 - B. Compliance with laws and regulations
 - C. Good accounting practices
 - D. Question/answer examples
3. Use of company property
 - A. Preclusion against personal use
 - B. Question/answer examples
4. Accepting gifts
 - A. Preclusions
 - (1) Allows for modest value
 - (2) Allowance for special circumstances NTE \$100 in any year from any source
 - (3) Allows for meals provided during normal course of business
 - B. Question/answer examples
5. Product integrity
 - A. Compliance with specifications
 - B. Question/answer examples
6. Security and confidentiality
 - A. Safeguard proprietary and classified materials
 - B. Precludes acceptance of other's proprietary or corporate information
 - C. Reporting
 - D. Question/answer examples
7. Problem reporting and resolution
 - A. Reporting
 - B. Preclusion against retaliation
 - C. Points of contact
 - D. Question/answer examples

**Enclosure: Corporate Policy A-08 Standards of Business
Conduct**

- I. Policy
 - A. No bribes, kickbacks, etc
 - B. No special fund accounts
 - C. No false, misleading entries in books/records
 - D. No payments for other than documented purposes

- E. No illegal political contributions
- F. Preclusion against data disclosure
- II. Responsibilities
 - A. Corporate positional

Appendix A: Corporate Policy A-08

IMPLEMENTING PROCEDURE

- I. General
- II. Transactions with agencies of the U.S. Government
 - A. Costs
 - B. Preparation and submission of proposals
 - C. Product integrity
 - D. Employment of former Government employees
 - E. Security
 - F. Market intelligence
- III. Gifts, business courtesies and gratuities--customers, subcontractors, suppliers and others
 - A. Policy
 - 1. Preclusions
 - B. Definitions
 - C. General
 - D. U.S. Government business
 - 1. Compliance with laws and agency regulations
 - E. Domestic commercial business
 - F. International business
 - G. Suppliers, subcontractors and others
- IV. Compliance with antitrust laws
- V. Required approval for corporate political contributions
- VI. Compliance with laws relating to gifts and payments to individuals associated with foreign governments, governmental agencies or instrumentalities or political parties
- VII. Overbilling
- VIII. Cash payments
- IX. Representatives
 - X. Compliance oversight
 - A. Business Standards Compliance Committee
 - B. Ombudsman
 - C. Reporting
- XI. Obligations of employees to report violations and assist in investigations
 - A. Reporting
 - B. Preclusion against retaliation
- XII. Sanctions

APPENDIX B: Corporate Policy A-08

STANDARDS OF BUSINESS CONDUCT REGARDING REPRESENTATIVES AND REPRESENTATIVE AGREEMENTS

- A. Definitions
- B. Use of representatives
- C. Approvals of representative agreements relating to business between the U. S. and another country or to business in such other country

Exhibit I to Appendix B: Conflict of Interest and Disclosure Clause for Representative Agreements

Corporate Policy A-03

CONFLICTS OF INTEREST

Corporate Policy B-05

SAFEGUARDING COMPANY SENSITIVE INFORMATION

Summary: "Corporate Policy on Defense Industry Initiatives"

- I. General
- II. General Matters
- III. Training
- IV. Communications
- V. Responsibilities

Company: 12

Document Titles: "Code of Ethics"
"Questions and Answers about the
Code of Ethics"
"Policy Statement on Business Ethics and
Conduct in Contracting with the United
States Government"

Summary: "Code of Ethics"

- 1.0 Customers and suppliers
 - 1.1 Conflicts of interest
 - 1.2 Antitrust compliance
 - 1.3 U.S. Government procurements
 - 1.4 Product quality and safety
 - 1.5 Marketing and selling
 - 1.6 Consultants, representative and agents
 - 1.7 Protection of proprietary information
 - 1.8 Suppliers, vendors and subcontractors conflicts of interests
 - 1.9 Error reconciliation
- 2.0 Employees
 - 2.1 Equal Employment Opportunity
 - 2.2 Workplace environment
 - 2.3 Drug and alcohol abuse
 - 2.4 Employee privacy
 - 2.5 Open communication
 - 2.6 Employee development
 - 2.7 Compensation and benefits
- 3.0 Shareowners
 - 3.1 Return on investment
 - 3.2 Protection of assets
 - 3.2.1 Tangible assets
 - 3.2.2 Intellectual property
 - 3.3 Accuracy of company records
 - Complete and accurate
 - No special accounts
 - 3.4 Shareowner communication
- 4.0 Worldwide communities
 - 4.1 Political contributions
 - 4.2 Employee involvement in the political process
 - 4.3 Export control
 - 4.4 Foreign Corrupt Practices Act
 - 4.5 International boycotts and restrictive trade practices
 - 4.6 Local laws and customs
 - 4.7 Environmental issues
 - 4.8 Community support
- 5.0 Competitors
 - 5.1 Antitrust laws
 - 5.2 Competitive information

- 5.3 Marketing, selling, and advertising
- 6.0 Employee responsibilities
 - 6.1 Compliance
 - 6.2 Reporting violations
 - Points of contact
 - Protection against retaliation

Summary: "Questions and Answers about the Code of Ethics"

This document provides examples via question/answer format for employees.

Summary: "Policy Statement on Business Ethics and Conduct in Contracting with the United States Government"

- A. Scope
- B. Responsibility
- C. Penalties
- D. Policy
 - 1. Quality products/service at fair/reasonable price
 - 2. Compliance with laws and regulations
 - 3.a. Protection of classified information
 - 3.b. Preclusion against use or obtainment of competitor's proprietary information
 - 4. Disclosure other than official means
 - 5. Accuracy of charges on labor and materials cost
 - 6. Accuracy of cost and pricing data
 - 7. Accuracy on request for reimbursement of costs allowable/allocable
 - 8. Certification compliance with specifications/testing
 - 9. Compliance with laws/regulations regarding gifts, gratuities, entertainment and preclusion against any gift to any procurement or audit official
 - 10. Hiring former government employees
 - 11. Acceptance of gifts precluded for any favorable consideration; allowance for customary business courtesies
 - 12. Allowance for non-government meals and refreshments during course of business
 - 13. Preclusion against "kickbacks"
 - 14. Compliance with prohibited gratuities
- E. Implementation
 - 1. Committee on Government Contracting Policy
- F. Administration and Interpretation

Company: 13

Defense Industry Initiative Member

Document Title: "Company 13 Way"

Summary: "Company 13 Way"

- I. Company's mission**
- II. Principles**
 - A. Technological leadership**
 - B. Continuous improvement**
 - C. Decisiveness**
 - D. Commitment to customer needs**
 - E. Financial strength and flexibility**
 - F. Growth**
 - G. Profitability**
 - H. High regard for the welfare of our people**
 - I. Active, responsible citizenship**
 - J. Ethical conduct**
- III. Commitments**
 - A. Shareholders**
 - 1. Profitability and growth**
 - 2. Business ethics**
 - B. Customers**
 - 1. Quality and responsiveness**
 - 2. Meet contracts**
 - C. Suppliers**
 - 1. Fair competition**
 - 2. Payment**
 - D. Communities**
 - E. Employees**
- IV. Principles of business conduct**
 - A. Compliance with laws both U.S. and international**
 - B. Accuracy of corporate records**
 - C. Conflict of interest**
 - D. Knowledge by employees**
- V. Business ethics**
 - A. Compliance with laws and regulations**
 - B. Maintenance of accurate records and expense accounts**
 - C. Improper use of company assets**
 - D. Cost consciousness**
 - E. Hotline**
- VI. Quality and safety of products**
- VII. Labor recording**
- VIII. Conflict of interest**
 - A. Outside interests**
 - B. Financial involvement with suppliers/competitors**
- IX. Receipt of gifts and gratuities by employees**
 - A. Nominal value meals, refreshments, or entertainment in course of business**

- B. Reporting of other than nominal offers
- X. Conflict of interest--former federal Government personnel
- XI. Equal employment opportunity, occupational health and safety, and environmental protection
- XII. Standards of conduct--gifts, gratuities, and favors to United States Government personnel
 - A. Compliance with laws and regulations
- XIII. Government and competitive information
- XIV. U.S. Government contract price proposals
 - A. Current, accurate, complete
- XV. Consultants
- XVI. Prohibition against payments or gifts to foreign officials
- XVII. Export sales of military products or services
- XVIII. Reporting of business information
- XIX. Proprietary rights, patents, and licensing
- XX. Collusion or Restraint of Trade

Company: 14

Document: "Code of Business Principles"

Summary: "Code of Business Principles"

- I. Customer satisfaction
- II. Quality
- III. Business relationships
 - A. Fair and honest
- IV. Safety and environment
- V. Employees
 - A. Relationship
 - B. Privacy
- VI. Conflicts of interest
- VII. Social responsibility and integrity
 - A. Honesty, truthfulness and integrity
 - B. Integrity of accounting and internal control
 - C. Use of corporate assets
 - D. Precludes use of assets for political concerns
 - E. Support of community
- VIII. Profits and focus
 - A. To investors
- IX. Decentralization, participation and coordination
- X. Continuity and change
- XI. Management development
- XII. Worldwide operations
- XIII. Everyone's job
- XIV. Challenges and opportunities

Company: 15

Defense Industry Initiative Member

**Document Titles: "Code of Conduct"
"Government Contract Overview"**

Summary: "Code of Conduct"

- I. Conflicts of interest**
 - A. Avoidance of certain outside business interests and employment**
 - B. Relationships with vendors and suppliers**
 - C. Gifts and entertainment to influence business decisions**
 - D. Use of proprietary or other confidential information**
 - E. Application to the employee's family**
- II. Fair competition and methods of doing business**
 - A. Allocation for competition disallowed**
 - B. Price, term, condition fixing disallowed**
 - C. Boycotts disallowed**
 - D. Antitrust**
- III. Questionable or improper payments**
- IV. Political activities and contributions**
- V. Accounting and financial records and controls**
- VI. Conducting business with the United States Government**
 - A. Restrictions on use of competitive information**
 - B. Restrictions on the employment of former Government employees**
 - C. Prohibitions against providing gifts and entertainment to Government employees**
 - D. Prohibition against kickbacks**
 - E. Obligation to comply with contract specifications**
 - F. Obligations to accurately report cost and pricing data**
 - G. Need to secure classified material**
- VII. Acknowledgement by employees**
- VIII. Help and information**
 - A. Supervisors**
 - B. Business Ethics Adviser**
 - C. Company attorneys**

Summary: "Government Contract Overview"

- I. Overview**
- II. Standards of conduct**
 - A. Competitive information**
 - B. Conflicts of interest**
 - C. Gifts and entertainment**
 - 1. Preclusion of all**
 - 2. Reporting solicitation**

- D. Kickbacks
- E. Quality and testing
- F. Cost or pricing data
- G. Time card reporting
- H. Classified information
- I. Information, reporting of violations and disciplinary actions
- III. Human resources
 - A. EEO
 - B. Affirmative action
 - C. Wage and labor laws
 - D. Drug-free workplace
 - E. Restrictions on former Government employees
- IV. Security requirements
- V. Accounting and administration
 - A. Reporting
 - B. Contract changes
 - C. Cost accounting standards
 - D. Disclosure
 - E. Cost/pricing data
 - F. Direct costs
 - G. Indirect costs and bid-rate computation
 - H. Cost principles and unallowable costs
 - I. Financial and technical audits
- VI. Purchasing and Subcontracting
 - A. Documentation
 - B. Reports and controls
 - C. Standardization
 - D. Value analysis
 - E. Material estimating
 - F. Make or buy
 - G. Advance purchasing plan
 - H. Subcontracting to small and minority businesses
 - I. Subcontracting to women-owned businesses
- VII. Quality assurance
- VIII. Technical data rights
- IX. Other provisions
 - A. Procurement integrity
 - B. Buy American Act
 - C. Clean air and water
 - D. Labor surplus area
- X. Summary

Company: 16

Defense Industry Initiative Member

Document Title: "Code of Ethics and Business Conduct Guidelines"

Summary: "Code of Ethics and Business Conduct Guidelines"

CODE OF ETHICS

1. Relationships with Customers, suppliers, and contractors in general
2. Employee relationships in general
3. Protecting Assets
 - A. Physical property
 - B. Trade secrets
 - C. Confidential information
4. Intangible assets
5. Accuracy of company records
6. Conflicts of interest
7. Employee safety
8. Product quality and safety
9. Substance and alcohol abuse
10. Environmental protection
11. Government and political affairs
 - A. Preclusions
 - B. Political Action Committee
12. Former Government employees
13. Information gathering for business intelligence
14. International business
15. Compliance with laws and agreements
16. Ethics oversight committee and violation reporting
17. Compliance and discipline
18. Additional requirements applicable to operations involved in federal procurement
 - A. Commitment
 - B. Truthful reporting of information
 - C. Compliance Required by Consultants
 - D. Gifts and meals; illegal practices, payments, bribes and gratuities
 - E. Protection of company and Government Property; cost consciousness
 - F. Conclusion

BUSINESS CONDUCT GUIDELINES

- I. Prohibited payments
 - A. Compliance with laws and regulations
 - B. Political contributions
 - C. Payments to Government officials or employees
 - D. Commercial bribery

- E. Appointment of foreign sales representative, distributors, and consultants
- F. Proper accounting
- G. Responsibility for enforcement
- H. Questions regarding policy
- I. Reporting of violations
- II. Disclosure of corporate information and insider trading
 - A. Purpose
 - B. Insider disclosures and trading
 - C. Company's disclosure obligations
- III. Conflict of interest
- IV. Compliance with antitrust laws
- V. Compliance with anti-boycott rules
- VI. Export controls
- VII. Government investigations
- VIII. Records management
- IX. Employee acknowledgement

Company: 17

**Document Titles: "Code of Ethical Conduct"
"Handbook of Ethical Business Practices"**

Summary: "Code of Ethical Conduct"

1. Introduction
2. Compliance with laws and regulations
3. Deal honestly with customers, suppliers and consultants
 - A. Contract negotiation
 - B. Product quality
 - C. Charging of costs/timecard reporting
 - D. Hiring of Government employees
 - E. Consultants and lobbyists
4. Use company resources properly
 - A. Making political contributions
 - B. Providing gifts, entertainment and other business courtesies
 - C. Government customers--written approval required for all gifts, etc.
 - D. Dealing with foreign officials--\$50.00 limit per payment with approval
 - E. Accurate books and accounts
5. Do not abuse your position of trust
 - A. Conflict of interest
 - B. Insider trading
 - C. Accepting gifts, entertainment or other business courtesies
 - D. Proprietary information
 - E. Proprietary information of others
 - F. Government source selection information
 - G. Government classified information
6. Reporting Violations and Discipline

Summary: "Handbook of Ethical Practices"

- I. Operating with integrity in the Government marketplace
 - A. Basic obligations
 - B. Management obligations
 - C. Disclosure
- II. Customers
 - A. General
 1. Procurement integrity
 2. Limitation on payment of funds to influence federal transactions
 - B. Exchanging information
 1. Providing information
 2. Obtaining information
 3. Talking with customers
 - C. Influencing decisions

- D. Other interactions
 - 1. Personal relationships
- III. Congress and other legislatures
 - A. Exchanging information
 - B. Influencing decisions
 - 1. Lobbyists and Government sales consultants
 - 2. Gifts and entertainment
 - 3. Payment of expenses
 - 4. Political contributions
 - (a) Employees PAC
 - (b) Personal political contributions
 - 5. Honoraria for Government Officials
 - C. Other interactions
- IV. Consultants
- V. Subcontractors, vendors, and suppliers
 - A. Exchanging information
 - B. Inter-company relations
 - 1. Reciprocity or tie-ins
 - 2. Business courtesies
 - C. Conflict of interest
- VI. Competitors
- VII. International business

Company 18

Document Titles: "Antitrust and Trade Regulation Book"
"Code of Business Conduct"

"Conflicts of Interest"

"Antitrust and Trade Regulation Book"
Summary:

- I. Important Provisions of the Antitrust Laws
- II. Consequences of Violation
- III. Forbidden Acts and Practices
 - A. General
 - B. Arrangements with Competitors
 - 1. Trade Associations
 - 2. Meetings
 - 3. Individual Conversations
 - 4. Memoranda
 - C. Arrangements with Customers and Suppliers
 - 1. Selection and Rejection of Customers or Suppliers
 - 2. Discriminations in Price or Services
 - 3. Requirements, Output and Supply Contracts
 - 4. Tie-Ins
 - 5. Reciprocity
- IV. Government Investigations
- V. Antitrust Orders and Decrees
- VI. Antitrust and Trade Regulation Certificate

"Code of Business Conduct" Summary:

- I. General Policy
- II. Integrity of Records and Compliance with Accounting Procedures
- III. Conflicts of Interest
- IV. Antitrust Compliance
- V. Securities Laws
- VI. Confidential Information
- VII. Political Contributions
- VIII. Payments
- IX. Nondiscrimination
- X. Discipline
- XI. Applicability
- XII. Interpretations
- XIII. Questions
Referred to General Counsel
- XIV. Audits
- XV. Distribution
- XVI. Compliance

"Conflicts of Interest" Summary:

- I. General Policy
- II. What Constitutes a Conflict of Interest
 - A. General
 - B. Type of Transactions in Which Conflict May Arise
 - C. Need to Use Sound Judgment
 - D. Typical Conflicts of Interest
 - 1. Interest in Another Organization
 - 2. Interest in a Property Transaction
 - 3. Acting for a Customer Supplier or Competitor
 - 4. Revealing Confidential Information
 - 5. Holding other positions
 - E. Gifts
 - 1. Prohibited Gifts
 - a. Sales/purchasing/selecting products or vendors; supervisor for performance of contract on site/transportation/advertising/insurance or similar services
 - 2. Handling Prohibited Gifts
 - a. Return
 - b. Donation of perishable
 - F. Entertainment
 - 1. Appropriate
 - a. Meals during course of meeting/discussion
 - b. Recreational/social outing following meeting/discussion
 - c. Reciprocal to company's own provided entertainment for business reasons or in company interest
 - 2. Inappropriate for several days or where the host provides travel, hotel and other expenses
 - 3. May be appropriate for an outing where own company pays transportation and hotel of its employees
 - 4. Inappropriate for travel or lodging. Transportation using host company plane to and from site of business activity and entertainment acceptable
 - G. Holding Public Office
 - H. Prohibited Transactions under ERISA (Employee Retirement Income Security Act)
 - I. Post-Retirement Affiliations
 - J. Exceptions
- III. Implementation Policy
 - A. Procedures for Designated Corporate Executives
 - B. Actions by Designated Corporate Executives in Conflict of Interest Situations
 - C. Who is in a Sensitive Position

- D. Referral of Questions to the General Counsel
- E. Audits
- F. Subsidiaries

Company 19

Document Title: "Statement of Principles on Corporate Ethics"

"Statement of Principles on Corporate Ethics" Summary:

1. Communities--Responsible manner and improve quality of life in the communities
2. Customers--Provide highest quality service and products at a fair price and to conduct company in a manner that merits customer's respect and recognizes longstanding relationship
3. Employees--Respect and trust employees and provide an atmosphere of open and honest communication and fair and equitable treatment.
4. Stockholders--Respond to stockholders' trust and confidence by rewarding investment and providing full and accurate information

5. Key elements:

Fairness--treat all constituencies in a fair and equitable manner.

Resources--use company resources for meeting the appropriate needs of constituencies and not for personal use

Confidentiality of Acquiring and Using Information--
Use information only for the purpose for which it was developed or given and to respect the confidentiality of information regarding the company, employees, customers, and vendors

Laws and Regulations--obey all laws and governmental regulations

Political Activity--recognize the right to support political activities but to avoid activities prohibited by law

Conflicts of Interest--avoid conflicts or the perception of conflict between the private interest and the official responsibilities of an individual

Gifts/Gratuities--to not accept gifts or gratuities intended to influence or appear to influence subsequent employee actions regarding the company

Fair Employment Practices--provide fair and equitable treatment to employees and prospective employees. Apply corporate rules, policies, and procedures equitably.

Vendors--deal with vendors in a fair and equitable way and purchase goods and services in a competitive manner

Company 20

Document Title: "Corporate Policy Conflicts of Interest"

Corporate Policy Conflicts of Interest" Summary:

I. Policy

All associates to be free from conflict of interest or appearance of same

II. Provisions

1. Financial Interest in Other Organizations
2. Compensation for Services from Other Organizations
 - 2.1 Disclosure required
3. Gifts or Loans
 - 3.1 Warnings regarding gifts from supplier, contractor, or purchaser
 - 3.2 Return and/or disclosure of gifts of more than nominal value
 - 3.3 Preclusion of loans
4. Entertainment
 - 4.1 Travel, lodging, and excessive entertainment disallowed
 - 4.2 Conventional business courtesies such as occasional luncheon or dinner not considered excessive and are allowed
5. General
 - 5.1 Discourages any situation which may place an associate under obligation which might interfere with duties to the company
 - 5.2 Associate includes all immediate family as well as trusts for same
 - 5.3 Application company-wide

Company 21

No policy package

Company 22

Document Title: "Standards of Business Conduct"

"Standards of Business Conduct" Summary:

- I. Introduction
 - A. Compliance with laws
 - B. Distribution and application
- II. Legal and Ethical Standards
 - A. Compliance with laws
 - B. Working knowledge required
 - C. Question referral to superiors and General Counsel
 - D. Good citizenship
- III. Political Contributions
 - A. Legal restrictions
 - B. Political Action Committees allowed
- IV. Conflicts of Interest
 - A. Outside employment and activities which interfere with performance of duties
 - B. Financial conflicts with suppliers, vendors, and competitors
 - 1. Ownership less than 1% authorized
 - C. Competitive services precluded
 - D. Soliciting and accepting for personal benefit business opportunities that might otherwise accrue to the company precluded
 - E. Disclosure of confidential or proprietary information disallowed
 - F. Inside information and securities trading disallowed
 - G. Loans from individuals or firms doing, or seeking, business from the company not allowed
- V. Acceptance of Gifts
 - A. Gifts, entertainment, and favors beyond normal business courtesies not allowed
- IV. Payments and Gifts
 - A. Bribes and payoffs to Government officials, suppliers and others prohibited
 - B. Nominal company gifts authorized
 - C. Facilitating payments and tips to low level foreign government officials allowed

VI. Conclusion

VII. Policy Statement

- A. Use of assets--unlawful purposes not allowed**
- B. Accountability**
 - 1. Undisclosed or unrecorded fund or asset not allowed.**
 - 2. False or misleading entries not allowed in books and records**
 - 3. No payments other than those recorded and described by documents supporting payment**
- C. Political Contributions**
- D. Conflict of Interests**
- E. Acceptance of Gifts**
- F. Offering Bribes**

VIII. Enforcement

Employee certification of compliance

Company 23

Document Title: "Code of Conduct"

Summary: "Code of Conduct"

Section 1: Policy and Procedure on Legal and Ethical Practices

- A. Statement of policy**
- B. Employee's responsibility**
 - (1) Knowledge of policy
 - (2) Duty to refrain from unethical activities and relationships
 - (3) Avoiding conflicts of interest with competitors, suppliers, customers
- C. Guidance and interpretation**
 - (1) Company General Counsel
 - (2) Supervisory chain

Section 2: Employee's Interests in and relationships with Suppliers, Competitors, and Customers

- A. Competitors**
 - (1) Restrictions on direct and indirect ownership interests
- B. Suppliers**
 - (1) Competition
 - (2) Avoiding conflicts of interest/financial relationships
- C. Customers**
 - (1) Avoiding conflicts of interest/financial relationships
- D. Other business interests**
 - (1) Avoiding conflicts of interest/financial relationships

Section 3: Gifts

- A. Definition of "gift"**
 - (1) Limitations on acceptance
 - (a) Value thresholds
 - (b) Customary
 - (c) Business related
- B. Gift policy**
 - (1) General policy non-acceptance
 - (2) Acceptable gifts
 - (a) Value thresholds
 - (b) Customary
 - (c) Business related

Section 11: Antitrust and Unfair Trade Practices Policy

Section 12: Report of Suspected Violations of the Code of
Conduct

A. Reporting mechanism

Section 13: Disclosure Letter

A. Who submits disclosure letter

B. Reportable interests and relationships

C. Information must be complete/failure to report

D. Resolution of conflicts of interest

Section 14: Discipline

Section 15: Revisions

Section 16: Dissemination

Company 24

Document Title: "Business Conduct Guide"

Summary: "Business Conduct Guide"

- I. President's letter
- II. Booklet information
- III. Attitudes
- IV. Bribery and corruption
 - A. General
 - B. Foreign Corrupt Practices Act
 - 1. Facilitating payments
 - 2. Bribery
- V. Political contributions
- VI. Unfair competition
 - A. Disparagement and disruption of competitors
 - 1. General
 - 2. Trade secrets
 - B. Misrepresentation of price and product
 - C. Commercial bribery
 - 1. Allowability of gifts, meals, entertainment in normal course of business
- VII. Antitrust
 - A. Pricing policy
 - B. Predatory pricing
 - C. Market allocation
 - D. Discriminatory pricing of goods
- VIII. Purchasing Practices
 - A. Price discrimination
 - B. Reciprocity
 - C. Alcoholic beverages
 - D. Computer software
- IX. Conflicts of interest
 - A. Financial interests
 - B. Monetary gifts
 - C. Inside information
- X. Equal opportunity
- XI. Books and records accuracy
- XII. Government investigations
- XIII. When in doubt
 - A. Reporting to law department
- XIV. Disclosure
 - A. Compliance and certification
- XV. Business Conduct
 - A. General Policy
 - 1. Ethical standards
 - 2. Competition using legal methods
 - 3. Compliance with laws
 - 4. Restrictions on political contributions
 - 5. Relationships with Government officials
 - 6. Use of company assets

- 7. Accuracy of books, records, and accounts
- 8. Conflicts of interest
- B. Legal compliance and ethical standards
- C. Political contributions
- D. Political activities and public positions
- E. Trade associations
- F. Government officials and employees
 - 1. Gifts to Government officials
- G. Payments to employees of customers/suppliers
- H. Finders, brokers and real estate agents
- I. Conflict of interest
- J. Payments to company employees
- K. Compliance with tax and currency laws
- L. Facilitating payments
- M. Equal employment opportunity
- N. Foreign economic boycotts
- O. Accounting
- P. Sale and purchase of goods and services
 - 1. Accuracy of invoices
- Q. Internal audit
- R. Business conduct guide

Company 25

- I. Introduction
 - A. General
 - B. Resolving conflicts
- II. Disciplinary action for noncompliance
- III. Relationships with customers
- IV. Standards of conduct: the work environment
 - A. Equal employment opportunity
 - B. Employee status
 - C. Work hours
 - D. Job performance
 - E. Attendance guidelines
 - F. Leave of absence
 - G. Dress standards
 - H. Safety
 - I. Treatment of employees
 - J. Smoking in the workplace
 - K. Alcohol and drugs in the workplace
 - I. Solicitation and distribution on company premises
 - J. Access to company premises by off-duty employees
 - K. False or misleading remarks
 - L. Pricing arrangements
 - M. Memberships in private clubs and organizations
 - N. Development of products or services while employed at the company
 - O. Reimbursement for personal losses
- V. Standards of conduct: protecting our integrity
 - A. Conflict of interest
 - 1. Use of company property, services, information
 - 2. Inside information
 - B. Accounting, recordkeeping, and investigation
 - 1. Accuracy of books and records
 - C. Disclosure
 - D. Monitoring/inspections
 - E. Expense accounts
 - F. Company records and confidential information
 - G. Employee records
 - H. Accepting or giving gifts, payments, and preferential treatment
 - 1. Payments for outside activities
 - 2. Purchase of favored treatment
 - a. Bribes, kickbacks, etc
 - I. Investment (insider trading)
 - J. Outside directorships
 - K. Outside employment or business activities
 - L. Borrowing and lending
 - M. Chain letters
 - N. Use of company name
 - O. Fiduciary appointments

- P. Transactions involving company-owned or managed property
- Q. Employee named in a customer's will
- VI. Standards of conduct: legal requirements
 - A. Anti-Kickback Act of 1986
 - B. Comprehensive Crime Control Act of 1984
 - 1. Accepting gifts
 - 2. Accepting offers of hospitality
 - 3. Giving or accepting gifts: other financial institutions
 - C. Financial accounting and reporting requirements
 - D. Standards of conduct: specific examples

Company 26

Document Title: "Statement of Policy on Business Conduct and Ethics"

Summary: "Statement of Policy on Business Conduct and Ethics"

- 1.0 Scope
- 2.0 Application
- 3.0 Policy
 - 3.1 General compliance with all laws and regulations
 - 3.2 Question referral to Internal Audit Department
- 4.0 Conflict of interest
 - 4.1 Policy
 - 4.2 Potential conflicts
 - 1. Financial interest in outside concerns
 - 2. Positional conflicts with outside concerns
 - 3. Acceptance of gifts, meals, entertainment other than nominal
 - 4. Familial relationship conflicts
 - 5. Confidential information/inside information
 - 6. Competition with the company
 - 4.3 Reporting conflicts
- 5.0 Political contributions
 - 5.1 Company funds
 - 5.2 Personal contributions
- 6.0 Dealings with customers and suppliers: improper payments; giving and receipt of gifts; lavish entertainment
 - 6.1 Policy
 - 1. Bribes and kickbacks
 - 2. Influence peddling
 - 3. Appearance
 - 6.2 Restrictions
- 7.0 Improper accounting practices
 - 7.1 Policy
 - 7.2 Documented payments
 - 1. Accuracy of invoices
- 8.0 Outside employment
 - 8.1 General
 - 8.2 Company officers
- 9.0 Compliance with applicable laws
 - 9.1 Antitrust laws
 - 9.2 Equal employment opportunity
 - 9.3 Securities laws
 - 9.4 Consumer protection
 - 9.5 Company and customer resources
 - 1. Technology, data, buildings, land, equipment, cash and time/talent of employees
 - 9.6 Environmental actions
 - 9.7 Safety and health
 - 9.8 International business

10.0 Compliance
 10.1 Violations
 10.2 Disclosure
11.0 Company attorneys
12.0 Summary

Company 27

Document Title: "Antitrust Compliance Manual"

Summary: "Antitrust Compliance Manual"

- I. Policy
 - A. General
 - B. Referral to counsel for questions
- II. Introduction
- III. Antitrust laws
 - A. Competition
 - B. Federal law
 - C. State laws
 - D. Enforcement and violations
- IV. Common concepts
 - A. Agreements
 - B. Offenses per se
 - C. Competitors
- V. Pricing
 - A. Anticompetitive prices
 - B. Agreement between competitors
 - C. Agreements with suppliers or customers
 - D. Discrimination in prices
 - E. Unreasonably low prices
- VI. Relations and dealings with competitors
 - A. Contacting competitors
 - B. Allocating customers or territories
 - C. Boycotts
 - E. Agreements on products and standards
- VII. Dealing with customers and suppliers
 - A. Customers
 - 1. General principle
 - 2. Controlling products after sale
 - 3. Exclusionary practices
 - 4. Customer termination
 - 5. Tying
 - B. Suppliers
 - 1. Reciprocity
- VIII. Other prohibited actions
 - A. Unfair and deceptive practices
 - 1. Belittling another cooperative
 - 2. Inducing breach of contract
 - 3. Threats
 - 4. Enticement of employees
 - 5. Procurement of confidential information
 - B. Monopolies
 - C. New forms of anticompetitive conduct
 - 1. Violation of "spirit" vice letter of the law
- IX. Document writing and retention policy
 - A. Accuracy of documentation
- X. Response to investigations
- XI. Summary

Company 28

Document Title: "Code of Corporate Conduct"

Summary: "Code of Corporate Conduct"

- I. Statement of purpose
- II. Guiding principles
- III. Definitions
- IV. Article One: responsibility as an investor owned corporation
 - A. Accurate books and reports
 - B. Protection of proprietary information
 - 1. Inside information
- V. Article Two: responsibility of the company as an employer
 - A. Equal employment opportunity policy
 - B. Personnel policies
 - 1. Employee tenure
 - 2. Safety
- VI. Article Three: responsibility of the employee to the company
 - A. Employee loyalty
 - B. Conflict of interest
 - C. Personal conduct and appearance
 - D. Proper use of company assets
 - E. Employment tenure
 - F. Safety
- VII. Article Four: responsibility as a participant in the market place
 - A. Reciprocity, trade relations, and dealings with suppliers
 - B. Gifts, gratuities, and entertainment
 - C. Pricing
 - D. Product Quality, Marketing, and Sales
 - E. Antitrust compliance
 - 1. Price fixing
 - 2. Customer/market allocations
 - 3. Price discrimination
 - 4. Resale restrictions
 - 5. Refusals to deal
 - F. Product and service endorsement
- VIII. Article Five: responsibility as a corporate member of the community
 - A. Political contributions
 - B. Other corporate contributions
 - C. Environment
 - D. Bribery and payoff
 - 1. Reporting
 - E. Government support or corporate/employee citizenship

- IX. Article Six: summary
 - A. Revision
 - B. Compliance
 - C. Waiver

Company 29

Document Title: No documents

Company 30

Document Title: "Code of Business Conduct"

Summary: "Code of Business Conduct"

- I. General philosophy**
- II. Conflicts of interest**
 - A. Confidential information**
 - B. Inside information**
 - C. Outside financial interests**
 - D. Outside employment**
- III. Dealing with suppliers and customers**
 - A. Kickbacks and rebates**
 - B. Reciprocity**
 - C. Gifts and entertainment**
 - D. Payments to agents, consultants or distributors**
 - E. Payments to accounts in second countries**
 - F. Payments to Government employees**
 - 1. Foreign Corrupt Practices Act of 1977**
 - 2. Facilitating payments**
- IV. Books and records**
 - A. Accuracy**
 - B. Bribes/kickbacks**
 - C. Accuracy of invoicing payments**
- V. Competitive practices**
- VI. Political activities and contributions**
- VII. Summary**

Company 31

Document Title: "Ethics Policy"

Summary: "Ethics Policy"

- I. Policy
 - A. Conflicts of interest
 - B. Business awards based on quality, service, price, and other legitimate considerations
 - C. Responsibility to question suspicious actions
- II. Procedures
 - A. Relationships with suppliers, competitors, and customers
 - 1. Familial relationships
 - 2. Financial interest in customer, supplier, competitor or other business entities
 - 3. Illegal loans
 - 4. Employment/positional conflicts with other entities
 - B. Outside employment and directorships
 - C. Supervisor responsibilities
 - D. Business courtesies, gifts and entertainment
 - 1. Restrictions on gifts, meals, entertainment
 - 2. Offering gifts, meals, entertainment
 - 3. Influence peddling
 - E. Improper use of information
 - 1. Confidential information
 - 2. Inside information
 - F. Participation in civic or political activities
 - G. Improper payments
 - H. Company assets and records
 - I. Antitrust laws and compliance

Company 32

Document Title: "Ethical Business Conduct"

Summary: "Ethical Business Conduct"

- I. General Statement
- II. Compliance with laws and regulations
- III. Access to legal advice
- IV. Political contributions
- V. Bribes, illicit rebates or other illegal payments
 1. Commercial
 2. Government officials
- VI. Accuracy of books and records
- VII. Auditors
- VIII. Managerial responsibilities and compliance
- IX. Referral to legal and accounting staff
- X. Disciplinary action (general)

Company 33

Document Title: none; letter response

Summary:

Policies exist regarding the following per corporate letter:

1. Conflict of interest
2. Patent and copyrights
3. Vacation
4. Equal opportunity employment
5. Prohibitions against harassment

Company 34

Document Title: "Code of Business Conduct"

Summary: "Code of Business Conduct"

- I. Introduction
- II. Mission
 - A. Customer appeal
 - B. Operating philosophy
 - C. Financial results
- III. What we believe
 - A. Dignity of the individual
 - B. Search for excellence
 - C. Worth of our economic system
- IV. Business conduct
 - A. Basic principles
 - 1. Truthful and honest dealings with customers
 - B. Affirmative responsibilities
 - 1. Quality
 - 2. Honesty
 - 3. Equality of opportunity
 - C. Conflict of interest
 - 1. Interests in other businesses
 - 2. Outside employment
 - 3. Division of compensation
 - 4. Reporting conflicts
 - D. Business relationships with suppliers
 - 1. Payments, gifts, entertainment
 - 2. Acceptable/not acceptable
- V. Protecting company assets
 - A. Company books, records, and funds
 - 1. Accuracy
 - 2. Confidential, restricted, and sensitive information
 - 3. Improper payments
 - 4. Auditing
 - 5. Contractual authority
 - B. Company property
 - C. Computer security
 - D. Proprietary information
- VI. Things about the law you should understand
 - A. Disclosure of insider information
 - B. Inquiries
 - C. Antitrust rules
 - D. Political and Governmental activities
 - 1. Public office
 - 2. Compliance with the law
 - 3. Company contributions
 - 4. Abroad
 - 5. Tax treatment
 - 6. Individual right to decide

- 7. Payments to Government officials
 - a. Facilitating payments abroad
 - b. United States
 - c. International boycotts

- VII. The place we work
 - A. Equal employment opportunity
 - B. Sexual harassment
 - C. Compensation and promotion
 - D. Equality of opportunity
 - E. Alcohol and drugs
 - F. Weapons and explosives

Company 35

Document Title: "Ethics Statement"

Summary: "Ethics Statement"

- I. Your Role
 - A. General statement
 - B. Work environment
- II. Guidance
 - A. Supervisor
 - B. Human Resources Office
 - C. Comptroller Office
 - D. Legal Office
- III. Confidentiality
- IV. Inside Information
- V. Communications
- VI. Conflicts of interest
- VII. Fair competition
- VIII. Suppliers
- IX. Gifts
- X. Laws and regulations
 - A. Improper payments
 - B. Foreign Corrupt Practices Act
 - 1. Facilitating payments
 - C. Accurate recording of funds and assets
 - D. Illegal payments
- XI. Political contributions
- XII. The company and you
 - A. Equal employment opportunity
 - B. Disclosure and compliance
- XIII. Ethical decision-making
- XIV. Schedule "A"
 - A. Section 00 Policy Respecting Business Ethics
 - 1. Subsection 00.1 Adherence to policy
 - 2. Subsection 00.2 Compliance procedure
- XV. Schedule "B"
 - A. Ethics policy respecting consultants
- XVI. Schedule "C"
 - A. Consultant's ethics questionnaire

Company 36

Document Titles: 3 booklets and 8 environmental handouts
of separate titles (both of advertising
and internal distribution nature)

"Vision and Strategy for the Nineties"

"Product Stewardship"

"Environmental Policy"

Summary: "Vision and Strategy for the Nineties"

- I. Company vision for the future
- II. Corporate strategy
 - A. Technology
 - B. Strategic business mix
 - C. Geographic emphasis
- III. Organization
- IV. People
 - A. Entrepreneurialism
 - B. Training and development
 - C. Decentralization
 - D. Utilization of talent and experience
 - E. Recognition
- V. Critical issues
 - A. Workforce
 - B. Use of cash from operation
 - C. Customer success
 - D. Change
 - E. Quality
 - F. Technology
 - G. Environmental issues
 - H. Growth
- VI. Financial goals
- VII. Policies and guidelines
 - A. Quality performance
 - B. Safety and loss prevention
 - C. Occupational health policy
 - D. Environmental policy

Summary: "Product Stewardship"

- I. Research and development
 - A. Handling/use
 - B. Safety hazards and environment
- II. Manufacturing
 - A. Chemical, biological, and physical stresses
 - B. Health and environmental issues
- III. Quality assurance
- IV. Distribution
 - A. Environmental protection and safety

- V. Marketing
- VI. Business director responsibilities

Summary: "Environmental Policy"

- I. General guidelines
- II. Water and air guidelines

Company 37

**Document Title: "A Code of Worldwide Business Conduct
and Operating Principles"**

**Summary: "A Code of Worldwide Business Conduct and Operating
Principles"**

- I. Business purposes
- II. Business ethics in general
- III. Involvement of people
- IV. Human relationships
 - A. Employee relations
 - B. Equal employment opportunity
 - C. Conflicts of interest in hiring
- V. Privacy of information about employees
- VI. Ownership and investment
- VII. Board stewardship
- VIII. Corporate facilities worldwide
- IX. Disposal of wastes
- X. Product quality and uniformity
- XI. Competitive conduct
- XII. Relationships with suppliers
 - A. Competition
 - B. Reciprocity
- XIII. Sharing of technology
- XIV. Accounting records and financial reporting
- XV. Intercompany pricing
- XVI. Currency transactions
- XVII. International differing business practices
- XVIII. Public responsibility
- XIX. Observance of local laws
- XX. Relationships with public officials
- XXI. Disclosure of information
- XXII. Inside information
- XXIII. International Information Flow
 - A. Free enterprise
- XXIV. Reporting code compliance

Company 38

Document Title: "Policy on Business Practices"

Summary: "Policy on Business Practices"

- I. Responsibility for Compliance with the Policy
 - 1.01 Officers, department heads, and administrators
 - 1.02 Employees
 - 1.03 Corporate legal counsel and internal audit
 - 1.04 Financial personnel
- II. Expenditures and transfer of company funds
 - 2.01 Control of Funds
- III. Integrity of business practices
 - 3.01 Ethical practices
 - 3.02 Improper payments
 - 3.03 Employment of consultants, agents or representatives
 - 3.04 Business entertainment and gifts
 - 3.05 Transactions involving Government employees
 - 3.06 Integrity of financial reporting
 - 3.07 Referrals, purchasing of goods or services, leasing facilities
 - 3.08 Joint ventures
 - 3.09 Disclosure of company information to competitors
- IV. Conflicts of interest
 - 4.01 Definition
 - 4.02 Personal Benefit
 - 4.03 Acceptance of gifts and entertainment
- V. Political Contributions and communications
 - 5.01 Applicable laws
 - 5.02 Employee political activity
 - 5.03 Company political contributions
 - 5.04 Political communications
- VI. Disclosure of company information affecting company securities and timing of transactions in company securities
 - 6.01 Disclosure of corporate information
 - 6.02 Safeguarding market-sensitive information
 - 6.03 Timing of transactions in company securities
 - 6.04 Officers' compliance with Security and Exchange Commission requirements
 - 6.05 Liability for "short-swing" profits
- VII. Compliance with antitrust laws
 - 7.01 Relationship with competitors
- VIII. Anti-boycott policy
- IX. Employment policies
 - 9.01 Equal employment opportunity
 - 9.02 Hostile environment
- X. Compliance reporting procedures
- XI. Effect

- 11.01 Responsibility appraisal
- 11.02 Business outside the United States
- XII. Application to other companies
 - 12.01 Companies not majority owned
- XIII. Definitions

Company 39

Document Title: "Code of Conduct"

Summary: "Code of Conduct"

- I. Public responsibility
- II. International investment
- III. Political activities and contributions
- IV. Competitive practices
- V. Relationships with employees
- VI. Corporate communications
- VII. Accounts and recordkeeping
- VIII. Personal conflicts of interest
 - A. Examples
 - 1. Employees affected
 - a. Purchases
 - b. Sales
 - c. Competitive position
 - d. Investments
 - e. Leases
 - f. Credit or loans
 - 2. Nature of conflicting interests
 - a. Stock ownership
 - b. Loans or debt securities
 - c. Positional
 - d. Receipt of remuneration
 - e. Receipt of gifts or loans
 - f. Buying assets
- IX. Specific Guidelines
 - A. Impartiality
 - B. Improper payments received
 - C. Improper payments provided
 - D. Financial interests
 - E. Familial conflicts
- X. Indirect interests
- XI. Interpretation
- XII. Disclosure and certification
- XIII. Questionnaire

Company 40

Document Title: "Code of Ethics"

Summary: "Code of Ethics"

- I. Our commitment to people
- II. Our commitment to dealers
 - A. Competition
 - B. Quality
 - C. Communication
- III. Our commitment to customers
- IV. Our commitment to employees
 - A. Equal employment opportunity
 - B. Safety and healthy environment
 - C. Communications
- V. Our commitment to suppliers
- VI. Our commitment to shareholders
- VII. Our commitment to communities
- VIII. Our commitment to the environment
- IX. Our commitment to ethical behavior and the law
- X. Ethical guidelines
 - A. Gifts and entertainment
 - B. Payments to Government employees
 - C. Facilitating payments overseas
 - D. Payments to agents, consultants and distributors
 - E. Political Activities and contributions
 - F. Antitrust
 - G. Financial ethics
 - 1. Financial statement accuracy (records)
 - 2. Record of payments
 - H. Conflicts of interest
 - I. Confidential and inside information
 - J. Outside financial interests
 - K. Employment
- XI. Ethics Committee
- XII. Question and answer section

Company 41

Document Titles: none

Company 42

Document Titles: none

**Company environmental support notice
provided along with news articles**

Company 43

Document Title: "Conflict of Interest and Payment Practices"

- I. Conflict of Interest Policy
 - A. Policy
 - B. Discussion
 - C. Illustrations of potential conflicts
 - 1. Relationships with suppliers, customers, or competitors
 - a. Financial interests
 - b. Participation in other companies' business
 - 2. Indirect interest and relationships
 - a. Familial relationships
 - 3. Gifts, loans, entertainment
 - 4. Outside business activities
 - 5. Nonbusiness activities
 - 6. Personal use of corporate property and corporate information
 - a. Use of assets
 - b. Inside information
 - 7. Associate responsibilities and reporting
- II. Payment Practices Policy
 - A. Policy
 - B. Discussion
 - 1. Bribes
 - a. United States officials
 - b. Foreign officials
 - c. Commercial bribery
 - d. Slush funds/improper payments
 - C. Rules relating to payment practices
 - 1. Accounting practices
 - a. Accuracy of books and records
 - b. Internal controls and audits
 - 2. Political contributions
 - 3. Payments to Government personnel
 - 4. Foreign representative, agents, and consultants
 - D. Associate responsibilities
- III. Confidential Information Policy
 - A. Policy
 - B. Discussion
 - 1. Confidential information
 - 2. Authorized disclosure
 - C. Associate responsibilities

Company 44

Document Title: "Business Code of Ethics"

Summary: "Business Code of Ethics"

- I. Confidential information and conflicts of interest
 - A. Contractual information
 - B. Financial, accounting and cost information
 - C. Plans and strategies
 - D. Inside information
- II. Statement of policy governing conflicts of interest
 - A. Financial interest
 - B. Positional interest
 - C. Competition
- III. Acceptance of payments
- IV. Business entertainment, etcetera
- V. Political contributions
- VI. Improper payments
 - A. Bribes, kickbacks
 - B. Payments to Government officials
- VII. Statement of policy concerning company assets and facilities
 - A. Company funds
 - B. Company property
 - C. Company records
- VIII. Annual Questionnaire
- IX. What the public has a right to expect

Company 45

Document titles: none

Company 46

Document Title: "Standards of Corporate Conduct"

Summary: "Standards of Corporate Conduct"

- I. Compliance with the law
- II. Political Contributions
- III. Equal employment opportunity
- IV. Antitrust
- V. Vehicle safety and emissions
- VI. Plant pollution control
- VII. Truth in advertising
- VIII. Dealer relations
- IX. Referral to General Counsel
- X. Bribes
- XI. Conflicts of interest
- XII. Protection of assets
 - A. Funds
- XIII. Accuracy of books and records
- XIV. Relationships with competitors
- XV. Reporting misconduct
- XVI. Quality
- XVII. Employee relations

Company 47

Document Titles: "Procurement Policy and Procedures"

Corporate Policy 37.30.18, "Supplier Relations"

Corporate Policy 19.98.1, "Disciplinary Action"

"Standards of Conduct" with attached letter from Chairman of the Board

Corporate Policy 19.130.1, "Conflict of Interest"

Corporate Policy 19.105.1, "Gratuities"

Annual "Standards of Conduct" certificate letter

Letter to suppliers regarding Christmas gratuities

Excerpt from and Terms and Conditions regarding conflict of interest

Excerpt from "Representation from our Proposal Submittal Requirements" to suppliers and contractors regarding ethical business practices

Corporate Policy 19.140.1, "Standards of Conduct"

Copy of Affirmative Action Program

Summary: "Procurement Policy and Procedures"

- I. Procurement objective
- II. Procurement policy
 - A. Competition
 - B. Use of small and disadvantaged businesses
- III. Female and minority business development
- IV. Procurement procedures
 - A. Qualification of suppliers and contractors
 - B. Selection of bidders
 - C. Bidding, negotiation, and cost-type agreements
 - 1. Bidding
 - 2. Negotiation
 - 3. Cost-type and master agreements
 - D. Bid evaluation

- E. Award of purchase orders
- F. Approval of subcontractors
- V. Contacts
- VI. Disputes
- VII. Supplier relations
- VIII. Miscellaneous

Summary: Corporate policy 37.30.68 "Supplier Relations"

- A. General
- B. Action rules
 - 1. Gratuities
 - 2. Communications
 - 3. Reporting
 - 4. Conflicts
- C. References

Summary: Corporate policy 19.98.1 "Disciplinary Action"

- A. Principle
- B. Action rules
 - 1. Disciplinary action
 - a. Counseling and oral reprimand
 - b. Written reprimand
 - c. Suspension
 - d. Demotion
 - e. Termination
 - 2. Criminal actions and other off-premises misconduct
 - 3. Right of review
 - 4. Alcohol and drugs
 - 5. Fitness for duty
 - 6. Standards for job performance and conduct
- C. Definitions
- D. References

Summary: Corporate policy 19.130.1 "Conflict of Interest"

- A. Principle
- B. Action rules
 - 1. Actions constituting conflicts of interest
 - a. Disclosure
 - b. Positional conflicts with other corporations
 - c. Inside information
 - d. Financial interests
 - e. Confidential information
 - f. Insider trading
 - 2. Disclosure of outside interests
 - 3. Failure to disclosure personal interests
- C. Definitions
- D. References

Summary: Corporate policy 19.105.1 "Gratuities"

- A. Principle**
- B. Action rules**
 - 1. Transacting company business
 - 2. Gratuities
 - a. Proper in the course of business
 - b. Proper if nominal
 - 3. Supplier disqualification for noncompliance
 - 4. Policy interpretation
- C. Definitions**
- D. References**

Summary: Corporate policy 19.140.1 "Standards of Conduct"

- A. Principle**
- B. Action rules**
 - 1. Applicability
 - 2. Officers and managers responsibilities
 - 3. Employees
- C. Standards of conduct**
 - 1. Compliance with laws and regulations
 - 2. Equal employment
 - 3. Avoidance of conflicts
 - 4. Inside information
 - 5. Use of corporate assets
 - 6. Gratuities
 - 7. Health and safety
 - 8. Corporate funds and resources
 - 9. Political contributions
 - 10. Alcohol and drugs
 - 11. Accuracy of books and records
 - 12. Accuracy of information
- D. Definitions**
- E. References**

Company 48

Document Title: "Guideline for Employee Conduct"

Summary: "Guideline for Employee Conduct"

- I. Introduction
- II. Compliance with the law
- III. Equal employment opportunity
- IV. Conflict of interest
- V. Gifts, gratuities, payments and accommodations
 - A. United States
 - B. Overseas facilitating payments
- VI. Interests in other businesses
 - A. Dealing with suppliers
 - B. Financial interests in competitors
 - C. Dealing with customers
- VII. Outside employment
- VIII. Public service and conflict of interest
- IX. Foreign Corrupt Practices Act
- X. Political activity
- XI. Government relations
- XII. Litigation and investigations
- XIII. Handling of confidential corporate information
 - A. Confidential information
 - B. Disclosure
 - C. Inside information/securities
- XIV. Use of corporate property
- XV. Conclusion

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