

Commitment to Procurement Integrity - The “Foundation”, Not the “Ceiling”



Who owns the commitment to procurement integrity in an organization? Research shows it begins at the doorway of the procurement executives. Their tone carries throughout the entire workforce.

In its “14th Global Fraud Survey,”¹ Ernest & Young reported that of 2,825 global executives surveyed:

- Nearly half (42 percent) were willing to justify unethical behavior when under pressure to meet financial targets,
- Ten percent would make a cash payment (bribe) to win or retain business in an economic downturn, and
- Seven percent would be prepared to backdate contracts (falsely showing revenue).

Admittedly, unethical behavior is not solely limited to the executives in the board rooms—it can be found at all levels, from first-line managers to supply-chain workers. Employees have an individual responsibility to follow the organization’s established policies, procedures, and processes designed to provide reasonable assurance for achieving and maintaining fair, honest, and legal contracting. However, individual employees’ ethical behavior is largely influenced by the moral character of the persons they are managed by, and the environments in which they work and live. It is the responsibility of the executives to invest resources in ensuring an ongoing culture of ethics and integrity for employees to learn from and work within.

Within federal procurements, *Federal Acquisition Regulation (FAR)* 3.10, “Contractor Code of Business Ethics and Conduct,” establishes a clear requirement for all contractors to conduct themselves with the highest degree of integrity and honesty. For those federal contractors with a contract value expected to exceed \$5.5 million and with a performance over 120 days, the *FAR* lays out a set of requirements assisting executives in creating an ethical workplace environment, including:

- Publishing a clear code of conduct and ensuring all employees receive a copy,
- Exercising due diligence to prevent and detect misconduct,
- Possessing an internal control system that will facilitate timely discovery of improper conduct, and
- Ensuring corrective actions are promptly instituted and carried out.

For executives working within the procurement office, regardless if they are in the corporate or public sector, no single element has more influence on the workplace’s ethical behavior than a

demonstrated commitment to fair, honest, impartial, and legal contracting (i.e., “procurement integrity”). That means procurement executives reinforce and periodically articulate the organization’s code of conduct and expectations of ethical behavior and procurement integrity in the following ways:

- In all phases of contracting activity,
- In employee performance evaluations,
- In clearly written procurement policies and procedures,
- In providing for specific requirements and authority for oversight of contracting activity, and
- In encouraging the workforce to communicate and reinforce procurement integrity amongst their peers.

No matter where it begins, the commitment to procurement integrity does not *end* at the doorway of the procurement executives. Procurement integrity carries throughout the entire workforce. Even when employees believe a policy is unnecessary, or when there is pressure to speed up the procurement process to satisfy timelines or operational requirements, employees have a responsibility to follow the organization’s established procurement rules and legal requirements.

Experience has shown the authors that many small and midsize companies are not aware of the FAR 3.10 requirements, and those companies that are aware (including larger firms), have paper only ethical programs, which limits their effectiveness. The absence of a well-communicated and tested ethical workforce environment and/or the failure to comply with FAR 3.10 not only places contractors at risk of contract noncompliance, but escalates the possibility of fraudulent activity within the workforce.

The NCMA “Code of Ethics” requires contract management professionals to “conduct themselves in such a manner as to bring credit upon the profession.” Are you living up to that standard? Are you promoting that standard in your actions and deeds? This standard should be approached as the foundation and not the ceiling when it comes to our responsibilities in ensuring procurement integrity.