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## Policy, Politics Can Conflict Over Contractor Integrity

By MARK WERFEL

President Bush's call for integrity on Wall Street will guard against recurring corporate shenanigans. But many workers and pensioners are paying the price for the corruption of corporate officials and the financial professionals they trusted. This sad state of affairs was both predictable and predicted; Bush's action is way overdue.

Shouldn't Bush's call extend to federal suppliers, over which he has more control? The government's long-standing policy demands supplier integrity to protect its own interests. For example, colluding firms deny the government a competitive marketplace, and firms that lack integrity may undermine the government's.

A change to this policy was recently proposed, offered for public comment, canceled, proposed again and then canceled again. Close examination of the opposing arguments speak volumes about the underlying political process — and the need for courageous leaders to resolve the issue by returning to national values.

Advocates of changing the policy favored linking integrity to compliance with labor, environmental and social-action laws. Opponents called this blacklisting. President Clinton ordered the change, and Bush canceled it. Thousands of comments were received on both sides of the argument, both sides agreeing that the change would have little impact. I point to the smoke and fire generated, and ask why. Generally, Democrats favored change, while Republicans opposed it.

How does the government apply integrity policy? Here are two examples.

First, the case cited during the blacklisting controversy: Avondale Shipyards in New Orleans received Navy contracts over the objections of the AFL-CIO, which cited Avondale's high rate of workplace deaths and accidents, the firing of pro-union workers prior to a representation election, and ongoing failure to cooperate with Occupational Health and Safety Administration and National Labor Relations Board officials. Avondale, now under new ownership, is no longer under a cloud of suspicion. However, essential details were not reported: Did Avondale merit debarment? Did the Navy attempt to do so? Was the Navy *unsuccessful* due to legal complexities, political influence or administrative shortcomings? What rules could have been proposed as a result?

Next, the Project on Government Oversight (POGO) reported that in the 1990s, 16 of the government's largest contractors were convicted of 28 criminal violations and paid about \$3.4 billion in fines, penalties or restitution, but only one was precluded from new contracts — and only for five days. They point out small firms are not so fortunate, indicating a bias in favor of large contractors with economic, legal and political clout.

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Are corporate integrity requirements a policy issue, or are they a political opportunity or dysfunctional business practice? If government business leaders allow politics to sabotage business processes, that is one real story; failure to correct ongoing poor practices is another. Both are of real concern.

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Special-interest groups should be expected to press their views on politicians. Politicians must be responsive to their political party's interests and their own, but elected officials and executive-branch appointees should base their decisions on national interest.

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What should the standard be for official integrity? Does POGO's evidence point to festering Enrons in the government supplier base? James Madison, in Federalist Paper 62, warned of the danger of laws made by and for the few over the interests of the nation.

On May 22, 2001, the House subcommittee on government reform asked a panel of senior government acquisition officials whether blacklisting was a good idea. The panel responded uniformly and strongly in the negative. Interestingly, the panel members were also asked whether they were political appointees or career civil servants. One panel member, a civil servant, admitted he had issued the proposed Clinton administration rule change. No one asked why.

**Mark Werfel** is a senior procurement analyst for the Army. The views expressed are his own.



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