

2007-006-28

Office of Inspector
General

U.S. Department of
Homeland Security
Washington, DC 20528



**Homeland
Security**

January 11, 2008

VIA FACSIMILE: 202 501-4067

General Services Administration
Regulatory Secretariat (VIR)
1800 F Street, NW
Room 4035
ATTN: Laurieann Duarte
Washington, DC 20405

RE: FAR Case 2007-006, Contractor Compliance Program and Integrity Reporting

Dear Ms. Duarte:

The Department of Homeland Security (DHS) Office of Inspector General (OIG) supports the proposals set out in the above referenced FAR case, published at 72 Fed. Reg. 64019-64023 on November 14, 2007.

We support a clear Government wide policy regarding contractor codes of ethics and contractor responsibility to avoid improper business practices. The proposal will amend the Federal Acquisition Regulation (FAR) to require Government contractors to have a code of business ethics, to adopt internal controls to detect and prevent improper conduct relating to their Government contracts, and to notify Offices of Inspectors General and contracting officers whenever they become aware of violations of federal criminal law with regard to those contracts.

The proposal responds to a request from the Department of Justice as part of its National Procurement Fraud Initiative to reduce the exposure of federal contracts to fraud and corruption. With the significant increase of service contracts in the federal sector, increased federal spending through procurements, and a smaller acquisition workforce, the Government faces an increasing need for contractors to police themselves. The past fifteen years have brought significant reforms in self-governance in industries such as banking, securities, and healthcare, yet we have not asked the same of Government contractors.

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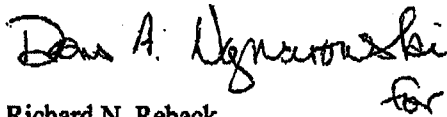
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The proposal avoids imposing unnecessary burdens on small businesses or creating expensive paper work requirements. The Department of Defense has a voluntary disclosure program for suspected instances of fraud; however, we understand few reports have been made under the program. The National Reconnaissance Office (NRO) adopted a contract clause in 2004 requiring mandatory disclosure of contract fraud and other illegal activities. According to the Inspector General of the NRO, the clause has produced increased reporting of wrongdoing earlier and has led to working relationships with contractors built on greater sharing and trust.

Explicit FAR requirements, such as those proposed, serve to emphasize the critical importance of integrity in Government contracting. Moreover, a contractor is in a stronger position when reporting to comply with a mandatory requirement, than if voluntarily disclosing information for which it could be criticized or even sued. Contractors should assist in ensuring that Government expenditures are free from fraud. We therefore strongly support the proposed amendments and urge adoption without further change.

We appreciate the opportunity to comment on the proposed rule. Should you have any questions, please contact me or Doris A. Wojnarowski, Associate Counsel, at 202 254-4100.

Sincerely,



Richard N. Reback
Counsel to the Inspector General