



Highlights of [GAO-08-169](#), a report to the Committee on Armed Services, U.S. Senate

Why GAO Did This Study

Many defense contractor employees work side-by-side with federal employees in Department of Defense (DOD) facilities performing substantially the same tasks affecting billions in DOD spending. Given concerns with protecting the integrity of DOD operations, GAO was asked to assess (1) how many contractor employees work in DOD offices and what type of mission-critical contracted services they perform, (2) what safeguards there are to prevent personal conflicts of interest for contractor employees when performing DOD's tasks, and (3) whether government and defense contractor officials believe additional safeguards are necessary.

GAO reviewed conflicts of interest laws and policies and interviewed ethics officials and senior leaders regarding applicability to DOD federal and contractor employees. GAO judgmentally selected and interviewed officials at 21 DOD offices with large contractor workforces, and 23 of their contractors.

What GAO Recommends

GAO recommends that DOD develop personal conflict of interest safeguards for contractor employees similar to those required of DOD's federal employees, which may require defense contractors to screen financial disclosures from certain employees. DOD commented it has established a contracting integrity subcommittee to review the recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-169](#). For more information, contact Cristina T. Chaplain at (202) 512-4841 or chaplainc@gao.gov.

DEFENSE CONTRACTING

Additional Personal Conflict of Interest Safeguards Needed for Certain DOD Contractor Employees

What GAO Found

Indications are that significant numbers of defense contractor employees work alongside DOD employees in the 21 DOD offices GAO reviewed. At 15 offices, contractor employees outnumbered DOD employees and comprised up to 88 percent of the workforce. Contractor employees perform key tasks, including developing contract requirements and advising on award fees for other contractors.

In contrast to federal employees, few government ethics laws and DOD-wide policies are in place to prevent personal conflicts of interest for defense contractor employees. Several laws and regulations address personal conflicts of interest, but just one applies to both federal and contractor employees.

Selected Laws and Regulations That Address Personal Conflicts of Interest

| Prohibition, restriction, or requirement | Applicable to federal employees? | Applicable to DOD contractor employees? |
|---|----------------------------------|---|
| Bribery, kickback, other graft | Yes | Yes |
| Participating in matter affecting personal financial interest | Yes | No ^a |
| Avoiding appearance of partiality when performing duties | Yes | No ^a |
| Disclosing financial interests | Yes | No ^a |
| Accepting travel and gifts | Yes | No ^a |
| Using nonpublic information for personal gain | Yes | No ^a |
| Future employment contact | Yes | No ^a |
| Misusing position to provide preferential treatment to a private interest | Yes | No ^a |

Source: GAO analysis of selected laws and regulations.

^aThere may be other laws and regulations that may apply to DOD contractor employees depending on the facts and circumstances of a particular case.

Some DOD offices and defense contractor companies are voluntarily adopting safeguards. For example, realizing the risk from personal conflicts of interest for particularly sensitive areas, the 19 DOD offices GAO reviewed that used contractor employees in the source selection process all use safeguards such as contract clauses that prohibit contractor employees' participation in a DOD procurement affecting a personal financial interest. In certain other tasks, only 3 of the 23 defense contractors GAO reviewed had safeguards requiring employees to identify potential conflicts of interest so they can be mitigated.

In general, government officials believed that current requirements are inadequate to prevent conflicts from arising for certain contractor employees influencing DOD decisions, especially financial conflicts of interest and impaired impartiality. Some program managers and defense contractor officials expressed concern that adding new safeguards will increase costs. But ethics officials and senior leaders countered that, given the risk associated with personal conflicts of interest and the expanding roles that contractor employees play, such safeguards are necessary.