

# Compliance & Ethics

## PROFESSIONAL



Vol. 7 / No. 3  
06 / 2010

A PUBLICATION OF THE SOCIETY OF CORPORATE COMPLIANCE AND ETHICS

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### Meet Angela Styles

Coordinator, Defense Industry Initiative on  
Business Ethics and Conduct

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### Coordinator, Defense Industry Initiative on Business Ethics and Conduct

By Adam Turteltaub

**AT:** First, congratulations on assuming the role of Coordinator for the Defense Industry Initiative (DII). How did you earn the position?

**AS:** Dick Bednar, who had been the long-time coordinator of the DII was stepping down from the role. To replace him, there was a lengthy interview process. I work at the same law firm where Dick used to work. More importantly, I was also the former Administrator for Federal Procurement Policy for the US government. Needless to say, I've been working for a long time in this area with the US government, which was very helpful, given that the DII companies are all government contractors.

**AT:** The DII, probably the first compliance and ethics organization in the U.S., was founded back in 1985 in the wake of the defense procurement scandals. Could you briefly recap the group's initial charter?

**AS:** DII started in the midst of the scandals of the day. A group of the largest defense contractors met and said "We're going to be different." While it is much more common now, at the time it was cutting edge that companies would come together, create a code of conduct, commit to sharing best practices, and voluntarily disclose to the government issues that they have. They also committed to a set of ethical values, all with the goal of

letting the government know that they were different from most companies.

**AT:** How has the DII evolved over the years, both in terms of mission and membership?

**AS:** First of all, the DII has grown. From an initially small group, the DII now has over 90 members and 250 attendees at our Best Practices Forum, which is our mandatory event for our members. This supplements the ongoing sharing of best practices that goes on year round among the 15 members of our Working Group.

There is also a lot of participation from the government. They share both the best practices that they see and their perspective of how government contractors should act. At the same time though, the mission has stayed somewhat consistent: to come together and be a bit different than other companies by leading the way in ethics and compliance. I should note that's a bit different from where I want to take the program.

Now that the government is mandating disclosures, it's hard to say that making voluntary disclosures is that different from what the rest of business does. Nor is having a code of conduct novel anymore. The question is: What can we do as a group of companies to show that we are committed to pushing forward in the world of Ethics and Compliance?

How do we know that our people are doing the best that they can do? A lot of that is going to be about engaging all the members. Traditionally, some companies haven't been as active as I would like to see. They come to the Best Practices Forum and they complete a yearly accountability survey, but not much more than that.

Now we are going to use technology as a mechanism. We are going to launch a members-only website for them to share best practices. For example, someone may ask about how to manage cost and pricing disclosures, and other members will answer. We are also offering programming for suppliers. One challenge is that small and medium companies often don't know the rules. To help raise their knowledge levels, we are offering webinars on compliance topics. And, of course, we will also be conducting training for all our members on new rules and what to do about them.

**AT:** And it might be good, at this point, to explain what your role is in that process.

**AS:** I'm the Coordinator, not an executive director. In addition I still have a full-time job. I'm here to encourage activity, but ultimately the companies make the decision. A lot of time, it's just the 15 Working Group members who do the

coordination, but with technology it is now easier to reach out to all 90 members. In addition, I have companies calling every day asking how to be more involved.

**AT:** Sharing of learning is a key benefit of being a part of the DII. How do you encourage your members to share what they have learned with each other and with the broader compliance and ethics community?

**AS:** The Best Practices Forum is central to the goal of knowledge transfer. Some of that takes place in formal presentations, but a lot of it is just people sitting at a table and discussing an issue. We will also take redacted information and share it with others, and we use that as a way to encourage others to share what they have done to meet a particular challenge. We are starting to put things like training online. Some is for our members only; other information is for everyone.

**AT:** There's an inherent risk in having all of your membership coming from one industry, as the financial services industry has seen. How do you keep people looking beyond the defense world and learning from others?  
**AS:** We have a lot of interactions with the Ethics Resource Center [ERC], which serves the entire ethics community. But, I have to say it has not historically been the DII as an institution having those interactions. It's the individual members meeting with the ERC and others. The DII stays in a particular silo, but our members are doing other things.

We are examining for the future what other interactions we should be having, because we recognize that

there is a lot going on. It's a real question of what else we will be doing going forward.

**AT:** One of the issues that DII members have to constantly grapple with is the FCPA [Foreign Corrupt Practices Act] and anti-corruption. It's now an issue that a lot of industries outside of defense are facing. What is one of the key lessons the DII members have learned about managing this risk?

**AS:** I would say that the most important thing is keeping your government customer informed of what is going on and not letting them be taken by surprise. That approach seems to be working. So far, no company has been suspended or debarred based on an FCPA violation. I think that's likely because they are keeping their government customer informed of issues as they arise.

I will say though, that most of the DII companies would have said that this is an issue that they had a handle on. And the government will be judging those companies that are affected by the way they remediate the issue and change culture going forward.

**AT:** Over the last few years, the role of third parties—agents, contractors, and vendors—has grown to be quite large and potentially problematic for companies. Many businesses can't function without them, but at the same time, structures for managing third-party risk haven't evolved as robustly. Recent efforts by the US government have really required companies to push their compliance programs out to their supply chain. How is that working in practice? What kind of structures are companies building? And, most importantly, what seems to be working?

**AS:** There's some back and forth about how much we have to do, and what the government's expectations are. The government expects that, at some level, you are pushing compliance down to suppliers. But, it's been tough. You can't train every supplier. You can't force it. It's been a real struggle of what is enough and how you discern what the supplier's level of compliance is.

**AT:** Where are they having successes and where are there still great challenges?

**AS:** The larger defense contractors are pretty sophisticated. Their systems are sophisticated. Their cultures are sophisticated. They are the ones really able to push compliance and ethics out. The trouble comes with companies that haven't been traditional sellers to the government. They grew up in a different environment in which everything drove towards the bottom line, the next quarterly report, and the market. Those companies have large internal structural challenges as well as cultural challenges. It's very hard to change a culture.

**AT:** Mandatory disclosure is a new and, to many, troubling requirement. In a nutshell, as you know, companies can be debarred if they fail to notify the government in a timely way of credible evidence of everything from bribery to conflicts of interest. How are your member companies managing this transition?

**AS:** The DII companies already had voluntary disclosures as a fundamental requirement and had robust systems in place for finding things. Even with that, though, incidents of

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a few hundred dollars overpayment that could be refunded through billings might not have been reported to just the contracting officer and not to the agency Inspector General.

Now people don't know what the lines are. It's going to take a while to flesh that out. And people are scared of reporting and what's going to happen. They want to know: Are we reporting too much or too little? They don't have enough experience to know how the government in its many forms—the Inspectors General and Justice Department—is going to handle these things.

**AT:** Are they finding that this requirement strengthens compliance programs or somehow weakens them?

**AS:** In some respects, it's strengthening compliance since companies that never paid attention to compliance programs now are. It's particularly been a wake up call to smaller and medium-sized companies. But, it is also pushing people to a compliance culture rather than ethics one. People are following rules, not asking what is right or wrong.

**AT:** Should companies that are not acting as federal contractors be concerned?

**AS:** I think most companies, if they looked, would find that they are a government contractor. If you don't think you are, double check at [www.usaspending.gov](http://www.usaspending.gov). I would say 95% of companies in the U.S. are there.

**AT:** Where do you see compliance and ethics programs evolving over the next few years?

**AS:** I think there will be a much greater focus on it for any number of reasons. I see resources being spent there when it's not being spent elsewhere. I also see a great amount of growth. That may be unique to the government contracting area, but I still see the growth. ✦

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SOCIETY OF CORPORATE  
COMPLIANCE AND ETHICS

### TOPICS TO CONSIDER:

- Anticipated enforcement trends
- Developments in compliance and ethics and program-related suggestions for risk mitigation
- Fraud, bribery, and corruption
- Securities and corporate governance
- Labor and employment law
- Healthcare fraud and abuse
- Anti-money laundering
- Government contracting
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