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DoD-INDUSTRY RELATIONS: CONFLICT OF INTEREST AND STANDARDS OF CONDUCT

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HEARINGS

BEFORE THE

JOINT COMMITTEE ON DEFENSE PRODUCTION CONGRESS OF THE UNITED STATES

NINETY-FOURTH CONGRESS

SECOND SESSION

FEBRUARY 2 AND 3, 1976

Printed for the use of the
Joint Committee on Defense Production

AUTHENTICATED
U.S. GOVERNMENT
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(Created Pursuant to Public Law 774, 81st Congress)

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DOD-INDUSTRY RELATIONS: STANDARDS OF CONDUCT AND CONFLICT OF INTEREST

MONDAY, FEBRUARY 2, 1976

U.S. CONGRESS,
JOINT COMMITTEE ON DEFENSE PRODUCTION,
Washington, D.C.

The Joint Committee met at 10:10 a.m., pursuant to call, in room 5302, Dirksen Senate Office Building, Hon. William Proxmire presiding.

Present: Chairman Wright Patman, Senator William Proxmire, Representative Leonor K. Sullivan, Representative Albert Johnson, Senator John Sparkman, Senator John G. Tower, and Representative Larry Coughlin.

Senator PROXMIRE. The committee will come to order.

Mr. Hampton and Mr. Goodman, will you please stand and raise your right hand?

Do you swear to tell the truth, the whole truth, and nothing but the truth so help you God?

Mr. HAMPTON. Yes, sir.

Mr. GOODMAN. Yes, sir.

Senator PROXMIRE. The hearing will come to order.

This week's hearings by the Joint Committee on Defense Production have been called to inquire into Federal standards of conduct and conflict of interest regulations. They are the first in a series of hearings planned for the purpose of determining whether there are adequate safeguards against the waste of tax dollars and whether there is adequate enforcement of these safeguards.

Today's hearing is the direct result of the Joint Committee's ongoing investigation of hospitality and other corporate "freebies" provided to civilian and military officials of the Government. In this phase of the investigation, we are particularly interested in the efforts of Federal agencies—and especially of the Department of Defense—to preserve the integrity of the procurement process through scrupulous observance and enforcement of applicable statutes and directives. The Joint Committee also wants to determine whether and in what ways current statutes might be improved, so that it can make recommendations to the appropriate legislative committees of the Congress.

We will be focusing in particular on the Department of Defense, not only because of the cost accounting standards provisions of the Defense Production Act, but also because the Department of Defense has by far the largest procurement budget of any Federal department or agency.

Today, however, we will hear from representatives of firms who do business with the Government. Our purpose is not to embarrass individuals. Nor is it to pillory civil servants who may have on one or two occasions shown poor judgment in accepting an attractive invitation or gratuity.

We do want to examine what appears from our inquiries to be widespread, systematic and regular efforts to influence the contracting process.

What we are talking about here is not a Christmas turkey or a couple of concert tickets. The committee's limited inquiry has uncovered numerous hunting, fishing, and skiing facilities where Federal employees may have been entertained: five in Maryland, at least three in Georgia, two more in the Bahamas, and one or more in Utah, Michigan, Colorado and Pennsylvania.

This covers only major entertainment facilities. It does not address hospitality suites at airshows and conventions, lift-off and splash-down parties, pregame brunches and a variety of other social events.

I think we are all aware that the exchange of hospitality and similar benefits is a regular part of the American business scene. No one, I believe, has suggested that this should be changed. Yet in the commercial sector there are strong disincentives, strong disciplines. to awarding contracts on the basis of good will alone.

Such may not be the case with Government contracts. Here the only protection results from clear-cut contracting regulations and statutes and hard-nosed enforcement of them.

It has been said that no one ever awarded a Federal contract on the basis of a free goose or free football tickets. That may be true. But it is not the issue.

Instead, the issue is whether good will developed through lavish and repeated hospitality can end by undermining the integrity of the Government contracting and procurement process.

There are countless ways that this can be done, and I'm sure it does happen. A contractor can obtain intelligence or advance information on Government requirements and specifications, possibly gaining an unfair advantage over his competitors.

A contractor may also use accumulated good will to get a relaxation of design specifications or of procurement regulations. These matters may seem small, but a minor change in design specifications can have a crucial impact on the outcome of a contract competition. And cumulatively, all this reservoir of good will can have major cost implications for the Government, directly and indirectly.

Unfortunately, the taxpayer never has a chance to entertain Federal officials or to take them to his favorite ski lodge, Caribbean resort, or hunting camp. Nor can he hire former contract officials to protect his interests. All he can do is pray that the Government has laws and law enforcement resources adequate to prevent undue influence in Government contracting and procurement.

The issue of corporate entertainment and influence is one where a little neglect goes a long way. Once people in and out of Government get the idea that standards of conduct regulations or conflict of interest statutes only apply to the other guy, then they become dead letters.

It is also an issue that has two sides. That is why we will hear today from witnesses both in Government and in business. Our first witness this morning will be the Honorable Robert Hampton, the Chairman of the Civil Service Commission. His Commission is required to review the adequacy of standards of conduct regulations.

Speaking for business today will be the presidents of two important aerospace contractors—Mr. Robert Anderson of Rockwell International Corp. and Mr. Thomas V. Jones of the Northrop Corp. Both firms have contracts with the Defense Department and the National Aeronautics and Space Administration. Rockwell International is easily the largest NASA contractor and was last year the 10th largest defense contractor. Northrop stands 12th among defense contractors and 19th among NASA contractors.

I'm happy to recognize the Chairman of the Committee, Mr. Patman.

Mr. PATMAN. Mr. Chairman, I would have been here earlier but I had to go by Banking and Currency in the House and get matters tended to there. We had a very important hearing going on over there.

We have discussed this hearing for some time. We look with great disfavor on what's happening on the so-called "buddy-buddy" arrangements between the contractors and the Government agencies and we don't like it and we want to look into it. Senator Proxmire has looked into this at my request. I have so many things going I can't do it for the next few months and I have to depend on you, Bill, and I'm going to do it. I have great confidence in you and I know you will do a good job. You have complete authority over the investigation process.

Senator PROXMIRE. Thank you very much, Mr. Chairman. I very much appreciate that and I can't tell you how grateful I am for your confidence and support.

Mr. PATMAN. Thank you.

Senator PROXMIRE. Mrs. Sullivan?

Mrs. SULLIVAN. No comments.

Senator PROXMIRE. All right. Then we will go right ahead with Mr. Hampton and then Mr. Goodman has a statement also, I think. Mr. Hampton, go right ahead, please.

STATEMENT OF ROBERT E. HAMPTON, CHAIRMAN, U.S. CIVIL SERVICE COMMISSION

Mr. HAMPTON. I am appearing today before your Joint Committee on Defense Production in response to your invitation that I present testimony on the background of Executive Order 11222, on the procedure used by the Civil Service Commission for approving agencies' ethics regulations, on our efforts to monitor and evaluate the enforcement of such regulations and the role we have played in the recent decisions of the Department of Defense and the National Aeronautics and Space Administration to redraft their regulations regarding gratuities and entertainment.

Executive Order 11222 prescribes standards of ethical conduct for Government officers and employees. It supplanted Executive Order

10939 which was issued in May 1971 to provide a guide on ethical standards to government officials. This previous Executive Order applied only to heads and assistant heads of Government agencies, to full-time members of boards and commissions appointed by the President and to members of the White House staff. It required each agency head to issue internal directives to assure the maintenance of high ethical and moral standards in his agency.

In May of 1965 Executive Order 11222 was promulgated for the purpose of codifying, clarifying and strengthening the standards of ethical conduct for executive branch personnel. In addition, it required for the first time the submission of financial statements by certain Federal officers and employees.

Under Section 401 of the Executive Order, the heads of agencies, some Presidential appointees in the Executive Office of the President and full-time members of boards and commissions appointed by the President, must submit confidential statements of their employment and financial interests on an annual basis to the Chairman of the Civil Service Commission. As Chairman, I receive approximately 185 such statements each year, and they are reviewed for me by the Commission's Office of the General Counsel.

Again, the filing of such financial interest statements is made mandatory by the Executive Order, and we have assumed the responsibility of ensuring that all covered officials discharge their duty in this regard. If a covered official fails to file the required statement, our recourse is to call the matter to the attention of the President.

Furthermore, I am directed to report to the President any information contained in statements required by Section 401 of the Executive Order which may indicate a conflict of interest. As a practical matter, where potential conflicts are disclosed, my General Counsel will attempt to resolve the matter directly with the appointee involved. Sometimes I will be brought in to make the initial contact, to establish a kind of Presidential appointee to Presidential appointee relationship.

The Executive Order provides that regulations must be adopted by each agency coordinated and approved by the Civil Service Commission. The Commission has issued regulations under which agency heads must promulgate ethics regulations which meet certain minimum standards. Before any agency can promulgate or modify its ethics regulations, it must submit them for the approval of the Commission. This is to assure consistency among the Federal agencies. Prior to Executive Order 11222 there had been an expressed concern about inconsistency between agency regulations.

Further, the Commission has issued regulations dealing with the submission of financial statements by certain agency employees with their own agencies. Here, too, we monitor compliance with the filing requirements and, where necessary, issue appropriate instructions to ensure compliance.

From time to time we receive complaints from Government employees and private persons alleging that there has been a conflict of interest on the part of some Government employee. Neither the Executive Order nor regulations expressly give us authority to in-

vestigate, discipline or otherwise enforce the standards set out in Executive Order 11222. Nonetheless, in such instances we ask the agency involved to investigate and send us a report on the situation.

This is the way in which we became concerned with the charge that high-ranking personnel in the Department of Defense, engaged in contracting responsibilities, had accepted entertainment from a Government contractor with extensive Defense contracts. When we heard of the charge, we wrote to the Department of Defense in May of 1975 and requested a copy of its investigative report. In October, the Department of Defense responded.

In return, my General Counsel, disagreeing with the Defense Department's handling of the matter, suggested that the cases be reviewed again. Thereafter, the Department of Defense advised us that it had sent letters of admonition to certain individuals and had modified certain of its directives to assure consistency with the Commission's standards. Our correspondence with the Department of Defense is attached to my prepared statement for your information.

Within the last year, the Commission has expanded its role under the Executive Order. As a result of an evaluation which was made in 1974, my General Counsel became convinced of a need to redefine the role of agency ethics counselors to assure compliance with agency regulations.

Agency ethics counselors have been encouraged by seminars conducted by us and by memoranda issued by us to take a leading role in executing the ethics programs of their agencies. We have advised the agencies that their counselors, and ultimately the agency head, must take full responsibility for their ethics program and that, while there may be subdelegations within a large agency, it is the agency head through his ethics counselor who must take the ultimate responsibility for the execution of the program. This effectuates the Executive Order's requirement that "Each agency head is directed to assure the availability of counseling for those employees who request advice or interpretation." This arrangement has also been given expression in the Commission's regulations, which provide that the agency head is responsible for taking remedial action.

Thus, the Commission's role is one of direct responsibility for the reviewing of financial statements from certain Presidential appointees, the monitoring of agency collection of financial statements from its employees, and the coordinating of the ethics program in general.

I have asked our Commission's General Counsel Carl F. Goodman, to expand on my comments on the Commission's involvement in the ethics program of the Federal Government.

[Prepared statement of Mr. Hampton follows:]

STATEMENT OF ROBERT E. HAMPTON, CHAIRMAN, UNITED STATES CIVIL SERVICE COMMISSION

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STATEMENT OF CARL F. GOODMAN, GENERAL COUNSEL, U.S. CIVIL SERVICE COMMISSION

Mr. GOODMAN. My name is Carl F. Goodman and I am General Counsel of the Civil Service Commission. In this capacity, I am acquainted with the Commission's role in the ethics program since that program is handled in my office and the Commission's ethics counsel is a member of my staff and under my supervision.

Under Executive Order 11222 the Civil Service Commission was directed to issue regulations which would implement the Executive Order and would become the model for the regulations on ethics to be issued by other agencies of the Government.

It is our duty under the Executive Order to serve a coordinating and monitoring role by reviewing each agency's ethics regulations before they are promulgated or modified. This was one of the basic changes brought about by the order and was designed to reach a problem of conflicting and potentially inconsistent agency regulations issued under Executive Order 10939. Still Executive Order 11222 left primary responsibility for the ethics program in the agencies themselves.

Under our regulations issued pursuant to Executive Order 11222 and which are contained in Part 735 of Title 5 of the Code of Federal Regulations, the Commission requires that any government employee who is classified at GS–13 or above and who has contracting or procurement responsibilities or is administering grants or subsidies or performing other activities of a decisional nature with an economic impact on the interests of any non-Federal enterprise, must file a statement of his or her employment and financial interests with his or her agency.

Should an agency determine that some employees below the GS–13 classification should be required to file confidential statements, the agency must justify in writing to the Commission that this is an exception which is essential to protect the integrity of the Government and to avoid employee involvement in a possible conflict of interest situation.

Chairman Hampton has reported to you that under Section 401 of the Executive Order, our office reviews for the Chairman the confidential statements of agency heads and other designated Presidential appointees. We have at times suggested that some Presidential appointees divest themselves of financial interests which could cause a conflict of interest or give the appearance of such a conflict. While we cannot force a divestiture, our advice in this area is generally accepted. If necessary, we can report any problem to the White House for action.

At times we must analyze blind trusts. Over the years, as we have gained more experience and a fuller evaluation of blind trusts, we have evolved a form which we recommend in situations where they are necessary.

We require the settlor to instruct the trustee in the trust agreement to sell any shares in companies where the statutes or regulations of the official's agency prohibit their being held by the official and not to purchase any such securities in the future. The reporting of financial interests was the major program adopted in Executive Order 11222 and it has been a mainstay of the Commission's ethics program and responsibilities.

In 1974, my predecessor became concerned that agencies were not giving the resources, energy and commitment that they should to the ethics program. Part of the reason was that the various agencies were not assigning any one official to take full responsibility for the agency's ethics program.

Too frequently the program was being handled in a casual manner and on an ad hoc basis. We came to the conclusion that a better liaison should be set up between the Commission and the ethics counselors of other agencies.

At the beginning of 1975 we arranged for the first meeting of ethics counselors of the Government. This November, we held a 2-day conference for ethics counselors. We intend to hold these seminars on an annual basis. These meetings, plus the ready availability of my office for quick response to agency requests and for the review of agency regulations, have, we believe, resulted in a heightened awareness throughout Government of the ethics program.

This role has been one which we have assumed under the Executive Order. It is in part an educational function, one designed to familiarize all employees with their responsibilities under the Executive Order.

We believe that ethics counselors in the various agencies are now a distinct group who have defined responsibilities in their agencies under the ethics program.

You have asked about our participation in the recent changes of the ethics regulations of the Department of Defense and the National Aeronautics and Space Administration. With respect to the Department of Defense, the Chairman has given you the general outline. Let me simply add that in dealing with the Defense Department it seemed to me that the large number of contracting agency officials invited to a contractor's lodge raised questions which the original investigation did not answer. I suggested further re-

view. The agency thereafter modified its regulations and issued letters of admonishment to certain individuals.

On December 29, 1975, the National Aeronautics and Space Administration sent us a proposed revision of its standards of conduct for NASA employees. The modification was sent to us for coordination and approval. The Commission's ethics counsel met with NASA officials concerning the proposals and made various suggestions.

Thereafter on January 6, 1976, NASA sent us its proposed modifications as changed and on January 9 my office approved them for publication.

The present regulations issued by the National Aeronautics and Space Administration and published on January 19, 1976, in the *Federal Register* are a substantial modification of past policy by that agency. The acceptance of gifts or entertainment from friends who deal with that agency has been eliminated and while it is recognized that in certain situations employees of NASA may participate in widely attended luncheons or dinners sponsored by professional associations, participation is permitted only when the host is an association and not a private company and only when approved by the NASA employee's supervisor as being a part of or related to his official duties. We are pleased that we were able to assist NASA in these modifications.

At the present time as a result of our own studies, our experience to date and suggestions made at the last conference of ethics counselors, we are reviewing our Governmentwide ethics regulations as well as the forms for reporting financial interests for the purposes of determining whether they need modification or revision.

In conclusion, let me note that the Commission has no authority to deal with those aspects of the ethics program arising out of 18 U.S.C. § 201 *et seq.* The Justice Department has exclusive jurisdiction under those statutes.

Under the Executive Order we have a coordinating role and an active role in the financial statement program. Recently, we have expanded our role so as to be a central point of information and expertise. We have expanded our staff and are involved in a major educational effort.

[Prepared statement of Mr. Goodman follows:]

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At the beginning of 1975 we arranged for the first meeting of ethics counselors of the Government. This November we held a two-day conference for ethics counselors. We intend to hold these seminars on an annual basis. These meetings, plus the ready availability of my office for quick response to agency requests and for the review of agency regulations, have, we believe, resulted in a heightened awareness throughout government of the ethics program. This role has been one which we have assumed under the Executive Order. It is in part an educational function, one designed to familiarize all employees with their responsibilities under the Executive Order.

We believe that ethics counselors in the various agencies are now a distinct group who have defined responsibilities in their agencies under the ethics program.

You have asked about our participation in the recent changes of the ethics regulations of the Department of Defense and the National Aeronautics and Space Administration. With respect to the Department of Defense, the Chairman has given you the general outline. Let me simply add that in dealing with the Defense Department it seemed to me that the large number of contracting agency officials invited to a contractor's lodge raised questions which the original investigation did not answer. I suggested further review. The agency thereafter modified its regulations and issued letters of admonishment to certain individuals.

On December 29, 1975, the National Aeronautics and Space Administration sent us a proposed revision of its standards of conduct for NASA employees. The modification was sent to us for coordination and approval. The Commission's ethics counsel met with NASA officials concerning the proposals and made various suggestions. Thereafter on January 6, 1976, NASA sent us its proposed modifications as changed and on January 9 my office approved them for publication. The present regulations issued by the National Aeronautics and Space Administration and published on January 19, 1976 in the

Federal Register are a substantial modification of past policy by that agency. The acceptance of gifts or entertainment from friends who deal with that agency has been eliminated and while it is recognized that in certain situations employees of NASA may participate in widely attended luncheons or dinners sponsored by professional associations, participation is permitted only when the host is an association and not a private company and only when approved by the NASA employee's supervisor as being a part of or related to his official duties. We are pleased that we were able to assist NASA in these modifications.

At the present time as a result of our own studies, our experience to date and suggestions made at the last conference of ethics counselors, we are reviewing our Government-wide ethics regulations as well as the forms for reporting financial interests for the purpose of determining whether they need modification or revision. In conclusion let me note that the Commission has no authority to deal with those aspects of the ethics program arising out of 18 U.S.C. § 201 *et seq.* The Justice Department has exclusive jurisdiction under those statutes. Under the Executive Order we have a coordinating role and an active role in the financial statement program. Recently, we have expanded our role so as to be a central point of information and expertise. We have expanded our staff and are involved in a major educational effort.

Mr. PATMAN. Mr. Chairman, I'd like to ask the witness a question I think that we should know in the beginning. This question is to you, Mr. Hampton. Are you satisfied that Executive Order 11222 is sufficient to control conflict of interest in the Federal Government? Has President Ford discussed with you the possibility of strengthening conflict of interest regulations?

Mr. HAMPTON. Well, the President has not discussed with me the question of conflict of interest regulations. The Counselor's Office in the White House has discussed with my general counsel certain revisions. I don't know what the nature of those are. He could better respond to that. The adequacy of the present regulations I think depends—we have no enforcement authority. We have no investigative authority. The onus is on the agency head to investigate and to discipline or take whatever remedial action is necessary within his own agency. I think that basically is where this responsibility belongs.

Now I think the program could be strengthened in one sense, that if we had specific authority to review those findings for adequacy, I would think that would—rather than having a cajoling role, give us more of an oversight role and might strengthen enforcement. At least it brings a third party into the situation that is not now provided in the present regulations. But my experience with enforcement in other areas is that in order to really achieve results it has to be brought home to those people in the agencies that make the decisions affecting people what their real responsibility is.

Mr. PATMAN. Has there been any discussion between you and the White House representatives about conflict of interest, conflicts of interest of defense contractors?

Mr. HAMPTON. No, sir.

Mr. PATMAN. None at all? No suggestions have been made either way?

Mr. HAMPTON. No sir. I think that our general counsel has had some conversations. I don't know what the gist of them were.

Mr. GOODMAN. I have had some general conversations with people in the Counsel's Office at the White House concerning conflicts of

interest in general. We haven't pinpointed it as to a specific area such as defense contractors and so on, and in regard to the action that we took in regard to the Department of Defense we did have a conversation with the White House before taking those actions.

Mr. PATMAN. No discussion of "buddy-buddy" arrangements between contractors and representatives of Government?

Mr. GOODMAN. No. We discussed ethics in general and conflicts of interest in general, but not specific areas.

Mr. PATMAN. Well, Mr. Chairman, since you have been designated as chairman of this investigation please proceed from here. I expect to back you up. I will be sitting in on the committee sessions when possible. I know this is an important thing, very important at this time. I wish you good luck.

Senator PROXMIRE. Well, thank you, Mr. Chairman.

Mr. Hampton, it seems apparent from your testimony, but the first thing I'd like to clearly establish is the fact that these regulations were promulgated in an official manner. They have been continuously in effect for the past 10½ years and there's never been any official communication which would indicate that these regulations have any less than their stated effect. Is that correct?

Mr. HAMPTON. That's correct, to the best of my knowledge.

Senator PROXMIRE. Now I realize that as you say you don't have any investigative authority or enforcement authority, but does the Civil Service Commission conduct any ongoing review of agency implementation of these regulations in any way?

Mr. HAMPTON. I'd like to have the general counsel answer that.

Mr. GOODMAN. Our review generally deals with the area of financial statements. For a long period of time we did not exercise any sort of continuing oversight role in that regard. Within the last year we have, in fact, begun to exercise an oversight role in regard to financial statements. We have visited various Federal agencies to look into their program regarding the filing of financial statements to ensure that in fact they are following the regulations and the Executive Order insofar as regarding the financial statements are concerned.

In regard to regulations themselves, we get involved on a regular basis with regulations as agencies change their regulations, they modify their regulations, as new agencies come into being and have to promulgate regulations. So we have a kind of continuing role there. We are attempting to become more involved through the medium of the meetings with ethics counselors who have the primary responsibility so that in these gatherings we can make suggestions for changes. We can hear their suggestions for changes in agency regulations as a general matter and attempt to deal with them on an across-the-board basis.

Senator PROXMIRE. But in general it's a self-policing mechanism where you put out a regulation but trust the agencies to enforce the regulation?

Mr. GOODMAN. That is correct. Generally self-policing.

Senator PROXMIRE. How did the inadequacy of the Department of Defense regulations escape attention for 10 years? Doesn't this indicate a lack of attention to this area?

Mr. GOODMAN. I think we have to distinguish between an inade-

quacy of the regulations and perhaps an inadequacy as to how the regulations were carried out. For example, I think if you look at the letter that we sent to the Department of Defense, we pointed out in that letter that there was a potential conflict between their regulations and our overall governmentwide regulations. It's a matter in which their regulations——

Senator PROXMIRE. When did you point that out?

Mr. GOODMAN. I believe toward the end of the letter we said to them that——

Senator PROXMIRE. But I mean, what was the date of the letter?

Mr. GOODMAN. 30th of October, 1975. This was after the matter came to our attention concerning this investigation. It was after we had received the letter, I believe, from you as well, dealing with this specific problem.

Senator PROXMIRE. Without objection, that letter will be printed in full in the record.

[Letters follow:]

MAY 14, 1975.

MR. LEONARD NIEDERLEHNER,
Deputy General Counsel, Department of Defense, The Pentagon, Washington, D.C.

DEAR MR. NIEDERLEHNER: In accordance with our telephone conversation of today, I enclose a copy of an article which appeared in the Washington Star of May 11, 1975. It reports that Northrop Corporation furnished free use of a hunting lodge to Defense personnel on 144 occasions between 1971 and 1973.

I understand from you that your Department is instituting an investigation into these allegations and that in due course, you will send me a copy of your report.

You will be interested to know that in connection with this matter we have had a telephone call from a staffer on the House Committee on Post Office and Civil Service. The Committee would like us to furnish a list of the civilian civil service employees who availed themselves of the hunting lodge, together with their status as Schedule C, Non-career assignment or competitive employees. In the course of your investigation, I would appreciate your obtaining this information for us.

Sincerely yours,

ANTHONY L. MONDELLO,
General Counsel.

GENERAL COUNSEL OF THE
DEPARTMENT OF DEFENSE,
WASHINGTON, D.C., *October 9, 1975.*

HON. CARL S. GOODMAN,
General Counsel, Civil Service Commission, Washington, D.C.

DEAR MR. GOODMAN: This forwards to you the results of our inquiry as to which Department of Defense individuals whose names appeared on the Eastern Shore hunting lodge invitation list received from the Northrop Corporation actually accepted an invitation and the relevant circumstance of their participation.

Except in those instances where the individual, as noted in the enclosed list, reimbursed his host or as in one case obtained approval from his superiors for a legislative liaison activity, such conduct is contrary to the spirit and intent of section VI.A., DoD Directive 5500.7, "Standards of Conduct," (copy attached), although not necessarily in technical violation of that Directive in view of Section VI.B.6. In general, the individuals concerned claimed that the invitations were extended by Northrop employees with whom they had a personal friendship and that they accepted the invitation on a social basis. Those sections read in pertinent part as follows:

"A. * * * DoD personnel will not solicit or accept any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value either directly or indirectly from any person, firm, corporation, or other entity which:

"1. Is engaged or is endeavoring to engage in procurement activities or business or financial transactions of any sort with any agency of the DoD; * * *

"Acceptance of gifts, gratuities, favors, entertainment, etc., no matter how innocently tendered and received, from those who have or seek business with the Department of Defense may be a source of embarrassment to the department and the personnel involved, may affect the objective judgment of the recipient and impair public confidence in the integrity of the business relations between the department and industry."

Section VI.B.6. exempts from the restrictions of paragraph A the following:

"Customary exchange of social amenities between personal friends and relatives when motivated by such relationship and extended on a personal basis."

The attached information on the individuals concerned is divided into five groups by DoD component affiliation. The position cited after each name relates to the position of the individual at the time of the invitations. The corrective action taken is outlined after each Department of Defense component listing.

The Secretary of Defense has strongly reemphasized that Department of Defense personnel must comply fully with provisions of DoD Directive 5500.7, "Standards of Conduct."

Sincerely yours,

L. NIEDERLEHNER,
Acting General Counsel.

U.S. CIVIL SERVICE COMMISSION,
OFFICE OF THE GENERAL COUNSEL,
WASHINGTON, D.C., *October 30, 1975.*

Mr. LEONARD NIEDERLEHNER,
Acting General Counsel, Department of Defense, Washington, D.C.

DEAR MR. NIEDERLEHNER: We have reviewed your letter of October 9, 1975, in which you set forth the results of the Department of Defense's inquiry into the acceptance of invitations by named military officers and civilian officials to the Eastern Shore hunting lodge maintained by the Northrop Corporation.

It appears from the attachments to your letter that most of the cases were concluded with a caution to the persons involved that they should be more careful in the future in their relationships with actual or prospective Government contractors. It was determined that insofar as the present situation was concerned the individuals were technically excused by reason of the exemption to the acceptance of gifts contained in the Department's ethics regulations for "customary exchange of social amenities between personal friends and relatives when motivated by such relationship and extended on a personal basis" (section VI.B.6).

We do not lightly interfere with the findings of another agency on ethical judgments concerning its employees. In the present situation, however, we find ourselves in disagreement with the Department's handling of the matter for at least two reasons:

1. The exemption which you have applied might be understandable in an isolated case but where as here we have numerous high ranking military officers and civilian officials, engaged in procurement for the most part, treated to the privileges of the Eastern Shore hunting lodge maintained by the Northrop Corporation, a contractor with your Department, it seems most illogical that each of the invitations was predicated on pure friendship. Executive Order 11222 specifically provides that no Government employee shall accept directly or indirectly any gift, favor, entertainment or other thing of monetary value from any corporation which has contractual or other business or financial relationships with his agency (section 201(a)(1)). The Civil Service Commission's ethics regulations which spell out the Executive Order authorize gifts only where there are "obvious family or personal relationships * * * when the circumstances make it clear that it is those relationships rather than the business of the persons concerned which are the motivating factors." 5 C.F.R. 735.202(b)(1). It is clear from the Executive Order and the Commission's implementing regulations that gifts from persons dealing with the Government are proscribed except in rare instances. The

very wholesale basis, so to speak, on which the exemption has been used by your Department in the Northrop Corporation situation thus raises questions.

2. But even if your exemption was deemed to be applicable, the favor or entertainment was not bestowed by a relative or friend but rather by the Northrop Corporation itself, a contractor with the Government. The Department's regulation recognizes "customary exchange of social amenities between personal friends and relatives." Northrop Corporation would not appear to be in either category.

While this Commission's responsibilities under E.O. 11222 may not extend to enforcement authority in the specific cases mentioned, nonetheless we do have an interest in this matter because of our Executive Order 11222 role and the potential for conflict in D.O.D. Directive 5500.7 and our regulations. Further, we understand that Secretary Schlesinger has recently taken further steps in the ethics area. Under the circumstances we strongly suggest that these cases be reviewed again. Please let us know as soon as possible of the results of your review. In addition we suggest that DOD Directive 5500.7 be amended to more closely reflect 5 C.F.R. 735.202(b)(1). Please advise us as to what steps in this regard you are taking.

Sincerely yours,

CARL F. GOODMAN,
General Counsel.

GENERAL COUNSEL OF THE
DEPARTMENT OF DEFENSE,
WASHINGTON, D.C., *December 1, 1975.*

MR. CARL F. GOODMAN,
General Counsel, U.S. Civil Service Commission, Washington, D.C.

DEAR MR. GOODMAN: This letter is in response to yours of October 30, 1975, concerning the acceptance of invitations by certain DoD personnel to attend the hunting facilities maintained by the Northrop Corp. The Department of Defense has continued its inquiry into this matter and has initiated the following actions which may be of interest to you.

Individuals who violated DoD directives by accepting gratuities from Northrop are being sent letters of admonition.

Exceptions 6 and 9 to the basic prohibition upon the acceptance of gratuities by DoD personnel (Para. VI.B., page 7, DoD Directive 5500.7) relied upon by several individuals to justify their acceptance of Northrop's hospitality, have been deleted from this Directive. (copy attached)

I trust that this satisfies your concern.

Sincerely yours,

L. NIEDERLEHNER,
Acting General Counsel.

(Page 7 of DOD Directive 5500.7 follows:)

* * * or is endeavoring to engage in business transactions of any sort with the department, a report of the circumstances will be made within 48 hours by the individual to the designee of the Secretary of the military department concerned or the designee of the Secretary of Defense in the case of DoD personnel not within one of the military departments.

5. Speciality advertising items of trivial intrinsic value.

~~6. Customary exchange of social amenities between personal friends and relatives when motivated by such relationship and extended on a personal basis.~~

7. Things available impersonally to the general public or classes of the general public such as a free exhibition by a defense contractor at a world's fair.

8. Trophies, entertainment, rewards, prizes, given to competitors in contests which are open to the public generally or which are officially approved for participation in by DoD personnel.

~~9. Transactions between and among relatives which are personal and consistent with the relationship.~~

10. The acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities of employees such as home mortgage loans.

11. Social activities engaged in by officials of the department and officers in command or their representatives with local civilian leaders as part of community relations programs.

Senator PROXMIRE. What I'm getting at is the fact that this went on for 10 years, though, without oversight correction?

Mr. GOODMAN. That's correct. I'm not familiar with any specific problem that had come to our attention dealing with it during that period of time, and also I think if you look at the directive as it was written, the directive as written didn't necessarily create a problem. I think it was the directive as interpreted in the particular situation which might perhaps be an indication of how it's interpreted in general that did create a problem.

Senator PROXMIRE. Now based on your review, could either of you give me your impression of whether either the NASA or the Department of Defense revised regulation is stricter than the other.

Mr. GOODMAN. I think the NASA regulations are more restrictive than the Department of Defense regulations.

Senator PROXMIRE. Do you have any comments as to whether NASA possibly may have been too restrictive?

Mr. GOODMAN. I think when you're dealing in the area of conflict of interest that it's a mistake to view any regulations in that area as too strict. I certainly wouldn't want to put myself on record as thinking they were too strict.

Senator PROXMIRE. Well, it's not only a matter of logical, self-protective bureaucratic attitude; it's also a matter of what is right in your view.

Mr. GOODMAN. That's correct.

Senator PROXMIRE. If anybody is kind of an ethics umpire, you're in the position of being that. What is your view as to the adequacy of the Department of Defense regulations?

Mr. GOODMAN. Well, we have approved the DOD regulations. We have approved the NASA regulations. Now that doesn't mean that those regulations should be the regulations in existence from this time and for all time forward. We have had a number of suggestions arising from the conference of ethics counselors which we will look at which may very well affect NASA and DoD regulations in general, as well as other agency regulations; but at this moment they have been the approved regulations.

Senator PROXMIRE. Mr. Hampton, there's been a great deal of publicity in the press recently about your attendance at a hunting lodge as a guest of Rockwell International. While I realize this may be a matter of personal embarrassment to you, it is a fact that you will be the only witness at this round of the hearings who was a corporate guest on a hunting trip. Therefore, your views should be of assistance to this committee.

As the chairman of the agency which approves standards of conduct regulations, don't you think your presence at this hunting lodge would convey to military officers the impression that this is a perfectly permissible activity?

Mr. HAMPTON. I don't think so, sir, because I think that, as you say, a lot depends on how the individual perceives why he is there and certainly the two things I mean—and this is looking back in hindsight but was something that was in my mind in the first place—we're not a contracting agency. We had no procurement responsibilities there. Second, the invitation for me to hunt came from a

personal friend, not a casual acquaintance but someone of many years standing that was not just somebody that I had met in connection with any Government duties. At the time that I was there I didn't meet to the best of my recollection any of these high ranking military officers that I have read about in the paper. I don't know whether they would know me or not. I certainly wouldn't perceive in the time that I was there that they could look and say, well, this abrogates all of my responsibilities under the Executive Order. They know what the rules and the regulations are and they know in their own mind. I don't know that there could be any excuse for them.

Senator PROXMIRE. But now we have a perspective on this. As I say, you're the head of the agency that approves standards of conduct regulations. If you had it to do over again, would you accept an invitation to hunt?

Mr. HAMPTON. No; I wouldn't, because when this publicity came out in the way that it was perceived, it put me in the position of having to defend against a theoretical or a hypothetical assumption that while I could do it, it isn't worth the effort and I certainly don't want to create appearances of condoning anything that other people may read into the situation.

Senator PROXMIRE. Personally, I couldn't agree with you more. I think you're absolutely correct, that you're not a contracting official, that you have no direct explicit conflict of interest with any particular defense contractor; you're not in the defense business. At the same time, you do have, indirectly of course, a relation to it because you're head of the agency that determines the regulations.

Mr. HAMPTON. I'm the head of the agency but to my knowledge, Mr. Chairman, in the 15 years going on 16 years I have been at the Commission, I don't think that I have ever approved or disapproved or suggested changes in any regulations because specifically in the regulations they go to the General Counsel. I never see them. So I think my level of awareness was probably somewhat lowered by not seeing and not dealing with this on a more regular basis.

Senator PROXMIRE. Did you accept the hospitality from any other defense contractor?

Mr. HAMPTON. No, sir.

Senator PROXMIRE. The fact is that you are the head of the agency, however.

Mr. HAMPTON. That's correct.

Senator PROXMIRE. There's no way you can get away from that.

Mr. HAMPTON. No.

Senator PROXMIRE. I beg your pardon, Mr. Goodman, go ahead.

Mr. GOODMAN. I was going to say approval of the regulations is a function of the General Counsel's office under the regulations. It's specifically sent to the General Counsel's office.

Senator PROXMIRE. When you were at the hunting lodge, did you hear anybody discussing business, aircraft, space shots, or congressional action?

Mr. HAMPTON. No, sir.

Senator PROXMIRE. Civil Service regulations prohibit any Commission employee from accepting gifts from any company whose

interests might be affected by the official actions of the employee. Could your failure to report Rockwell International's massive entertainment of Government officials be a violation of this Civil Service regulation since it affected Rockwell's interest by allowing them to continue this hospitality program?

Mr. HAMPTON. I don't think so.

Mr. GOODMAN. I don't think that comes within what the regulation is dealing with. I think the regulation is dealing with direct relationships with the agency involved. I think that interpretation would go beyond the regulation.

Senator PROXMIRE. Well, the Civil Service regulations provide—and I'll quote. It's very short and it's very simple. It says, "that no employee may accept a gift from any person or company which has interests that might be substantially affected by the performance or nonperformance of his official duty." You see, at least there's a suggestion that under these circumstances the attitude that you might have toward the regulations could be affected.

You state in your testimony, Mr. Hampton, that when a suspected case of violation of the standards of conduct is brought to your attention you refer this case to the department or agency concerned and suggest that they investigate the matter. Didn't it occur to you that Rockwell might well be entertaining active duty military or NASA officials, that it might be a good idea to report this practice or at least the possibility?

Mr. HAMPTON. It did not occur to me, no.

Senator PROXMIRE. Wouldn't it have been wise to mention this regulation to the Rockwell people?

Mr. HAMPTON. I'm sure they probably knew about the regulation. It never occurred to me to say to anyone that I was with and the people that were down there that those people might have a conflict of interest.

Senator PROXMIRE. All right; I have one or two more questions.

Let me just ask one more question and then I'll yield to other members of the committee.

Does the Civil Service Commission review or know of any conflict-of-interest regulations relating to executive interchange programs?

Mr. HAMPTON. Well, on the personnel interchange program when that was initially established, one of the key things that had to be worked out in the first year was to assure that individuals who came into the program from industry were not placed in positions where they would be dealing with affairs that would be affected by their—well, dealing with affairs in the Government that were somewhat related to the affairs of their employer whom they would be going back to after leaving their Government assignment.

Senator PROXMIRE. One more question before I yield to Congressman Johnson. There have been recent newspaper reports quite critical of the Civil Service investigation of allegations regarding favoritism in hiring toward former Rockwell employees. This investigation was undertaken at roughly the same time as your trips to the Rockwell hunting lodge. Did you personally intervene in this report in any way to soften its conclusions or recommendations?

Mr. HAMPTON. No, sir. I gave no directions. I had nothing to do with the investigation, no input into it. I transmitted the report to the Congress as we were requested to do. I have all of that correspondence. If you would like to have it, I will be glad to supply it to you. [See Appendix I, p. 133.]

Senator PROXMIRE. Fine. We would like to have that for the committee's information.

Before I yield to Congressman Johnson, we are very happy to have Congressman Coughlin join us. He isn't a member of the committee, but he is a member of the Congress and he's been very interested in this subject. I understand you would like to make a brief statement.

Mr. COUGHLIN. Thank you, Mr. Chairman. I appreciate your invitation to attend the hearings.

As the chairman knows, I have been critical of this committee in the past, as has the vice-chairman, and I'm very pleased it is holding these hearings because I think there is an important function to be performed. We daily hear of the increase, for example, in Soviet military production and certainly it's very important that the American taxpayers get every single penny's worth out of the defense expenditures in this country. I'm glad to see the committee holding these hearings and I will be having my staff monitor them. I will be here as much as I can, but I also have conflicting committee meetings and I appreciate your invitation.

Senator PROXMIRE. Thank you very much, Congressman. I think your criticism is very useful and appropriate and it will help us do a better job here and I'm very happy that you're going to have your staff watch us. That will help keep us on the ball.

Congressman Johnson?

Mr. JOHNSON. Thank you. Mr. Chairman, I think probably the purpose of these hearings is to find out what is wrong with our system of finding out and reporting and disciplining conflict-of-interest violations and I think that's quite significant. You have very frankly stated in your statement, Mr. Hampton, that neither the Executive Order nor regulations expressly give you any authority, investigative or disciplinary or otherwise to enforce the standards set out in Executive Order 11222. Now if we're going to let's say, put some teeth into this type of investigation and reporting and so forth, don't you think it would be a good idea to take it away from the agencies that are charged with the internal disciplinary action and give it to an overall nonpartisan, disinterested, objective agency that would really do the job and wouldn't be hampered by friendly relations within an agency like one person to another? Have you given any thought to strengthening the whole procedure?

Mr. HAMPTON. Well, Congressman Johnson, one of the things that I have found in enforcement is that there are over 70 agencies of Government spread out through the United States. There are certain generic statutes for those agencies which vest with the agency head authorities to discipline. Since I have been a member of the Civil Service Commission I have tripled our investigative staff and our evaluation capacity and I have run into the buzz saw of trying to enforce centrally in agencies that have their own independent au-

thorities set out in other statutes. We haven't been as successful in achieving the results even with the tripled staff in enforcement in the regular civil service area.

Now the direction that we have been going in is first having agencies strengthen their own internal investigative and evaluative capacities, and that they exercise this authority because there are serious questions of jurisdiction of our capacity to do so.

Now a law could be written. I don't think an Executive Order could be because I think that certain statutory responsibilities might conflict with the Executive Order. I think that in order to strengthen the enforcement aspects of the ethics program that the first responsibility belongs on those people who are closest to the problem, and that's the agency head or whoever he delegates the authority to. I think that if we had an authority to review that action for its effectiveness and could recommend alternate courses of action, this might be the best way to do it, or the other way is for CSC to have the investigative authority and recommend remedial actions but still leave it up to the agency head under authority vested in him in the law to take the final action. This would involve a resource implication which I have found very difficult to get when it comes to strengthening evaluation and investigation.

Mr. JOHNSON. You say there are 70 agencies. Have they all, under this Executive Order, filed a set of regulations with you that they have adopted internally within the agency?

Mr. HAMPTON. To the best of my knowledge, they have all filed with the office of the general counsel a regulation. That's the newly established agencies. I don't think there are any——

Mr. GOODMAN. I don't know of any that have not. Not each agency has its own regulations. The smaller agencies are permitted to adopt wholesale Part 735 of those Federal regulations as their agency regulations after coming to the Commission and requesting that, but I don't know of any agencies that have not filed with us.

Mr. JOHNSON. I think I have time for one more question.

Mr. Goodman, I notice you mention the fact that NASA has addressed themselves to this situation where—all of us are invited to the receptions given by nationwide associations. Right now, starting right away in Washington, every congressional office is just swamped with invitations to attend these lovely receptions given by national associations. We try to go to some of them because some of the heads of these organizations are friends that you have met over the period and they love to have Members of Congress attend these receptions.

Do you take the attitude that perhaps even a Member of Congress attending one of these national receptions that will be given between now and July 1 is an impropriety, let's say, or did NASA properly address it and say, you can attend, providing it is a national association?

Mr. GOODMAN. I wouldn't want to presume to indicate what Members of Congress should or should not do in this area. I think that the NASA regulations do allow certain attendance where you have these functions sponsored by the national association and not by a particular company. I think the problem is viewed as one of

dealing with a particular company rather than the overall association. With the overall association I guess you still have the competitive aspects. If you have the particular company I think that's where the problem arises. I take it that's why the NASA regulations deal with it in the manner that they do.

Mr. JOHNSON. Would you say that same regulation prevails in all the other 70 agencies, that it's all right for personnel to attend receptions of national associations?

Mr. GOODMAN. I don't think the same regulations apply in all the other agencies. In fact, the regulations that do apply in the other agencies are probably somewhat broader and more liberal than the NASA regulations. The NASA regulations were just recently amended to narrow the scope of attendance.

Mr. JOHNSON. Thank you. My time is up.

Senator PROXMIRE. Senator Sparkman.

Senator SPARKMAN. Mr. Chairman, let me say that I have enjoyed very much hearing the statements of both of these gentlemen. It seems to me that there must be quite a tangled affair trying to keep up with these regulations where the services issue these regulations and then each department or agency can issue regulations. It seems to me that inevitably you would run into a conflict of regulations even among the various agencies. Why could not the Civil Service Commission issue regulations that would be applicable to all Government agencies and departments across the board?

Mr. HAMPTON. Senator Sparkman, right now we couldn't because we don't have the authority to. The Executive Order spelled out that each agency would issue its regulations under general guidance that we give—I would say that it would be possible to have a central government regulation in this area and one of the purposes of 11222 was to achieve a certain degree of consistency on what was perceived to be the major issues, and the agencies then could regulate in terms of their specific requirements. But the way I see situations developing in our country, they are much different than they were in 1965, and I think all for the good, and it may be possible and certainly through the kind of regulatory process that we go through in issuing regulations we normally would make a draft of a regulation; we would consult with all interested parties and get their input; and then we analyze what these various parties have to say and then come out with a final regulation. I think it would be a possibility, but under the present Executive Order we have no authority to do it.

Mr. GOODMAN. Let me note that the chairman is right. Under the present Executive Order the agencies are specifically directed to issue regulations. This is a kind of historical situation. Under the Executive Order that you had in 1961 there was in fact no central coordinator at all. That created problems almost immediately in terms of what agencies were doing and in that regard the Civil Service Commission attempted to get together with various agencies to try and coordinate what was going on.

One of the purposes of Executive Order 11222 was to try and centralize in one place at least the reviewing function for the regulations so that we wouldn't have that inconsistency. But the

Executive Order is quite clear in leaving in the agencies responsibility to issue regulations and I think one of the reasons for that was a feeling that there might be different concerns depending upon the agency that you're involved with. For example, if you have one agency which is a major defense contracting agency, you might have different concerns in terms of the types of regulations you would have than you would have if you had an agency that was not a regulator or a major contractor. I think that's why it was left with the agencies. But, of course, it would be possible to have one set of regulations that would apply government-wide.

Senator SPARKMAN. Your agency's work, then, is primarily advisory?

Mr. GOODMAN. Advisory. We have approval authority in the sense that if an agency sends us regulations which we feel are out of line with the Executive Order we will not permit them to make those modifications and changes. Basically, it's an advisory role except when you get to the financial statements parts of the program. There, the role is substantially more than advisory. We can, in fact, go to the White House. Our role is also a bit of a cajoling role. We give advice. Most of the time our advice is accepted. So it's an advisory role. We like to think that sometimes our advice is heeded and I think it is.

Senator SPARKMAN. Thank you, Mr. Chairman.

Senator PROXMIRE. Congresswoman Sullivan.

Mrs. SULLIVAN. Thank you, Mr. Chairman.

I have two very brief questions that I would like to ask either the counsel or you, Mr. Hampton, to follow up on Senator Proxmire's first comment.

Since the Executive Order was first issued as far back, I believe, as 1961, has there been any action or any discussion of the regulations to the various agencies by the Civil Service Commission in regard to standards of conduct regulations prior to last fall's hunting lodge disclosures?

Mr. GOODMAN. I think the answer to that is yes. Let me note, Mrs. Sullivan, that the original Executive Order was issued in 1961. The Civil Service Commission was in fact, as I guess you would say, the instigator, if you will, of the amendments to the Executive Order which then became Executive Order 11222. But approximately a year ago we hired a full-time attorney to act as ethics counselor in my office. We began at that point to have contacts with the various agencies involved and to try and get a dialog going between the ethics counselors at the agencies and ourselves as to modifications, changes that might be required in the ethics area. So I think the answer to the question would be, yes, there were discussions before last fall.

Mrs. SULLIVAN. And you, as counselor, have advised the counsels of these other agencies as to procedures?

Mr. GOODMAN. I have met with them. The ethics counselor of our agency has met with them. We have an ongoing relationship with them. We are hopeful that that relationship has not only heightened their awareness of the ethics program but has also resulted in feedback both ways as to perhaps ways of strengthening the program.

Mrs. SULLIVAN. Was there any discussion at those times about invitations to people who have the responsibility of letting contracts?

Mr. GOODMAN. If my recollection is correct, that is not the sort of problem that we have encountered. There was discussion about the question of accepting payments from various organizations, companies, and so forth for people from agencies to go and speak to those organizations and agencies and the question of conflicts of interest involved in that sort of program. There were discussions of that.

Mrs. SULLIVAN. And, Mr. Hampton, if accepting hunting lodge invitations does not violate standards of conduct, what does? What else would be assumed to violate proper standards?

Mr. HAMPTON. Well, I think that it depends all on the circumstances of each individual case. I think in many cases because that's what a conflict is, and it would be hard to generalize and I know Dr. Low in NASA talked to me about their internal investigation and all the difficulties that they were having in ascertaining in each individual case was there a conflict. If there was a conflict, was it a gross conflict or an error of judgment or what? And I think that it really boils down to the application of what is in the rules and regulations in each individual case.

Mrs. SULLIVAN. Is it a question mostly of appearance, rather than of integrity? Is it a form of flattery to agency officials to have been invited to attend such things, feeling that they are only being invited because of themselves, not because of what they represent or the jobs they hold? This has been going on for a long, long time.

Mr. HAMPTON. Would you phrase that question again? Is it a matter of flattery?

Mrs. SULLIVAN. Yes. If agency officials are invited to spend a week or a weekend at a hunting lodge and are entertained lavishly and so forth, would they generally accept this as a flattering idea that they are being invited for their own congenial company and for their own entertainment and not for what that individual represents to the company doing the inviting? That's put rather clumsily, but I think you get the idea.

Mr. HAMPTON. I think it would all depend on the individual and the circumstances and the reasons why they were invited. I think that's a question which should be addressed to those who made the invitation.

Mrs. SULLIVAN. I think any of us who have been up here no more than a year would know that we are not always being sought after just for our personalities.

Mr. HAMPTON. Oh, I agree with that very much. I see that in the numerous invitations that come that I never knew who the person was or what it was about or anything and I know that when you accept an invitation to a dinner and someone stands up to be introduced you wonder then. But I learned that when I was in the White House staff many years ago and I told my wife, I said: "Don't let any invitations go to your head, because the only reason you're being invited is the job that I'm in, and not because of who you are."

Mrs. SULLIVAN. I think we all know that. One last question: How would you judge your own conduct, Mr. Hampton?

Mr. HAMPTON. Well in the first place, the person who asked me to go hunting was a friend of mine long before North American Aviation ever leased the hunting rights to Wye Island. In fact, we have our own hunting group which rents our own place to hunt. We build our own blinds. We do all of our own work and when my friend's company leased the hunting rights there he asked me and other members of our hunting club to go over there. It was a very personalized thing and I had nothing to do or no way could I help his company and if there had been the slightest hint of that I wouldn't go. I have probably two of the largest contracts in the Government in terms of the insurance industry and I have never even had a cup of coffee with those people.

Mrs. SULLIVAN. Thank you very much.

Senator PROXMIRE. Senator Tower?

Senator TOWER. No questions.

Senator PROXMIRE. Well, thank you very much, gentlemen. We appreciate your testimony.

Our next witness is Mr. Robert Anderson, president of Rockwell International Corp.

Mr. Anderson, we are happy to have you. If you would identify the gentleman who is with you for the record and proceed with your statement. Before you do that, let me go through the formality that is a matter of policy here. Will you rise, gentlemen and raise your right hand?

Mr. ROSCIA. I am here as counsel but I would be glad to do it. I wasn't appearing as a witness.

Senator PROXMIRE. Will you gentlemen promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ANDERSON. Yes, sir.

Mr. ROSCIA. Yes.

Senator PROXMIRE. Go right ahead with your statement.

STATEMENT OF ROBERT ANDERSON, PRESIDENT, ROCKWELL INTERNATIONAL CORP., ACCOMPANIED BY JOHN J. ROSCIA

Mr. ANDERSON. My name is Robert Anderson. I am president and Chief Executive Officer of Rockwell International Corp.

Rockwell is a major multi-industry company engaged in automotive, consumer, electronics, industrial and aerospace operations. The company was formed through the merger of North American Aviation, Inc., and Rockwell-Standard Corp. in 1967.

Rockwell's total sales last year were approximately $5 billion, of which about 38 percent were to the Government. This may be contrasted with total sales of about $2.4 billion, of which about 74 percent were to the Government at the time of the merger.

The company employs about 123,000 people throughout the United States and abroad, of which about 45,000 are engaged in work for the Government.

I am appearing in response to a request from the vice chairman to express our views on certain issues which the Joint Committee is examining. These are corporate policies regarding entertainment and gratuities and contractor hiring of former Federal officials, the

magnitude of programs in these areas and the benefits which accrue to companies from such relationships, as well as their impact on Standards of Conduct Regulations and Conflict of Interest Laws. We are pleased to cooperate with the committee in this regard. It is our understanding that in today's hearing it is not the Joint Committee's intention to explore the details of corporate programs or cost claims.

Let me address myself first to the question of the company's policy regarding entertainment and gratuities. These words, of course, may mean different things to different people. Our company, like every company that I have ever heard of, engages to some extent in activities that may be regarded as falling in this category, but it has been the company's long-standing policy that such activities will be kept to a minimum and within the bounds of common courtesies consistent with ethical business conduct and with applicable laws and regulations, including DOD and NASA regulations.

I think that some entertainment is a normal and usual concomitant of commercial business relationships, and that it serves useful purposes. I suggest that it also serves useful purposes in the relationships between Government contractors and agencies of the executive branch. I believe it significant that the applicable Executive Order and the DOD and NASA regulations included numerous exceptions to the general prohibition against entertainment and gratuities.

Among the exceptions which the Executive Order indicates may be appropriate are "acceptance of food and refreshments available in the ordinary course of a luncheon or dinner meeting or other meeting" and situations involving "personal relationships where the circumstances make it clear that it is those relationships rather than the business of the persons concerned which are the motivating factors." So far as I am aware, these exceptions and some of the others embodied in agency regulations have not been defined in detail.

As an example, the DOD regulations have permitted acceptance of entertainment, gratuities, et cetera, in situations "in which, in the judgment of the individual concerned, the Government's interest will be served by participation by DOD personnel in activities at the expense of a defense contractor," provided an appropriate report is made by the DOD individual involved.

For these reasons the regulations may well have been construed more broadly than intended and resulted in commonly accepted practices which were not thought to be improper under the regulations. Moreover, so far as I am aware, there were no statements by the procurement agencies or others alerting the industry or suggesting the possibility that these regulations were being too broadly construed.

I cannot comment on the magnitude of entertainment and gratuities by the industry. With respect to our company, I would like to emphasize that lunches and dinners have constituted the great preponderance of our activities. Other courtesies are also extended. For instance, we have invited visitors from Federal agencies to sports, cultural and social events and to hunting facilities, but I believe these would be found to be a minor part of the total.

The company has also had hospitality suites in connection with industry and professional association meetings and similar gatherings. These suites are in support of gatherings sponsored by such associations and our guests include not only Federal agency officials and employees, but also company people and many persons from other companies and organizations. Rockwell is also called upon by various organizations to support banquets or similar functions by purchasing tickets. Sometimes agency personnel are guests, and at other times guests are from the commercial sector. Overall, however, it is my impression that this has been a relatively minor activity.

I would now like to address the issue of the benefits which may accrue from entertainment.

First, let me say that the main thrust of our efforts as an aerospace contractor is to operate successfully in a highly competitive environment and to perform the programs for which we have responsibility in the most effective way possible. Most of the programs in which we are engaged are complex and difficult, and the Government is a demanding and tough customer. We have no illusions regarding the means to success. Essentially, they are three: management competence, technical superiority, and effective cost control. Our whole company is dedicated to success through these means. I think our accomplishments in this regard have been notable, and our people can be justly proud of their achievements in the performance of a number of complex programs for the Government.

In contrast, entertainment is certainly not essential to successful accomplishment of Government business. Yet I think it is fair to note that it affords a benefit just as it does in connection with commercial business.

It provides an opportunity to get to know better the people with whom we are working and to achieve a better understanding of mutual problems.

In short, it is one means of approaching what we are all striving for in our complex society, improved communications.

While suggesting that there is this beneficial result, I want to emphasize that it is not the company's purpose in proffering entertainment to influence any agency official or employee with respect to the manner in which he discharges his duties on behalf of the Government. It is inconceivable to me that any such official or employee would be so influenced by a luncheon or dinner or by an invitation to attend a football game or by a visit to a hunting facility.

Indeed, the procurement process, particularly in the aerospace industry, is such that personal associations have little or no significance. In the environment of recent years, procurement decisions are the result of carefully documented analyses which, by the very nature of the highly regulated procurement procedures, are based on extensive technical, cost and management data. This requirement of documentation which the Government always requires, is prevalent not only in connection with major procurement decisions, but, so far as I have experienced, in the frequent determinations which have to be made in the course of program performance.

I appreciate that the ultimate question before this committee and the Congress is whether new laws should be enacted on this general subject.

My own view with respect to that question is that entertainment should not be barred categorically because, as I have indicated, I believe it has some value. I do believe that it would be desirable if there had been more explicit definitions of those activities which are permitted and those activities which are prohibited in order to avoid any inadvertent breach of the spirit and intent of the applicable Executive Order and the agency regulations. I welcome the steps that have recently been taken by DOD and are currently being taken by NASA to clarify the meaning and intent of the regulations. I want to assure you of our intention to comply fully.

I turn now to the other subject referred to in the vice chairman's letter, the company's policy on the hiring of former Federal officials.

I can state our position very simply. It is our policy to consider former Federal officials for positions for which they may be qualified. This policy, I believe, is consistent with the policies of our Government which do not prohibit the employment by Government contractors of a former Federal official merely because of his prior Government service. Indeed, I would think a Government contractor might be subject to criticism if he were to discriminate on this basis. Moreover, a Government contractor might thereby be denied valuable talents in performance of difficult tasks.

There are, of course, statutory provisions relating to the hiring of former Government officials and our personnel people are mindful of them in implementing our employment policy.

I understand that the committee is interested in the impact of employment of former Federal officials by Government contractors. Based on my experience at Rockwell, I do not believe such employment has adversely affected the Government. Obviously, our hiring qualified, experienced people improves our products and performance, but it does not give us any improper advantage or influence in our dealings with the Government. There are two factors on which I would like to comment in this connection.

First, for the reasons I mentioned earlier, the procurement process is so highly regulated and controlled that previous associations can have little or no weight.

Second, constant changes in technologies, requirements, policies and personnel make it likely that the insights that a former official may have into the affairs of an agency for which he worked will be of little relevance within a short time after he leaves Government service. Thus, the emphasis in hiring former Government officials has to be on their qualifications to perform duties and responsibilities for the company rather than assuming that information gained in Government service will be of any long-range utility.

I would like to add that my personal view is that the public interest would be better served if more, rather than fewer, of the many able management and technical men and women within the Government would join industry. With the program challenges all of us face today, we can use good people who are experienced, capable and dedicated to achieving our national space and defense goals.

Finally, I want to express my concern that industry's performance on the programs for which it has responsibility may be adversely affected if it becomes more difficult to attract able and experienced people from industry to Government. Public service, and particularly public service by capable people willing to do so for the productive periods in their career, should be encouraged and supported. Restrictions beyond those presently in effect that would make employment with a Government contractor more difficult after Government service are not, in my judgment, in the Government's long-term interest.

I appreciate the opportunity given me to make this brief statement of our company's views on these important questions. I would be pleased to answer any question the committee may have or to elaborate upon my statement.

[Prepared statement of Mr. Anderson follows:]

STATEMENT OF ROBERT ANDERSON, PRESIDENT, ROCKWELL INTERNATIONAL CORPORATION

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I think that some entertainment is a normal and usual concomitant of commercial business relationships, and that it serves useful purposes. I suggest that it also serves useful purposes in the relationships between Government contractors and agencies of the Executive Branch. I believe it significant that the applicable Executive Order and the DOD and NASA regulations included numerous exceptions to the general prohibition against entertainment and gratuities.

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I appreciate that the ultimate question before this Committee and the Congress is whether new laws should be enacted on this general subject. My own view with respect to that question is that entertainment should not be barred categorically because, as I have indicated, I believe it has some value. I do believe that it would be desirable if there had been more explicit definitions of those activities which are permitted and those activities which are prohibited in order to avoid any inadvertent breach of the spirit and intent of the applicable Executive Order and the agency regulations. I welcome the steps that have recently been taken by DOD and are currently being taken by NASA to clarify the meaning and intent of the regulations. I want to assure you of our intention to comply fully.

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First, for the reasons I mentioned earlier, the procurement process is so highly regulated and controlled that previous associations can have little or no weight.

Second, constant changes in technologies, requirements, policies and personnel make it likely that the insights that a former official may have into the affairs of an agency for which he worked will be of little relevance within a short time after he leaves Government service. Thus, the emphasis in hiring former Government officials has to be on their qualifications to perform duties and responsibilities for the Company, rather than assuming that information gained in Government service will be of any long-range utility.

I would like to add that my personal view is that the public interest would be better served if more—rather than fewer—of the many able management and technical men and women within the Government would join industry. With the program challenges all of us face today, we can use good people who are experienced, capable and dedicated to achieving our national space and defense goals.

Finally, I want to express my concern that industry's performance on the programs for which it has responsibility may be adversely affected if it becomes more difficult to attract able and experienced people from industry to Government. Public service, and particularly public service by capable people willing to do so for the productive periods in their career, should be encouraged and supported. Restrictions beyond those presently in effect that would make employment with a Government contractor more difficult after Government service are not, in my judgment, in the Government's long-term interest.

I appreciate the opportunity given me today to make this brief statement of our Company's views on these important questions. I would be pleased to answer any question the Committee may have or to elaborate upon my statement.

Senator PROXMIRE. Thank you very much, Mr. Anderson.

Mr. Anderson, this committee has heard reports that your company has maintained hunting lodges or other entertainment facili-

ties in various places and I would like to determine whether that's the case and if you could tell us whether or not you have entertained any Government officials at any of these lodges—in the first place, Georgia?

Mr. ANDERSON. We in the past have had a hunting lodge in Georgia. It came to North American through the acquisition of or the joining of Rockwell Standard. It had been one of their facilities used for commercial purposes. They do some peanut harvesting and some lumbering down there, but it is an excellent quail hunting country and it has been used for hunting by our commercial customers. On occasions when we had it Federal officials have been invited. We no longer have it. It was sold in 1974.

Senator PROXMIRE. It was sold in 1974. You no longer have it?

Mr. ANDERSON. That's right.

Senator PROXMIRE. Arkansas?

Mr. ANDERSON. I know of no facilities in Arkansas. [See Appendix II (C), p. 160.]

Senator PROXMIRE. Farmington, Pa.?

Mr. ANDERSON. Farmington, Pa., we do not own that facility. Our company does not own that facility. We have taken guests there on infrequent occasions and among those guests we have had Federal officials.

Senator PROXMIRE. And that is owned by an official of your company; is that correct?

Mr. ANDERSON. The facility is the home and the hotel on the premises and the hunting facilities are owned by an official of our company, yes.

Senator PROXMIRE. Is it still being used for entertainment of Government officials?

Mr. ANDERSON. No. I don't believe we have had anyone there in the pay—in this hunting season; let me put it that way.

Senator PROXMIRE. In this hunting season. What would that be?

Mr. ANDERSON. I would guess around early in November some time.

Senator PROXMIRE. The Tahitian Village Condominiums in Downey, Calif.?

Mr. ANDERSON. We have no facility there that I know of. Well, I read a story last week by Jack Anderson regarding all sorts of wild parties and other allegations down there, which I think is very unfair.

Senator PROXMIRE. How did that relate to you? Did you—I shouldn't say you—did any official of your company or did your company itself, as a corporation, own any facilities there and use it for entertainment?

Mr. ANDERSON. No, sir; not to my knowledge. I'd better put that in, but I'm almost certain that we have no ownership in Tahitian Village.

Senator PROXMIRE. How about leasing or renting?

Mr. ANDERSON. We may have rented a room for the night for an executive that's in that area to stay there and we have held receptions there for large groups of people.

Senator PROXMIRE. Not more than just a night or weekend?

Mr. ANDERSON. As far as I know, that's correct.

Senator PROXMIRE. Labrador?

Mr. ANDERSON. I know of no facilities in Labrador that we own. [See Appendix II (C), p. 160.]

Senator PROXMIRE. Bimini?

Mr. ANDERSON. We do have a facility in Bimini.

Senator PROXMIRE. And has that been used to entertain public officials?

Mr. ANDERSON. That, too, was—came to North American through the Rockwell Standard merger. It was primarily used for entertainment of commercial customers. On occasions, there have also been Federal officials there.

Senator PROXMIRE. In the past year? Were Federal officials entertained in the past year?

Mr. ANDERSON. I would say in the past year, yes.

Senator PROXMIRE. How about Cat Cay?

Mr. ANDERSON. Cat Cay is a facility we have just acquired and it's our intention that it will be—it's a small facility. It will be a replacement for Bimini which has been up for sale for some time. In anticipation of selling it, we are concentrating on Cat Cay.

Senator PROXMIRE. Are there any other facilities that I haven't mentioned that you have rented or are available to you for this purpose, or leased?

Mr. ANDERSON. There may be other facilities that are used by our commercial organizations. In Detroit, they may have rented a duck marsh for a day or two that I'm just not familiar with, but we don't own any other facilities except a small facility in Ohio used for commercial customers only.

Senator PROXMIRE. And have you leased these facilities for longer than, say, a week or two?

Mr. ANDERSON. I don't believe so; no, sir.

Senator PROXMIRE. Now will you provide for the record full details as to the type or the types of entertainment provided, names of DOD or NASA officials who were entertained, cost of operating the facilities, et cetera, for any of the previously mentioned locations at which you have or had facilities?

Mr. ANDERSON. Let me make sure I have the information.

Senator PROXMIRE. I suppose you don't have that at the top of your head. If you do, we would be happy to accept it.

Mr. ANDERSON. We have attempted to be responsive to the DOD request for information on this. We have no names of people at the Wye Island facility, which was the specific question we received. We do not keep names. At least within the past 3 years we have not kept names.

Senator PROXMIRE. Is this a deliberate policy of not keeping the names of the Federal officials you entertain?

Mr. ANDERSON. It is our policy, yes.

Senator PROXMIRE. Would it be possible to reconstruct that? There must be some knowledge of who they were.

Mr. ANDERSON. Well, we were not requested—we were asked if we would provide the names of those people that were entertained with respect to Wye Island.

Senator PROXMIRE. We are making a new request now and you will do your best to reconstruct the people who were entertained by your corporation who were public officials?

Mr. ANDERSON. We will certainly go through it.

Senator PROXMIRE. And provide that for us?

Mr. ANDERSON. Is that the request of this committee or is it a request from the DOD?

Senator PROXMIRE. I'm asking for that.

Mr. ANDERSON. We will do whatever we can to answer your letter which we received along that line prior to this.

Senator PROXMIRE. And the cost data also?

Mr. ANDERSON. Cost, I think I can tell you. We will furnish the cost along with the other.

[See Appendix II (B), p. 155.]

Senator PROXMIRE. Who suggested arranging for entertainment of Government officials at hunting lodges and when was this suggestion first made?

Mr. ANDERSON. I don't believe I can fully answer that question because the Wye Island facility was first leased before I was involved in that end of the business. I believe the suggestion came from one of our former aerospace officials that had previous experience at Wye Island that it was a fine facility. Our management at that time considered it and approved the lease, which is a year by year lease through the hunting season. It was not leased, to the best of my knowledge, to entertain Federal officials as a primary goal. It was also used to entertain those people with whom we do business in the commercial sector.

Senator PROXMIRE. You do business, as you testified—38 percent of your business is done, millions or billions of dollars, with the Federal Government, so it's a very important part of your business.

Mr. ANDERSON. It certainly is.

Senator PROXMIRE. And I presume that, on the basis of the record, there have been substantial numbers of Federal officials who have been entertained at your various facilities. So who suggested that this facility should be used?

Mr. ANDERSON. Well, as I say, this was before I became involved, but it was suggested by one of our former aerospace executives no longer with the company.

Senator PROXMIRE. Did you or Mr. Rockwell approve it or did you have knowledge of it?

Mr. ANDERSON. The company management approved it at that time. I don't know of any specific individual approving it.

Senator PROXMIRE. Were you aware at the time you decided to entertain Government officials at hunting lodges that this might place your guests in violation of departmental regulations?

Mr. ANDERSON. I don't think so. I think probably a hunting lodge may have a little more exotic ring to it than some other forms of entertainment, but from a pure cost standpoint once you have made up your mind you're going to lease the facility for the year, 80 percent of your costs are sunk and then the individual cost of a guest is modest and it's certainly in line with an evening at the theater or attending a football game, and I think that hunting—I think it's

a very popular sport among certain men and I can't see anything wrong with it.

Senator PROXMIRE. Wouldn't this place your guests in a position of violating a departmental regulation?

Mr. ANDERSON. We did not feel that in offering it, as I said in my prepared testimony, it was not within the exceptions which are permitted by the rather murky rules. In my own case, I joined this industry, the aerospace portion of it, some 6 or 7 years ago. I had been used to a certain amount of entertaining in the automotive business as common—trade associations, dealer associations, manufacturing associations, et cetera, and I found that the aerospace business pretty much paralleled the automotive business. There were numerous hospitality suites in association with various meetings. There were parties—I should say receptions would be a better word, I guess, with hors d'oeuvres and refreshments on the occasion of government or Federal officials leaving office or joining office. We and our competitors have all had hospitality suites or participated in hospitality suites. There have been, as you suggested, parties—splash-down parties. So I have felt that this was the norm within the business and I saw nothing improper and I think our people who are more familiar with these regulations than I am felt they were not improper.

Senator PROXMIRE. Who was authorized in your company to invite Federal officials?

Mr. ANDERSON. Generally, it would be at least approved by the presidents of our various operations.

Senator PROXMIRE. Are the invitations in writing?

Mr. ANDERSON. I'm not familiar in detail with the invitations. I would imagine most of them are verbal.

Senator PROXMIRE. Don't these officials keep files?

Mr. ANDERSON. Not with these names, so far as I know.

Senator PROXMIRE. Why not? Is it a policy not to keep files?

Mr. ANDERSON. It's the policy, although there are exceptions, of not keeping names, as I said, arrived at, as to Wye Island, some 3 years ago. It's based on the fact that these costs are not acceptable under government contracts, cannot be charged to government contracts, and there seemed to be no reason to keep a record.

Senator PROXMIRE. Are these tax deductible?

Mr. ANDERSON. It's my understanding that the Internal Revenue has not permitted these costs to be deducted for tax purposes.

Senator PROXMIRE. Have you made any effort to have them deducted for tax purposes?

Mr. ANDERSON. I think, as I understand it, our tax department has claimed them.

Senator PROXMIRE. The tax department has claimed them?

Mr. ANDERSON. Yes.

Senator PROXMIRE. Then you must have records. You must have a base on which you can make a claim.

Mr. ANDERSON. They have claimed them. As far as I know, in most cases, there are no records. Let me qualify that. These costs would appear on our regular expense account form and the expense account form, of course, is used for all our travel and any incidental

entertainment, but in the case of the Federal officials we generally don't keep the names.

Senator PROXMIRE. Can you tell us how much of a claim you made with respect to entertaining Federal officials?

Mr. ANDERSON. No. I don't have that information.

Senator PROXMIRE. You testified that you did try to claim that deduction?

Mr. ANDERSON. Our tax department has.

Senator PROXMIRE. And you did it without keeping records. It seems to me that a very efficient firm like yours and a very successful businessman like you would recognize that if you're going to make a claim against the IRS that you'd better have a record to back it up.

Mr. ANDERSON. I'm not a very good tax lawyer and I don't really know the background of this matter.

Senator PROXMIRE. Why wouldn't it be a fair conclusion that you deliberately followed the policy of not keeping records so that you could conceal who you were entertaining? Wouldn't that be a logical conclusion in view of the fact that you have testified now that you did make an effort to subtract this from your income in computing your tax and reduce your tax?

Mr. ANDERSON. It's my understanding, first of all, it's never been allowed by IRS. As I say, I don't believe I am qualified to comment on why our tax people do some things they do. The reason the records were not kept is that it's—we do not get credit for this on our contract or our taxes. There seems to be no point in keeping additional records.

Senator PROXMIRE. Will you check for the record and tell us how much you attempted to have deducted as entertainment of government officials, deducted from your income for tax purposes?

Mr. ANDERSON. We will do our very best to find the answer to that question and at the same time try to determine whether my understanding that it was not allowed is correct and whether any was in fact allowed.

[Additional information submitted for the record follows:]

There is one additional matter on which I would appreciate the opportunity to supplement the record. As the corrected transcript of my testimony indicates, I undertook to try to determine whether my understanding that the Internal Revenue Service had not allowed deductions for entertainment of Government officials was correct and whether any in fact had been allowed. This matter has now been reviewed, and I am advised by our tax people that for the Company's fiscal year 1971 (the most recent year that has been audited) and for several previous years the Internal Revenue Service, while generally taking the position on audit that expenditures for entertainment involving Government employees (and the expenditures for Company employees and other non-Government personnel present on those occasions) were not allowable, has allowed some claimed deductions for certain items such as business lunches for which the average cost per person present did not exceed $5, cost of hospitality suites and some other items.

Senator PROXMIRE. I'm going to yield in just a minute, but in your prepared remarks you stated that the DOD regulations have permitted acceptance of entertainment, gratuities and so forth in situations "in which, in the judgment of the individual concerned, the government's interest will be served by participation of DOD

personnel in activities at the expense of a defense contractor." I would like to point out that this seems to be a misreading of this regulation, since it specifies that the invitation must be addressed to and approved by "the employing agency of the DOD." Are you trying to suggest that the invitations to hunt on the Eastern Shore were all approved by higher DOD officials?

Mr. ANDERSON. No, sir. I'm not saying that at all.

Senator PROXMIRE. Isn't that a misreading of the regulations?

Mr. ANDERSON. Well, I don't know. I'm not in complete knowledge of all of these regulations. There's quite a stack and I'm sure we can go back and review them.

Senator PROXMIRE. Well, as you know, a number of DOD people have been admonished and NASA people have been reprimanded. Don't you think you should have been aware of those regulations?

Mr. ANDERSON. Well, I think we were. I think generally I'm aware of them and I think our people that are more directly involved in this area are probably aware in much more detail than I am.

Senator PROXMIRE. Before I yield to Chairman Patman, let me ask you this question. This exception also refers to types of activities that may be permissible. It specifies that these activities would include only public events such as ship launchings or events that are "sponsored by or encouraged by the government as a matter of U.S. defense or economic policy." Are you suggesting that the Department of Defense may have encouraged the participation of personnel in such hunting trips as a matter of defense policy?

Mr. ANDERSON. No. I'm suggesting that as to many of the official occasions—I shouldn't say official occasions—occasions sponsored by trade associations, technical associations, electronics associations with regard to hospitality suites or acceptance of a table at dinner.

Senator PROXMIRE. Are you going to continue to entertain Federal officials at your various resorts?

Mr. ANDERSON. We received Secretary Clement's letter about a month ago. I issued instructions to all of our operating executives that we will cease any entertainment of any type except that which is clearly spelled out, and there's no question about it, and that's the way we're operating right now and we will continue to operate that way.

Senator PROXMIRE. I have some more questions, but I will yield to Chairman Patman.

Mr. PATMAN. I will be very brief, Mr. Anderson. You talk a great deal about improving communications. I am very much interested in what you say about that and I expect to read everything that you say, but you think communications are improved, particularly official governmental communications, when they are out in the open in the files for everyone to see or do you really feel you can communicate only in secret at a hunting lodge?

Mr. ANDERSON. Well, the hunting lodge is one area and I think a minor but certainly important one to the total concept that I'm trying to address myself to. I'm talking about communications between people that are working morning, noon and night in major programs such as the part that our company played—and we are

very proud of putting a man on the moon. This program went on well over 10 to 15 years. It involved very dedicated people from NASA and within our company, together with the astronauts, working in some tight cases in crucial parts of the program around the clock. I think communication between those people when—you know we're not selling commodities or tires or something like that. We're selling know-how on the fringes of technology and I think it's very important that these people be allowed to communicate, that when they work together to this extent that they can go have a drink and dinner together. I can see nothing wrong with that and I think the conversation they may carry on during that occasion can help to communicate, can help better understand our problems.

Mr. PATMAN. Even though it's only done in secret? Why can't public officials discuss this—communicate—right out in the open?

Mr. ANDERSON. I don't understand "in secret." We do nothing in secret.

Mr. PATMAN. Well, a hunting lodge is not exactly the place for an "open meeting." Let me ask you something else—do you know anything about the Business Round Table in New York?

Mr. ANDERSON. I know of it. I'm not a member.

Mr. PATMAN. Are you a member?

Mr. ANDERSON. No, sir.

Mr. PATMAN. Is anybody in your company a member?

Mr. ANDERSON. I believe our chairman is a member, yes.

Mr. PATMAN. He's a member. That's the round table that has—you have to pay dues, about $35,000 a year, just to sit at that round table; is that right?

Mr. ANDERSON. I'm not really——

Mr. PATMAN. That's what it is.

Mr. ANDERSON. I have never been to a meeting. I don't know exactly what they discuss or what their dues are, to be honest.

Mr. PATMAN. They discuss things like trying to defeat the audit of the Federal Reserve. That's what they discuss. And they oppose—they are against most of the progressive legislation that we have up here. Dr. Burns of the Federal Reserve seemed to have been their chief lobbyist on the audit bill and we discovered that these dues ran up to $35,000 a year and the expenses were paid by the companies they represented. If you were a member or your president is a member, he, of course, pays his part of the expenses from the company. Is that your understanding?

Mr. ANDERSON. Yes, sir. I think that's true.

Mr. PATMAN. And that runs into a lot of money and don't you think that there's some doubt about the wisdom of having companies like that use corporate funds in order to influence passage or defeat of important legislation in the interest of the people?

Mr. ANDERSON. Well, I find it very difficult, Mr. Chairman, to comment on this because I'm not really—I have never been to a meeting and I don't know what they do, but I think, in general, business associations have a beneficial effect in that at least it allows their voice to be heard as contrasted to all the other voices which seem to be against business these days.

Mr. PATMAN. I shall not pursue the questions further at this time, but I shall reserve the right—and I hope that you will cooperate

with me in submitting questions I'd like you to answer. [See Appendix II (E), p. 174.]

Mr. ANDERSON. All right, sir.

Mr. PATMAN. And you will to the best of your ability answer for yourself and your company or those available in your company that can answer it; is that right?

Mr. ANDERSON. Yes, sir.

Mr. PATMAN. Okay. Thank you.

Senator PROXMIRE. Senator Tower?

Senator TOWER. Thank you, Mr. Chairman.

Mr. Anderson, I think that you have presented a good, fair statement. I think that a lot of these things are well known. I know how companies operate because I was a member of the Armed Services Committee. I have been to air shows, Air Force Association gatherings, and things of this sort. I understand that this kind of entertainment is perfectly normal. I don't think anybody is unduly influenced by it because everybody does it; it's just a part of the competitive world. I think that when somebody in Government is invited to some sort of function sponsored by a defense contractor that the burden falls on the person who is invited to know what the regulations are and know whether or not he can, consonant with the regulations, accept this kind of hospitality. So I don't think that the burden falls on the company involved.

It's my observation that most of the defense contractors bend over backward trying to keep out of hot water rather than trying to get into it. I might say that I myself have been the beneficiary of hospitality by Mr. Rockwell from time to time, usually in connection with the fact that we are both national officers of the same college fraternity and, to my knowledge, he has never asked me to do anything for Rockwell. As a matter of fact, I have opposed that company on a couple of contracts that I thought should go elsewhere for programatic reasons. I think that these things are not a question of any real influence but rather very often these personal associations grow up after a company has already gotten the contract. Then they get to know the people who are involved on the DOD side. Then there's little continuing value to the company from the standpoint of maintaining these relationships with these people because of the enormous turnover in the Department of Defense.

I don't see anything untoward here in these company activities. I think that Mr. Anderson has presented a fair statement. I think he represents a highly reputable company, one that is a reflection of the American free enterprise system. Mr. Rockwell's father started the company on a shoestring, built it from scratch by virtue of his own ability, and Mr. Rockwell subsequently has expanded it through tremendous managerial and corporate talent. I think it's the kind of national asset that we should be glad to have. And I have no questions to ask of Mr. Anderson.

Senator PROXMIRE. Let me ask you, Mr. Anderson, did any officials of the DoD or NASA contact Rockwell International before these forms of entertainment came to light to remind the company of the provisions contained in the standards of conduct regulations and suggest that you not entertain Government officials?

Mr. ANDERSON. Not to my knowledge. As I said earlier, I had expected that this was pretty much the norm within the industry. I don't believe we go any further than some of the other companies I'm aware of, but I'm not an expert in that area. But we have never, to my knowledge—I have not been approached nor has any of our executives reported to me that we were admonished that we were bordering on violating the regulations or rules.

Senator PROXMIRE. Do you think a suggestion of that kind may have helped you avoid some of the problems that you're facing now?

Mr. ANDERSON. Well, I think that's obviously true because we did get a very firm suggestion from Secretary Clements that any appearance of violation be stopped and we have stopped it.

Senator PROXMIRE. I realize you don't run your corporation as a charitable organization, and that very little is done without some business purpose in mind. You have an obligation to your stockholders, especially when you spend money. Therefore, I'd be interested to know what it was that the company hoped to accomplish by hosting Federal employees at these hunting lodges? You state in your remarks, and I quote, "provides an opportunity to get to know better the people with whom we are working and to achieve a better understanding of mutual problems." We don't know about the officials who may have attended your hunting lodges, but the guests of the Northrop Corp. all said that these occasions were strictly social and that no business was discussed.

Are you suggesting that you considered these hunting trips to be working weekends?

Mr. ANDERSON. No, I couldn't construe it as a working weekend. I guess sitting in a marsh isn't exactly the place to do the best work. I think that we do view the opportunity to get to know these people better, to share mutual problems and possible solutions that we may have within the company maybe to better explain our company——

Senator PROXMIRE. You say "share our mutual problems." Would you say a duck blind isn't the best place to really discuss any kind of business?

Mr. ANDERSON. Well, it's certainly a very enjoyable place to people who like hunting and there are many intervals there, I assume, when they have an opportunity to discuss their mutual problems.

Senator PROXMIRE. Was there an implied effort to place Government guests in a position where they might feel they owed the company a small favor?

Mr. ANDERSON. Under no conditions. I thought I made that very clear in my prepared testimony, and I would emphasize it again. That is not the intention of any——

Senator PROXMIRE. Was there any effort while on such hunting trips to discuss company production problems, future service needs or similar business arrangements?

Mr. ANDERSON. I don't know. I doubt it. I think the efforts were more in line with program oriented solutions. I think that perhaps a discussion of our capabilities as a company, perhaps the fact that

we're in the commercial business and maybe are a little more inclined to be cost conscious—it seems to me that I'm at a great disadvantage trying to describe what goes on at Wye Island because I have never been to Wye Island. I have never seen it. I have never hunted there. So for me to draw any conclusions—I'm telling you what I——

Senator PROXMIRE. The problem is, if you spent money, even a modest or limited amount of money, it seems to me there ought to be some kind of justification. If you're going to take the time of your own corporate executives to visit with your customers, there ought to be something in mind. There ought to be some quid pro quo. You're in business.

Mr. ANDERSON. We think good communication is very important within our company. Our efforts in advertising are trying to communicate with the consumer world about the capabilities of our company.

Senator PROXMIRE. Then I take it that these occasions could be more accurately characterized as a relatively innocent effort to get to know people a little better in an informal setting and perhaps build up a little good will for the company. Is that about right?

Mr. ANDERSON. I think you said it very well.

Senator PROXMIRE. Now you state in your remarks that:

> Procurement decisions are the result of carefully documented analyses which, by the very nature of the highly regulated procurement procedures, are based on extensive technical, cost and management data.

I agree that this may be true for source selection decisions where other members of an evaluation board could act as a check on one or two members who showed excessive favoritism toward a certain contractor. But it seems to me that in the case of administrative decisions made after a contract has been awarded, many decisions are made by one or a very small number of people. I'm not saying that Rockwell did get favored treatment from contracting officers, but do you not think that, in such cases, it might be possible?

Mr. ANDERSON. Senator, I really don't believe so. In my experience in this area the adversary relationship is very strong between the contractual people within the contracting agency and our own people.

Senator PROXMIRE. We want to keep it strong, but I'm not sure this doesn't tend to enfeeble it.

Mr. ANDERSON. It's certainly not our intention.

Senator PROXMIRE. It's much stronger with two commercial firms dealing with each other because then you have the discipline of the balance sheet and I should say the operating statement. You want to hold your costs down and you want to get the quality, but you don't have that same kind of discipline in the Government. In Government you have to rely on the integrity of the people involved and that's a very good reliance except when that integrity tends to be compromised.

Mr. ANDERSON. Well, let me make just two comments, sir. I think ASPR—Armed Services Procurement Regulations—are very strict. The adversary relationship is very strong. The contractual people meet on these things for endless discussion and there's endless review

up and down the chain of command. As a matter of fact, I find that the procurement process or changes within a program after it's started is much more tightly monitored and much more of an adversary relationship with much stronger penalties if you don't perform in DOD procurement than I ever experienced in my 20 years in automotive procurement. We have negotiated with these people for changes for 4 or 5 months with people who sit in Dayton trying to arrive at an equitable adjustment. I don't have quite that much trouble with General Motors.

Senator PROXMIRE. Isn't it possible that a company could use its connections during the conceptual stages to help influence the criteria on which the decision of the source selection board would be made?

Mr. ANDERSON. I don't believe so. The criteria for most of these major programs are developed over, as I understand it, a period of years by the agency and these same criteria are available to all people that are bidding in the program.

Senator PROXMIRE. Now if adversary relationships are strict, is the entertainment an effort to bend it?

Mr. ANDERSON. No. As a matter of fact, I think, in general, the contractual people have not been involved in any of the entertainment which seems to concern this committee to a large extent. There may have been lunches or occasional hospitality suites, but I doubt if it's gone beyond that.

Senator PROXMIRE. Did any DOD or NASA officials ever express to company officials an expectation that they would receive invitations to hunting lodges, skiing trips, football games, or any other form of entertainment?

Mr. ANDERSON. I have never heard anything like that. I have never heard that they expected anything; no, sir.

Senator PROXMIRE. I'd like to get a clear picture of the type of expenses your company normally paid for guests at hunting lodges. Did you pay transportation to and from the Washington area for any guests coming from outside the area?

Mr. ANDERSON. Our people were coming in by company plane from outside the area and I'm just—this is my opinion because I don't know of any occasions, but if there was space on the plane and they were going to go hunting from Detroit or someplace else and this space was available, I assume we would have offered them a ride.

Senator PROXMIRE. Are you saying in other cases you wouldn't do it? You wouldn't buy tickets on commercial planes or you do buy tickets on commercial planes?

Mr. ANDERSON. To the best of my knowledge, we do not buy tickets on commercial planes.

Senator PROXMIRE. Do you provide any other transportation other than company planes?

Mr. ANDERSON. Not to my knowledge.

Senator PROXMIRE. But you have provided transportation by company plane for Government officials?

Mr. ANDERSON. Well, we provide transportation by company plane quite frequently in areas where it's vital to our business. For example, we maintain a shuttle company plane between our Los Angeles plants and the facilities in Palmdale where the space shuttle is

being assembled and the B–1 is assembled and the Edwards Air Force Base.

Senator PROXMIRE. We're talking now about entertainment.

Mr. ANDERSON. You asked if we provided transportation, and we do.

Senator PROXMIRE. How about transportation to and from the hunting lodge?

Mr. ANDERSON. I haven't been to the hunting lodge, but I understand it's a short drive from Washington and we may have taken them out in the car as far as I know. I would imagine that's true.

Senator PROXMIRE. Do you pay for lodging, meals, and liquor?

Mr. ANDERSON. We pay full expenses for our guests. Some of our guests have expressed a desire to pick up a portion of the expenses. When they do, we will oblige them, or they will pick up tips to the guides or hunting licenses—that sort of thing.

Senator PROXMIRE. Do you pay for hunting and guide service fees?

Mr. ANDERSON. Yes, sir.

Senator PROXMIRE. Bird cleaning and preparation services?

Mr. ANDERSON. I'm not aware of that, but I would assume we do probably send them home with clean birds.

Senator PROXMIRE. Do you also provide such things as clothing?

Mr. ANDERSON. To the best of my knowledge, we provided no clothing.

Senator PROXMIRE. Guns?

Mr. ANDERSON. If they didn't have a gun we might have loaned them a gun while they were there.

Senator PROXMIRE. How about loans or gifts?

Mr. ANDERSON. No loans or gifts that I'm aware of.

Senator PROXMIRE. Ammunition?

Mr. ANDERSON. Ammunition, yes.

Senator PROXMIRE. Was there any provision for guests to repay the company if they felt they should?

Mr. ANDERSON. Yes. I understand that some have suggested that they would like to pay and in that case a nominal charge has been made.

Senator PROXMIRE. A nominal charge? What does that mean? A full charge, not the full charge?

Mr. ANDERSON. Well, I'm not really acquainted with the specifics of how much was charged, but I do know that some guests have asked if they could pay for their expenses and we have presented them with a bill.

Senator PROXMIRE. You said a nominal charge.

Mr. ANDERSON. Well, I don't know. I just have no idea. I can't—I will try to find out for you. sir, but I don't know what.

Senator PROXMIRE. If a guest did offer to reimburse the company, was he discouraged by corporate officials?

Mr. ANDERSON. I don't believe so. I think if they felt that they'd like to pay, I think we accepted it.

Senator PROXMIRE. Did any invitee ever refuse the invitation to go hunting on the grounds that it would be improper to accept such an invitation?

Mr. ANDERSON. Not to my knowledge.

Senator PROXMIRE. Did you order your employees not to discuss business with their guests while they were at the hunting lodge?

Mr. ANDERSON. No. We made no admonitions that they could not discuss the things of interest to them and their guests with regard to a program.

Senator PROXMIRE. Now I have gone through the costs. Did you make it a policy from the top that the Government would not be billed for any direct or indirect costs associated with the entertainment of hunting lodges, including the costs of facilities, supplies or the salaries of officials responsible for arranging for such entertainment?

Mr. ANDERSON. That is our company policy; yes, sir; and it's not only company policy; it's a policy of the Government.

Senator PROXMIRE. It's a policy of the Government?

Mr. ANDERSON. That entertainment expenses are not chargeable to Government contracts.

Senator PROXMIRE. I'm talking about charging it to the Government in any sense. Is there documentation of such a policy and would you supply it for the record?

Mr. ANDERSON. We will supply it. I assume—it's an assumption, but it's a stated policy of the various agencies and Defense Contract Audit Agency [DCAA] and we will provide you with our correspondence on it.

Senator PROXMIRE. When did the DOD first contact you to ask for a list of guests at Wye Island?

Mr. ANDERSON. Several months ago. I can get the letter.

Senator PROXMIRE. How did you answer this request?

Mr. ANDERSON. We answered—I think the request was worded, do we have a facility there and would we provide the names of the DOD guests during a specified period. We answered it by saying we have a facility and that we do not have a list of the guests.

Senator PROXMIRE. Yet when NASA contacted you, you did provide a number of names of NASA officials who had been guests at Wye Island?

Mr. ANDERSON. That's right.

Senator PROXMIRE. That seems to be a difference in treatment. Could you just not remember any DOD guests or did NASA push a little harder to get the names?

Mr. ANDERSON. NASA came back and said: Would you make an effort to see if you could determine the people from NASA that were entertained? We have not heard back from DOD since our letter.

Senator PROXMIRE. DOD did not come back. NASA came back and asked for the names and DOD did not? Is that right?

Mr. ANDERSON. Yes, sir.

[Additional information submitted by Mr. Anderson follows:]

This supplement is submitted to help clarify what requests were received concerning Wye Island guests.

DOD's letter in June 1975 requested that the Company provide the names of DOD guests at Wye Island during the preceding three hunting seasons (1972–73, 1973–74 and 1974–75). No Company records could be found identifying any DOD guests during those seasons.

NASA's request, several months later, was not limited to any time period or periods. It was then found that records showing names of guests for earlier hunting seasons were available, and the names of those with NASA were provided it. NASA subsequently also requested that we try to determine names of NASA personnel who were guests at Wye Island during the 1972–73, 1973–74 and 1974–75 hunting seasons by interviewing some of our own people. This was done, and as a result we were able to provide NASA with some further names.

Senator PROXMIRE. Did DOD ever ask for names of any other guests at any other corporate facilities or was their request limited to Wye Island?

Mr. ANDERSON. I believe it was limited to Wye Island.

Senator PROXMIRE. Please provide for the record copies of all correspondence between your company and either NASA or the DOD pertaining to their followup investigations of entertainment. Will you do that?

Mr. ANDERSON. Yes, sir.

[Correspondence submitted by Mr. Anderson follows:]

The only such correspondence was a letter dated June 26, 1975, from Martin R. Hoffman to William L. Clark and Mr. Clark's reply dated July 11, 1975.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., June 26, 1975.

Mr. WILLIAM L. CLARK,
North American Rockwell Corp.,
Washington, D.C.

DEAR MR. CLARK: The attention of the Department of Defense has recently been invited to allegations that certain officers and employees of the Department have accepted hospitality at the Eastern Shore shooting preserves controlled by a Defense Department contractor. A list of names is currently under review.

Department of Defense regulations, contained in DoD Directive 5500.7, provides that Department of Defense personnel may not accept any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, either directly or indirectly from any person, firm, corporation, or any other entity which is engaged or is endeavoring to engage in procurement activites or business or financial transactions of any sort with any agency of the Department of Defense.

It has been suggested that North American Rockwell Corporation also may have maintained a shooting preserve in the area. If so, it will be appreciated if you could provide me with the names of Department of Defense personnel, if any, who have been guests at such a facility over the past three seasons—Fall of 1972 into 1973. Fall of 1973 into 1974, and the Fall of 1974 into 1975. Please provide also an indication of the circumstances under which this entertainment was provided and an estimate of the approximate value accorded the Department of Defense employee by a visit to such a facility.

Thank you for your cooperation.

Sincerely yours,

MARTIN R. HOFFMANN.

ROCKWELL INTERNATIONAL,
Washington, D.C., July 11, 1975.

Hon. MARTIN R. HOFFMAN,
General Counsel,
Department of Defense,
Washington, D.C.

DEAR MR. HOFFMAN: This is in reply to your letter of June 26, 1975.

Rockwell International (formerly North American Rockwell Corporation) has had, under a lease arrangement, a shooting facility on the Eastern Shore. Although it was not the primary purpose of the facility, on occasion Department of Defense personnel were invited during the seasons referred to in your letter.

No visitor or guest book was kept, however, nor have we found any records identifying the DOD personnel who visited there.

I should explain that most of the cost to the company of the facility during each season was covered by a flat rental for its use including lodging and meals—payable whether or not the facility was fully used—and we do not know how many visitors there were during each season. Accordingly, in view of the foregoing, it would seem impractical to try to estimate the "value" or the added cost incurred by the company for incidentals, such as the ammunition which might have been used, as a result of any visit by any individual DOD employee, but it would appear to be minimal.

Sincerely yours,

WILLIAM L. CLARK.

Senator PROXMIRE. Now I have introduced legislation which would temporarily ban after retirement the employment of any government procurement official by a company which had a direct interest in a contract which he had helped award or administer. Do you have any comments on this proposed legislation?

Mr. ANDERSON. No. I'm not familiar in detail with the legislation. I think I tried to express our feeling on this as well as I could in the prepared statement. I think to categorically bar Federal employees who have perhaps spent a lifetime in advanced technology developments from serving a useful job within industry within the ground rules that are set up now——

Senator PROXMIRE. Mr. Anderson, you must recognize the problem we have here. You make a strong point on your side and I think it is sensible that we want to employ our most gifted people in Government or industry or in both. It's helpful to have some experience on both sides, but there's a very, very serious conflict involved here. The conflict which you don't approach in your statement is that a procurement official who can retire from the Army, Navy or Air Force, at the age of 50 or 55, and look forward to a very lucrative job with a firm with whom he's been dealing is very likely to be compromised or to have that in mind. It's not the discipline of holding costs down that you have in the private sector where that's the name of the game. That's the bottom line. You don't have that nearly as firmly in the government.

Mr. ANDERSON. It's pretty strongly disciplined because certainly profits aren't even measuring up to the commercial area in aerospace businesses. So it would seem to me we have every incentive we can to keep costs down and we are doing everything we can to keep costs down.

Senator PROXMIRE. If you have a procurement official who thinks he can go to work for you for maybe $30,000 or $40,000 a year after he gets his pension and retires, that's a mighty attractive possibility for him and that would tend to make him very friendly, very helpful, very cooperative.

Mr. ANDERSON. Friendly before or after he went to work?

Senator PROXMIRE. Friendly in anticipation. That's why I think legislation that would prohibit this so he cannot go to work for the firm with whom he's dealt would be helpful in maintaining an arm's length relationship.

Mr. ANDERSON. First, I'd say we have very few people like that in our company that are in major positions of importance, almost none I can think of now and, second, we have a flat rule we will

not discuss with any Federal official the possibility even of him coming to work for us until after he's left, unless, having decided to leave, he has received permission to discuss prospective employment. There's never any——

Senator PROXMIRE. I'm talking about you and other defense contractors, too. Other defense contractors have hired substantial numbers of former defense officials and you have defended that in your statement to us this morning. Now I understand that one of your vice presidents was at one time the head of a social club made up of aerospace industry and military officials known as the Conquistadors. Can you tell me a little about this organization's membership and purpose?

Mr. ANDERSON. Well, the Conquistadors is a membership of people interested in flight. It goes back some 40 or 50 years and it's made up of people from the airline industry, people from the manufacturers, some of the subcontractors, people from the press, people who believe in flight, in the advancement of flight and find a joint community of interest in this sort of organization.

Senator PROXMIRE. Who were the aerospace and DOD members?

Mr. ANDERSON. I can give you a list.

Senator PROXMIRE. Will you give us a list?

[See Appendix II (D), p. 160.]

Mr. ANDERSON. I can't recall them all offhand. There are about 100 of them. I'm positive there are no DOD members, active, current DOD members. They are not—under the bylaws, I believe they are not permitted.

Senator PROXMIRE. There are no military members of this organization you say?

Mr. ANDERSON. No active military members.

Senator PROXMIRE. But they could have been guests of the organization?

Mr. ANDERSON. I think they frown on that sort of guest, but I couldn't say positively that none of them have been guests.

Senator PROXMIRE. Now some committee staff members have had conversations with some of your employees concerning an organization known as "Operation Common Sense." Can you tell me a little about this group and what its purpose was?

Mr. ANDERSON. I have to go back into the memory some 3 or 4 years. "Operation Common Sense" was an effort within our company to make our people, the legislators that represent our various plant communities and the world at large, I guess, familiar with the programs that we have, what it means to their community, and the importance of these programs to the country.

Senator PROXMIRE. Now the committee staff has reviewed the minutes of some of this organization's meetings and, while it did discuss intracompany cooperation at times, the organization seemed to spend the bulk of its time discussing lobbying, public relations, and coordination with the Air Force. For instance, your group discussed methods for countering congressional opposition to Rockwell programs; prepared a list of B–1 bomber subcontractors in the State or districts represented by members of the House and Senate Armed Services and Appropriations Committees; developed

strategies to persuade Congress to increase the Minuteman-III missile authorization from 550 to 700; discussed plans to sell Congress and the Air Force on a Minuteman-III missile production program that would maximize use of autonetics division facilities; discussed methods for learning the plans of the American Friends Service Committee and the "Ban the B–1 Bomber Campaign," and how to cope with these organizations; developed plans to mobilize support for the B–1 among veteran and civic groups; assigned research or lobbying tasks to various committee members; discussed possible threats to the B–1 bomber program if too many improvements in the Minuteman-III and associated programs obviated the need for a strategic bomber; discussed Air Force and Rockwell efforts to obscure the true costs of the B–1 bomber program and delays in B–1 development schedules; discussed improved spirit of cooperation with Air Force resulting from Air Force personnel changes; discussed possible "competitive threats" to the B–1 bomber program from other companies pushing "standoff" missile concept; discussed plans for maximizing public relations impact of Arkansas plant groundbreaking and B–1 bomber rollout.

Am I correct in my understanding that until recently no officials of the company's Washington office had registered as lobbyists despite the fact that many were engaged in lobbying activities that come under the requirements of the Lobbying Act? "Operation Common Sense" material that I have just gone through, the specific activities of your corporation in this area, seems to me there's no purpose at all unless they were engaged in lobbying—lobbying legislators, lobbying the Air Force. So would you please provide for the record information as to all Rockwell employees who are lobbyists and the date they were first registered as lobbyists?

[Additional information submitted by Mr. Anderson follows:]

Ralph J. Watson, an employee of the Company, has been registered since January 1975 as a lobbyist with the Clerk of the House of Representatives and the Secretary of the Senate. The Company records do not show that any other of its employees, or any of its consultants, has been so registered.

Mr. ANDERSON. I think I can answer that. As far as I know—and I'm certainly not a lawyer or an expert on what is or is not legally interpreted as lobbying according to the statute. A year ago our people advised me that they did not feel even at that point that we were strictly speaking—the man that we're concerned about now—strictly speaking was a lobbyist, but to be very conservative and make sure we were within the law we registered one of our representatives here in Washington as a lobbyist. These other areas——

Senator PROXMIRE. When did you do that?

Mr. ANDERSON. Just about a year ago, I think.

Senator PROXMIRE. And how long was this "Common Sense" organization engaging in all these activities?

Mr. ANDERSON. I can't remember. I wish I had known you wanted to discuss that. I would have gotten more up to date on it.

Senator PROXMIRE. Well, our information is that it's since at least 1973.

Mr. ANDERSON. I said earlier I would think at least 3 years ago and "Common Sense" is an effort——

Senator PROXMIRE. It would seem—and I would like you to indicate why it would not—it would seem in view of the fact that only one individual has registered as a lobbyist, only one individual, and that was a year ago, there was a long period of lobbying activity in which you didn't register your lobbyists.

Mr. ANDERSON. It seems to me at that point we are into a definition of what is strictly interpreted and legally a lobbyist. I'm not prepared to discuss it. In the broad context I think some of the things you're talking about certainly by the dictionary definition could be considered lobbying and to us we have a vital interest in these programs. I think, for example, the space program, we do everything we can by talking to rotary clubs, by talking to chambers of commerce, by talking to our employees, by putting it in the employee newspapers—of the importance of space to this country. We are dedicated to it. We believe in it and I can see nothing wrong with that. We would certainly intend to continue that sort of work. There are cases where our contractors or subcontractors have plants and facilities in a congressional area and in that case we try to make sure that that Congressman or that Senator understands that his constituency has this many jobs in his area and he has an opportunity at least to learn more about space from us.

Senator PROXMIRE. I think that's right and that's done and that's expected and that's part of your right of petition and so forth, but it's also a matter of lobbying. Your people are paid and they go out—they are paid people and try to influence legislation or try to influence governmental decisions in any way that is lobbying or there isn't such a thing as lobbying.

Mr. ANDERSON. If we had a whole paid cadre of people in this area, I guess I would have to at least give consideration to that and review it with our counsel, but as far as I know we don't. Most of our people are doing this as a part of their job. We expect our plant manager, for example, who's running an axle plant in Kentucky, to talk to his local Congressman about some of our programs. So many of these people, particularly in the space area, are doing it on their own time. They are very, very dedicated people.

Senator PROXMIRE. Is "Operation Common Sense" still meeting?

Mr. ANDERSON. I don't believe so. I haven't heard that word for at least a year or two, but I will certainly check and get back to you.

[Additional information submitted by Mr. Anderson follows:]

The Company, in support of its major programs, has engaged and continues to engage in such activities as communicating to the public, to the Congress, to its employees and to its stockholders its views about the importance of these programs to the country. Operation Common Sense was formed to establish a single committee to coordinate these activities. This committee was discontinued about the end of 1974 and no successor or similar group has been formed.

Senator PROXMIRE. Let me see if you can help us on one aspect of the revelation of these minutes which I think may be disturbing. Reading from the minutes of January 16, 1974, we find, and I quote, "The consensus of the committee discussion appeared to be that all members will consider and give comments on the possible impact on the B–1 program in pushing certain elements of Minuteman-III with particular reference to, for example, Minuteman-III being piggybacked on 747's. The committee has recognized in the past, and recognizes now, that possible program conflicts of this type could arise. We must be continually watchful to avert such conflicts."

Any company can be expected to advocate their production programs. That's entirely proper, Mr. Anderson. But if a company knows of some improvement that can make our national defense more efficient or more secure, then does it not have a duty to submit that suggestion to the Department of Defense so it can be considered? However, in this case, it seems that Rockwell was discussing the avoidance of an optional use of one of the company's production programs that might have better served our defense but which would have been less profitable, piggybacking your Minuteman-III as a substitute for the B–1 bomber. You will make a whale of a lot more money out of the B–1 bomber.

Mr. ANDERSON. From what you say, it sounds like we have a couple of arm-chair Kissingers around and I don't agree.

Senator PROXMIRE. I'm talking about the fact you indicated in these minutes that there would be a policy of not permitting the Minuteman-III program to conflict with the B–1 bomber. I can't see how that would have any other effect than to deny the Defense Department this kind of information.

Mr. ANDERSON. Excuse me. I don't think I have read those minutes, but I think what would be proper is to make sure that the advantages and the superiorities, if in case there are, of the B–1, be thoroughly discussed with our people and with the Members of Congress we come in touch with.

Senator PROXMIRE. Well, I certainly get the impression that the thorough discussion of the advantages of Minuteman-III, your program too, but a far less profitable one, one that would interfere with the B–1 bomber, would not be discussed and that was a matter of policy.

Mr. ANDERSON. I guess, by and large, up to within any reasonable degree, we would be advocating a program that we have the responsibility for because I think we would believe that is a very important program and I think that's normal.

Senator PROXMIRE. Am I correct that at the January 15 meeting of Operation Common Sense executive committee it was stated that effective with a certain general's assumption of responsibility for B–1 matters at the Pentagon, a new cooperative spirit would result. Most of us, I think, were under the impression that the Air Force and Rockwell had been getting along pretty well all along. Is this impression incorrect? Were there B–1 problems with the Air Force before January 1974?

Mr. ANDERSON. I just have to—I don't know who wrote that. I don't know what it refers to. I think that's at quite a low level

within the company so I can't comment on it. I don't know what general he's referring to or what problem he's referring to.

Senator PROXMIRE. I'm going to yield to Congressman Patman.

Mr. PATMAN. I want to ask if you're willing to furnish a list of expenses, including the dues, of the Business Round Table and other expenses indicated and itemized for other purposes in connection with your representatives' representation of the Business Round Table in New York. Now since your president is a member of that group, I assume you would have no trouble getting it.

Mr. ANDERSON. Yes, and I would hope that that request could be directed to Mr. Rockwell who is on the Round Table and attends the meetings and I think he would be much more prepared to answer that question than I am. I am not a member.

Mr. PATMAN. I'm asking you to do it. If you fail to do it, well, we will try to provide a way that we can do it.

Mr. ANDERSON. I will do the best I can.

Mr. PATMAN. But you will do your best on it?

Mr. ANDERSON. Yes, sir.

Mr. PATMAN. Thank you.

[Additional information submitted by Mr. Anderson follows:]

Dues paid by the Company during the past three years to the Business Roundtable were: for 1973, $625; for 1974, $8,750, and for 1975 (including a special assessment), $33,250.

Senator PROXMIRE. Can you give us a company statement on the Operation Common Sense activities at the present time for the record?

Mr. ANDERSON. I will go back and get whatever I can, Senator Proxmire. I don't believe it's active right now. I haven't heard of it for a couple of years, but I will get whatever I can on what is going on today, if that's agreeable.

Senator PROXMIRE. Isn't the Defense Contract Audit Agency investigating the lobbying activities of Rockwell employees not registered as lobbyists to determine whether salaries are chargeable to the Government?

Mr. ANDERSON. I understood that you had written a letter to the DCAA asking such a study be made and I believe such a study is underway. However, I have not talked to anyone and I have had no information on it.

Senator PROXMIRE. Can you confirm whether the defense auditing agencies are allowing entertainment costs on Government contracts?

Mr. ANDERSON. As part of a DOD investigation they were asked to audit. I believe they have audited certain locations around the country. We have had an understanding within the company and I think with DCAA that those costs are not charged to Government programs and those records are not subject to audit. When they asked for them in this case, we reminded them of the agreement that we had attained for the past few years and we have heard no more.

Senator PROXMIRE. Now I'd like to ask about the Voices in Politics or VIP program. It's not Very Important Person, but Voices in Politics, but I believe it was supervised by Mr. Jameson, one of your former vice presidents. It is my understanding that every corporate employee making over a certain level of income was

expected to contribute 1 percent of his salary to this fund. I have heard suggestions that as much as $1 million were raised for 1972 political campaigns through this fund. It is also my understanding that, at least occasionally, the wishes of individuals as to the recipient of this donation were not observed. The committee intends to continue to examine this question and intends to ask the Defense Contract Audit Agency and the General Accounting Office to consider whether that portion of an individual's salary contributed to a political campaign under pressure from his superiors can be considered an allowable cost on Government contracts. You are in a position where you can make the committee's job somewhat easier, Mr. Anderson. Can you state for the record whether it is your understanding that contributions to the VIP fund or any other company-sponsored political funds were voluntary in every sense of the word or whether employees were coerced or pressured in any way to make such contributions?

Mr. ANDERSON. As far as I know, there was no coercion and no pressure. We did encourage our executives to contribute to the party of their choice. We suggested that this would be a good thing as a citizen, but it was not a pressure tactic and there were some of our executives that did not contribute.

Senator PROXMIRE. I want to make sure I understand. This was the VIP program which was one to which some executives would contribute and then the company would decide the party or the candidate who would get the donation. Is that correct?

Mr. ANDERSON. That's true; some executives contributed, but it was the executive who decided where the contribution went.

Senator PROXMIRE. That's quite different from encouraging executives to contribute to parties of their choice which would be completely voluntary. There would be no question about that. Everybody is for that. When you contribute to a fund that the company controls and then in turn spends——

Mr. ANDERSON. My counsel reminded me there was no fund. We do not maintain a fund within the company.

Senator PROXMIRE. There's not a fund within the company?

Mr. ANDERSON. Correct.

Senator PROXMIRE. What is the Voice in Politics fund?

Mr. ANDERSON. As I understand it, VIP was a program to encourage our executives to donate to the political party of their choice or to the groups which were soliciting for major events to be supported, but it was not in the form of a kitty or a fund that somebody would take money out of, as far as I know.

Senator PROXMIRE. Mr. Anderson, you responded earlier to my question on entertainment by saying that this policy is now ceased except where you're sure that you comply fully with the law.

Mr. ANDERSON. Yes, sir.

Senator PROXMIRE. Now that doesn't satisfy me because, of course, this is not a law that we are talking about. We are talking about a regulation.

Mr. ANDERSON. Well, then, I should have said regulation.

Senator PROXMIRE. And how painstakingly do you determine what the regulation requires? What have you done to make sure you're in compliance with the regulations?

Mr. ANDERSON. Well, any exception that we permit now is going to be so clear cut, as I understand it—for example, NASA in their new regulations say that if it comes in the course of a business day of meetings, and it's not convenient for the NASA employee to buy lunch, he can have and enjoy lunch at the plant or at the shop with——

Senator PROXMIRE. You're still going to entertain public officials at places like Wye Island and Cat Cay?

Mr. ANDERSON. That is stopped.

Senator PROXMIRE. That has stopped?

Mr. ANDERSON. We have never entertained a public official at Cat Cay. We just bought it. But we will not entertain public officials there.

Senator PROXMIRE. At any hunting lodge or other resort?

Mr. ANDERSON. Let me rephrase that. Federal officials, we will not entertain.

Senator PROXMIRE. But you will entertain public officials?

Mr. ANDERSON. We might. I don't know. I came here really to address myself to the two specific questions.

Senator PROXMIRE. That's correct. You will not in the future entertain at any of your resorts any Federal official?

Mr. ANDERSON. That's correct.

Senator PROXMIRE. Legislative or executive, I presume?

Mr. ANDERSON. Any Federal official, executive or agency.

Senator PROXMIRE. Gentlemen, I want to thank you very much. Mr. Anderson, you're obviously a highly competent executive and you have done a very responsive and responsible job. We appreciate it very much. Your testimony has been most helpful and you certainly have been completely cooperative. Thank you very much.

Mr. ANDERSON. Thank you.

[Additional questions for the Record, see Appendix II (E), p. 174.]

Senator PROXMIRE. Now our next and final witness today is Mr. Thomas V. Jones, President of the Northrop Corp.

Mr. Jones, committee rules prevent me technically from swearing you at this time; however, I want to ask you whether your testimony will be fully consistent to what you would say under oath.

Mr. JONES. It will be.

Senator PROXMIRE. All right, sir. Will you introduce the gentleman who is with you and then either give us your full statement or condense your statement and we will file your full statement in the record either way.

Mr. JONES. This is Mr. Eldon H. Crowell, of Jones, Day, Reavis and Pogue, a law firm in Washington.

Senator PROXMIRE. Welcome, Mr. Crowell.

Mr. JONES. If it pleases the Senator, I will read my statement.

STATEMENT OF THOMAS V. JONES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NORTHROP CORP.

Mr. JONES. My name is Thomas V. Jones. I am president and chief executive officer of the Northrop Corp. I am here in response to your request for a perspective on relationships between Govern-

ment contractors and Federal officials. I believe that the hearings by your committee can be constructive, and I hope that I can add to the committee's understanding of the relationships between members of the defense industry and the Department of Defense.

Obviously, I cannot speak for the defense industry as a whole, but I certainly can give you the views and perspectives of Northrop on some of the considerations with which you will wish to be concerned.

It is in the clear interest of the Nation to preclude and avoid conflicts of interest. We favor clearly defined rules for competition among contractors seeking to meet the requirements established by the Department of Defense. "Arm's length" dealings between manufacturer and user during the evaluation and selection process leading to eventual procurement must be maintained.

I can state with certainty that Northrop, as a contractor confident of its ability and performance record, strongly supports this approach to the selection and procurement process. I am sure that I would be joined by my competitors in the defense industry in my belief that these procedures and standards, governing the selection and procurement process, are vital.

There is, however, a clear and necessary distinction between Government-industry relationships during the procurement phase and those that are required during the conceptual phase, and again, during the service life of the product in the field. The evaluation and source selection process must be conducted in an environment that is sterile and aloof; by contrast, the conceptual phase that begins many years before demands close communication, knowledge, and understanding.

There is, therefore, an important distinction between the close relationships necessary for the concept and utilization of a weapon system and the distant relationships that must be maintained with those responsible for the evaluation and selection of a particular weapon system.

In order for the defense industry to support the national security interests of the United States effectively, it is necessary to understand what those interests are and what they will be 10 to 15 years in the future. We need to know the Defense Department's concerns about the operational use of the aircraft and other systems that are in service today so that we can improve upon them, or correct them, and assure that new systems will be more effective and more economical in the future. Years before the competitive procurement cycle begins, we have to understand the Defense Department's problems of operational reliability, of maintenance, of operating costs, of projected manpower availability.

The Defense Department officials responsible for assuring that efficient and effective weapons systems will be available, if and when they are needed, do benefit from an understanding of the capabilities and limitations of the defense industry and the technology we have at hand, or that we can anticipate with confidence for the future. This does not usually involve discussions of specific hardware, but rather consideration of ideas and concepts. These require a free flow of communications, formal and informal, at all

levels and across the whole range of disciplines that must be taken into account before we can even begin to design a weapon system.

With this in mind, we can focus on the specific questions of corporate policies pertaining to the potential for conflicts of interest.

Our corporate policies are intended to conform to the restrictions set forth in the regulations which apply to the standards of conduct and conflict of interest of Government employees. It is our policy to observe these rules and to implement whatever procedures are necessary to assure that these policies are carried out. Over the years there have been continuing changes in attitudes and interpretations, and from time to time new regulations. We are continually examining our corporate policies to assure that they reflect and conform to these new circumstances.

Northrop's policy with respect to hiring men and women is to obtain the services of the most competent and most qualified individuals possible. Military officers alone possess actual operating experience with weapon systems that is unique and is unavailable elsewhere. We employ those people because they have experience in understanding the extremely complex organizational, administrative and operational problems of the Defense Department, and can relate the capabilities and limitations of our company to developing solutions to those problems. It is obvious that this experience is of great value.

To design and produce effective systems that meet a wide variety of operational roles and needs for our armed services requires men of broad operational experience. We must also have men who have knowledge of the problems of field maintenance anywhere in the world, the complexities of supply and logistics support, the needs of preparation and training, the requirements of reliability, and effective methods to assure force readiness. This knowledge best comes from those who have actual experience at all levels in the field, and who can translate this experience in a manner that will permit us to provide a product that will be effective, reliable and at the lowest possible cost. This represents a competence and an understanding derived from individual experience that I believe is valuable to our national defense when properly utilized.

It is our corporate policy to conform to the laws and regulations governing potential conflicts of interest, and our procedures are designed to preclude violations by any Northrop employee. It is essential to examine on a case-by-case basis whether the job to be performed by an individual would involve a conflict of interest. With this stipulation satisfied, I know that former military officers and Government officials contribute significantly to the effectiveness and quality of our products. This is in the national interest.

I know it is the committee's objective in these hearings to seek ways to provide the greatest national security for the defense budget expended upon it. To achieve this, I believe it is important that we place in proper perspective the very important relationship between individuals in the defense industry and those in the Department of Defense.

Now in preparing for my appearance before this committee in the last several days my attention has been drawn to the com-

mittee's stated suggestion that the relationship between individuals in industry and the Department of Defense may have led to program mismanagement, cost overruns and similar problems. I can speak for Northrop only, of course, and here I think this has clearly not been our experience because our experience has been that we have met our contractual commitments and as I have said earlier our relationships have helped us to understand the problems of the Defense so that we can bend every effort to solve those problems. For years we have shared the committee's concern with the spiraling cost of weapons systems and cost overruns. Northrop has dedicated itself to using advanced technology to simplify and thus reduce costs. We have made it a basic tenet of our company to understand and solve the customer's operational problems, not to create through the design an additional one. Equally, it is management policy to make only those commitments that we can meet and then meet those commitments that we have made. We think this is a fundamental business precept that should be followed in defense as in any other business.

One result of our dedication to these two principles has been our family of trainer and fighter aircraft. They are higher in performance than their predecessors and considerably lower in cost. Over the last 15 years, 2,700 have been built; every one on time, within contract costs, and met or exceeded performance guarantee. The committee will recognize, I'm sure, that the company's record in this respect is uncommon and maybe unique.

Mr. Chairman, that concludes my prepared statement. I hope that I have been able to contribute to an understanding of the issues with which the committee is concerned. I would be pleased to answer any questions you may have to the best of my knowledge and ability.

Thank you for your courtesy and attention.

[The prepared statement of Mr. Jones follows:]

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Thank you for your courtesy and attention.

Senator PROXMIRE. Thank you, Mr. Jones.

Mr. Jones, what facilities do you have for entertaining guests, your corporation, other than your Eastern Shore hunting lodge?

Mr. JONES. We own no facilities. We leased the Eastern Shore facility.

Senator PROXMIRE. What other facilities do you lease?

Mr. JONES. I understand we lease a small house in Augusta during the Masters several years.

Senator PROXMIRE. For the Masters Golf Tournament?

Mr. JONES. Yes.

Senator PROXMIRE. That is the only other one?

Mr. JONES. Yes, to my knowledge and belief.

Senator PROXMIRE. Have you entertained Government officials at that Augusta, Ga., lodge?

Mr. JONES. I understand that there may have been several, yes.

Senator PROXMIRE. Do you have records of who the people were who were entertained?

Mr. JONES. I do not have them.

Senator PROXMIRE. Does your company have records?

Mr. JONES. I'm not certain whether we do or don't in Augusta.

Senator PROXMIRE. Will you try to determine whether or not you have records and give us the information you may have as to who was there and when and for how long?

Mr. JONES. I will do my best to provide that.

[Information submitted by Mr. Jones follows:]

List of Department of Defense or NASA officials entertained at recent Master's Tournaments, plus expenses associated with such entertainment.

During each year from 1971 through 1975, Northrop rented a house in Augusta, Georgia for the last three days of the Masters Golf Tournement.

The cost of the Masters Tournament activities to Northrop averaged approximately $1200 per year, including rentals, transportation between the house and the Augusta National course, and the purchase price of food.

While no records of guests at the Masters facility were maintained, the following list of DOD officials who stayed at the facility was informally developed:

Maj. General John Giraudo.
Maj. General Homer Hansen.
Brig. Gen. John Pesch.
Maj. General Max Steel.
Col. Peter Berriman.
Lt. Col. Chester Garolli.

No NASA personnel were guests.

Senator PROXMIRE. And at what cost?

Now you say those are the two facilities you have, the Eastern Shore and the Augusta, Ga.

Mr. JONES. Leased.

Senator PROXMIRE. You don't own any?

Mr. JONES. No, we own none.

Senator PROXMIRE. Those are the only two you lease and the only two you use; is that right?

Mr. JONES. Yes.

Senator PROXMIRE. Who suggested arranging for entertainment of Government officials at hunting lodges and when was the suggestion made?

Mr. JONES. I couldn't pinpoint that. It must have been 8 or 10 years ago.

Senator PROXMIRE. Were you one of the top officials in the company at that time?

Mr. JONES. Yes. I was president and chairman.

Senator PROXMIRE. Did you have a voice in that decision?

Mr. JONES. I believe it was made underneath me, but I was made aware of it and I concurred.

Senator PROXMIRE. You concurred in it without specifically taking part in it; is that right?

Mr. JONES. Right. Yes.

Senator PROXMIRE. Were you aware at the time you agreed to this that this entertainment might place Government officials in a position of violating department regulations?

Mr. JONES. No.

Senator PROXMIRE. Did the DOD ever contact any official of your company before these matters came to light to remind you of the provisions of standards of conduct regulations and to ask you not to entertain Government officials?

Mr. JONES. Not to my knowledge.

Senator PROXMIRE. Wouldn't you have known that if that had been the case?

Mr. JONES. Possibly.

Senator PROXMIRE. I'm sure you have a good communications system in your company and you wouldn't permit a subordinate to make a decision that would compromise a Government official.

Mr. JONES. That's right.

Senator PROXMIRE. So you would have been informed?

Mr. JONES. I think I would have been; yes.

Senator PROMIRE. You think if you had been informed, that such a reminder might have helped you to avoid some of the problems that your company is facing today?

Mr. JONES. Certainly.

Senator PROXMIRE. Now I realize that you don't run your company as a charitable organization, as I said to the previous witness, and that little is done without some business purpose in mind and that is how things should be. You're a businessman and must always keep your shareholders' interests in mind. Therefore, I would be interested to know what the company's expectations were as to the benefits that would accrue to hosting Government officials at hunting lodges. Was there an implied effort to place

Government officials in a position where they felt they might owe the company a little favor?

Mr. JONES. No; no way. Our belief in open and informal communication was such that we felt this was not essential—it was not even important, but it was a small thing that could move in the direction of bringing our people in closer, informal communication with the people and the customer that understood the problems of the DOD so that we could understand better how to solve them.

Senator PROXMIRE. Well, if it's not important you spent money on it?

Mr. JONES. Yes.

Senator PROXMIRE. And you spent something that might be even more important, the time of your executives there meeting with the Government officials, hunting with them, but you don't think that was an important decision or an important effect?

Mr. JONES. That's right.

Senator PROXMIRE. Well, shouldn't you cut your costs by just eliminating that?

Mr. JONES. No. We felt it was useful. I wouldn't say it was important and certainly wasn't critical because I think——

Senator PROXMIRE. Go ahead. I beg your pardon. It wasn't critical. Was there any effort while on these hunting trips to discuss company production problems or future service needs, or similar business arrangements?

Mr. JONES. Not to my knowledge.

Senator PROXMIRE. So I take it these occasions could be more accurately characterized from your point of view as relatively harmless efforts to get to know people a little better in an informal setting and possibly building up goodwill for the company in the process. Is that about right?

Mr. JONES. Yes.

Senator PROXMIRE. Anything in addition to that?

Mr. JONES. No, other than opening up lines of communication for frank discussion.

Senator PROXMIRE. Now, in your opening statement, you attempt to distinguish the source selection phase from the conceptual or operational phases, and say that close relations are important during the one, but that arm's-length relations are necessary during the other. I don't see how this is really possible, since it is so often the same individuals who are involved in both the conceptual and source selection operations.

Mr. JONES. Mr. Chairman, I don't believe that is the case usually. The conceptual phase involves many disciplines and many times it's really listening to users—what are your problems, why aren't your systems effective, what is causing cost increases; but the source selection phase is a very, very circumscribed, defined phase and the rules concerning that are rigid and properly so, and I think during contract negotiations, during the life of the program, those people that actually make the decisions on costs and so on continue that arm's length adversary relationship.

Senator PROXMIRE. Take that arm's-length adversary relationship then. You say: "Arm's length dealings between manufacturer and

user during the evaluation and selection process leading to eventual procurement must be maintained."

Now do you think that entertaining Navy aircraft plans and requirements and procurement officials in the time immediately preceding a major Navy aircraft competition in which you will be taking part constitutes an "arm's-length relationship"?

Mr. JONES. I have been informed and I have looked into that that the individuals involved were not involved in any phase of the actual source selection and evaluation process at the time they were guests there. I was concerned myself.

Senator PROXMIRE. Well, give us the details on that then, for the record. I'd like to know who the people were who made the procurement decision and in detail and then the people who were entertained.

[For the Record, Mr. Jones submitted the answer "None."]

Mr. JONES. I don't have that information.

Senator PROXMIRE. I know you don't have it now. I say for the record: Did any DOD or NASA personnel ever express to Northrop officials an expectation that they would receive invitations to hunting trips, skiing trips, football games, or any other form of entertainment?

Mr. JONES. Not to my knowledge.

Senator PROXMIRE. Would you have known if they had?

Mr. JONES. I don't necessarily believe I would have known. I don't know.

Senator PROXMIRE. Would you have a policy of discouraging that kind of invitation; a corporate policy?

Mr. JONES. I don't think it would be necessary to have a policy.

Senator PROXMIRE. Would you condone that kind of invitation? You say it's not necessary. Is it not necessary because it wouldn't be done, or not necessary because if it were done you think it would be ethical and proper?

Mr. JONES. I think it improper to use that for the purpose of securing a clear-cut advantage from someone's side. I think it would be wrong.

Senator PROXMIRE. Well, if you didn't have a policy against it, then it may be your personal conviction but that doesn't make it the Northrop policy until you have it in writing and communicate it to your subordinates.

Mr. JONES. I don't believe that it has occurred. I don't know. I cannot vouch for various people who have accepted invitations.

Senator PROXMIRE. Wouldn't it be desirable for you, as chief executive, to make that kind of policy clear, communicate it?

Mr. JONES. We don't have any now. There is no entertaining of DOD officials so there's no interpretation needed. It's clear.

Senator PROXMIRE. Now have you made that position clear?

Mr. JONES. Yes, absolutely.

Senator PROXMIRE. In what way?

Mr. JONES. By a directive.

Senator PROXMIRE. Will you give us a copy of the directive, the date it was issued, and who received the directive?

Mr. JONES. Yes.

[See Appendix III (A), p. 177.]

Senator PROXMIRE. And what does that directive say in summary?

Mr. JONES. Well, that it's the policy of the company that there will be no gratuities, meals or otherwise granted, or invitations issued to DOD employees.

Senator PROXMIRE. For DOD employees. How about NASA? How about other Federal officials?

Mr. JONES. I would prefer to provide you what our policies are and we'll be happy to do so because we have been revising them very recently in the last months. I will be happy to provide them.

Senator PROXMIRE. Mr. Jones, isn't it true that the Air Force or the Defense Contract Audit Agency are reviewing books to determine whether entertainment costs were allocated to Government overhead on Government contracts?

Mr. JONES. I think they are verifying and reverifying previous——

Senator PROXMIRE. Isn't such an allocation illegal?

Mr. JONES. I don't know the law, but——

Senator PROXMIRE. Would your counsel like to comment on that?

Mr. CROWELL. Would you please repeat the question?

Senator PROXMIRE. My question was, is it true that the Air Force and the Defense Contract Audit Agency are reviewing books to determine whether entertainment costs were allocated to overhead on Government contracts and the question was whether such allocation would be illegal.

Mr. CROWELL. Under the provisions of Section 15 of the Armed Services Procurement Regulations, I believe that entertainment is an unallowable cost under a Government contract.

Mr. JONES. And our policy is not to charge them to the Government. I can tell you that. It's our policy.

Senator PROXMIRE. Did you order your employees associated with the hunting lodge not to discuss business with guests at the lodge?

Mr. JONES. No.

Senator PROXMIRE. Well then, how do you know that business wasn't discussed?

Mr. JONES. I don't know that it wasn't discussed. I don't believe I stated that.

Senator PROXMIRE. As far as you know, that was an occasion on which these officials were entertained, wined and dined and provided a pleasant weekend of hunting and business was discussed?

Mr. JONES. No, I don't know that business was discussed.

Senator PROXMIRE. You don't know whether it was or not. You had no policy on it?

Mr. JONES. That's right.

Senator PROXMIRE. Will you find out from the people who were involved whether or not business was discussed and let us know for the record?

Mr. JONES. To the best of my ability.

Senator PROXMIRE. Please describe the circumstances surrounding the Department of Defense investigation of your hunting lodge guests. Did the DOD come to you to ask for a list or did you voluntarily submit it?

Mr. JONES. I can't be precise but it became public 6 or 8 months ago and we did provide it to the Defense Department. As to whether it was their request or our initiation, I can't recall, but we were responsive. We were concerned that they be informed as quickly as possible.

Senator PROXMIRE. Again, will you determine for the record, if you can, if you have it in writing, whether they took the initiative or you did?

Mr. JONES. I certainly will.

Senator PROXMIRE. Did they interview you or other corporate officials to determine what costs you had paid for your guests, whether there were other guests not named in your invitation list or whether military officials had been your guests in other forms of entertainment? Maybe I should take these one by one.

Mr. JONES. Yes.

Senator PROXMIRE. Did they interview you or other corporate officials to determine what costs you would pay for the guests whether you would pay for the meals, lodging, transportation and so forth?

Mr. JONES. I don't know. There is factfinding going on at the levels where these facts would be known for some time and I cannot——

Senator PROXMIRE. Again, can you give us that for the record? Did you tell us whether there were other guests not named in the invitation list and whether the DOD asked for this?

Mr. JONES. I can't tell you that myself.

Senator PROXMIRE. I'm surprised that you wouldn't know that, Mr. Jones, as a top official in Northrop. Since that has been such an important, almost traumatic experience for you and your corporation, I would think you would make it your business to find out.

Mr. JONES. Senator, we have opened our doors and our books to the various people who have asked and I have let those processes proceed where the knowledge resides. I have asked to be kept informed, but I cannot with certainty tell you—answer some of the questions, but we can provide them.

Senator PROXMIRE. Can you tell us whether or not the DOD asked why you had decided to provide such entertainment?

Mr. JONES. I will see if the question has been asked. It wasn't asked of me.

Senator PROXMIRE. And do you know whether or not they asked whether military officials had been your guests in other forms of entertainment, whether the DOD asked you whether or not they had been your guests in other forms of entertainment besides the hunting lodge?

Mr. JONES. I will ascertain that.

Senator PROXMIRE. Will you provide for the record copies of all correspondence between your company and either the DOD or NASA regarding their investigation of entertainment by your company?

Mr. JONES. I will do my best to comply.

[Information submitted for the record follows:]

Question. Please provide copies of any correspondence between the company and the Department of Defense relating to its investigation of entertainment of military officers and DOD officials. Did the DOD request the company's guest list, or was this list voluntarily provided?

Answer. Martin R. Hoffman, then General Counsel for the Department of Defense, requested a list of attendees at Northrop's hunting facility. Northrop transmitted the lists to DOD under cover of letter dated June 13, 1975. This letter represents the only correspondence in Northrop's files with DOD regarding its investigation.

WILMER, CUTLER & PICKERING,
Washington, D.C., June 13, 1975.

MARTIN R. HOFFMANN, Esq.
General Counsel, Department of Defense,
Pentagon, Washington, D.C.

DEAR MR. HOFFMANN: At your request, I am herewith transmitting certain materials which relate to a hunting facility, leased and used by Northrop Corporation and located on the Eastern Shore of the Chesapeake Bay.

These materials consist of lists, contemporaneously prepared and annotated, of individuals who were invited to the hunting facility or who received game taken from a hunt at the facility during the period from October, 1971 through January, 1974. These lists were used by Northrop's Auditors to prepare the information concerning the hunting facility which appears in Section II of the "Report of Special Investigation," which has been previously supplied your Department.

I wish to emphasize, however, that these lists do not constitute an authoritative roster of individuals who visited the hunting facility. I am informed that certain individuals whose names appear on the list as having been invited or as having received game taken from a hunt did not, in fact, attend.

Furthermore, I would like to point out that this "facility" consists of two tracts of land with a farm house nearly 150 years old which has been furnished in a rough fashion. I am informed that guests at the facility frequently bring their own weapons, furnish their own ammunition and obtain their own hunting licenses. In addition, although it is difficult to estimate the cost of the meals furnished at the facility, I am informed that some guests prefer to make some form of payment for their share of the meals.

The persons who most frequently use the facility are Northrop employees or consultants residing in the Washington, D.C., area. Some of these individuals are former government employees. Most of them maintain close personal friendships with other current or retired government employees, members of Congress, and congressional staff personnel. I am informed that invitations to use the facility are extended primarily to personal friends, including friends who may be government employees, with whom the Northrop personnel share an interest in hunting. In particular, I am advised that responsible Company personnel strictly avoid extending invitations to DOD employees or other government personnel who work in the area of procurement or contract administration.

Notwithstanding the foregoing, I believe that public disclosure of these documents would result in unwarranted inferences of impropriety which could needlessly embarrass Northrop and the individuals identified in these lists. Because, as I have emphasized, those lists do not accurately or reliably indicate whether any person named actually attended the hunting facility, I believe it would be especially inappropriate to make public disclosure of these lists.

I am providing these materials to you on the understanding that you require this information in connection with a possible Departmental investigation of allegations that DOD Standards of Conduct may have been breached by persons attending Northrop's hunting facility. I hope you will take into account the deficiencies and limitations inherent in the enclosed materials during any such investigation.

Finally, insofar as these materials are to be used in conjunction with such an investigation, I hereby request that they be treated as investigatory records compiled for law enforcement purposes within the meaning of the Freedom of Information Act, as amended, 5 U.S.C. § 552(b)(7), and that the Department resist disclosure of these materials to the fullest extent possible.

Sincerely,

HOWARD P. WILLENS.

Senator PROXMIRE. Whatever files you have, I imagine you would have the communication if it had been in writing, and I presume it was. I note from the invitation list that at least three military officers who were later hired by the company attended the hunting lodge while they were still on active duty. These were Captain Wynn Whidden, General Homer Hansen, and General David Burchinal. This seems to indicate more than the normal amount of pre-retirement contact with the company. Was there any discussion of business or any direct or implied job offer to any of these individuals before they retired from the military?

Mr. JONES. I'm certain not.

Senator PROXMIRE. How can you be certain not?

Mr. JONES. Well, in terms of the two of them, I have firsthand knowledge, and one of them I don't have firsthand knowledge.

Senator PROXMIRE. All right. Let's have each of them in turn. First, General Hansen. Do you have knowledge whether or not——

Mr. JONES. He's the one I wouldn't know.

Senator PROXMIRE. You see, it is suspicious in that a man who is a procurement official is entertained and then he goes to work for you, but you have no knowledge of whether or not that was discussed before he left active service?

Mr. JONES. Even the General Hansen hiring was done at the division level; he is a consultant, not an employee.

Senator PROXMIRE. Again, will you try to determine that for the record?

Mr. JONES. Yes.

Senator PROXMIRE. Now you have certain knowledge then as to General David Burchinal?

Mr. JONES. Yes.

Senator PROXMIRE. And you know, I presume, from what you have said—that whether or not he would work for your company was not discussed with him.

Mr. JONES. I made the job offer to General Burchinal and I specifically waited for 6 months after his retirement and, incidentally, he was not a procurement official.

Senator PROXMIRE. I understand that.

Mr. JONES. That's why I know that one. The Whidden one, I have to say I have secondhand knowledge, not firsthand knowledge.

Senator PROXMIRE. What does your secondhand knowledge indicate?

Mr. JONES. I was told by our people—I was advised that these individuals were hired fully complying with the conflict of interest rules. I was told that. I asked for it to be looked into.

Senator PROXMIRE. By that, you mean that they were not approached until 6 months after they had left the service?

Mr. JONES. I was concerned when I saw the list and I asked were there any of these improperly done, and I have been advised by people in my company, legal and others, that it complied and that's why I mean secondhand knowledge.

Senator PROXMIRE. Will you ascertain by asking these gentlemen directly—they would be the best witnesses, I guess, on this—as to

when they were asked, and by whom to work for Northrop. Will you do that?

Mr. JONES. I will. And to be correct, perhaps the proper answer would be other than Burchinal who was firsthand because I was the one that offered the job. The other two, others offered the jobs. I asked that a review be made myself and I asked were there any conflicts or were there any improprieties and I was assured not—advised not by my people.

Senator PROXMIRE. Who did the review for you?

Mr. JONES. Legal counsel, outside counsel, senior vice president, administration and operations.

Senator PROXMIRE. Identify those people for the record—not now, but for the record—when you give us this information. Will you do that?

Mr. JONES. I will.

[Additional information submitted by Mr. Jones follows:]

Question. Please provide summaries of any pre-retirement job discussions between corporate officials and General Hansen, General Burchinal, and Captain Whidden. Which corporate officials reviewed these cases? What did they find?

Answer.—

Hansen

Mr. Hansen began his terminal leave from the Air Force on or about December 22, 1973 and retired on December 31, 1973. He was offered a consulting position with Northrop's Aircraft Division by letter dated December 19, 1973 and signed by Welko E. Gasich. There were no other pre-retirement job discussions.

Burchinal

There were no pre-retirement job discussions with Mr. Burchinal.

Whidden

Mr. Whidden was scheduled for mandatory retirement after 30 years' service in June 1973. However, Mr. Whidden was hospitalized in late 1972 for a kidney ailment; the Navy then began processing him for an early, medical retirement. While hospitalized, Mr. Whidden submitted his résumé to Northrop. In January 1973, while Mr. Whidden was still in the hospital and while his medical retirement was being processed, Mr. Holcombe of Northrop offered Mr. Whidden a position with the corporation. In March 1973, Mr. Whidden's medical retirement was approved by the Medical Evaluation Board, effective April 1, 1973. Mr. Whidden did not accept Mr. Holcombe's offer until after the processing of his retirement had been completed, and he began work for Northrop on April 12, 1973.

The duties performed for Northrop by Whidden and Burchinal were reviewed by Frank R. Smith, Assistant General Counsel, and John Richardson, Corporate Director of Industrial Relations, with ultimate review by Frank W. Lynch, Senior Vice President-Administration. They concluded that the duties performed by Whidden and Burchinal do not involve any conflicts of interest. As a consultant rather than an employee, Mr. Hansen was not part of the review.

Senator PROXMIRE. Now your company seems to have hired an inordinate number of retired military officers who were put to work in some sort of intelligence gathering or customer relations position. As you may know, there are two laws which limit the activities of retired military officers. One in particular, the noncriminal law against selling supplies and materials to the Department of Defense, has been interpreted as applying quite broadly. To your knowledge, have any retired military officers employed by Northrop forfeited their pensions so that they could engage in prohibited activities under this law?

Mr. JONES. I have no knowledge of that. I would like to comment that I, too, was—when I saw in one of the reports that Northrop had a large number of military hirees reporting—two things—I looked into it. One, that our deployment of airplanes requiring officers or individuals experienced in logistics support, supply and maintenance, we find that the Air Force retirees who have had that direct experience had nothing to do with selling. The largest portion of these officers that were hired in the last 3 years, by far the largest portion, were in those areas of technical maintenance, logistics support and product support. I also would like to say that we do have a policy and enacted it after your law passed which, although we weren't required to, our policy was to require that each hiree notify the proper people in the service that he left. We made sure that his job description was accurate and our policy then follows up afterwards to hear what the response of that service is. So I think it's fair to say that we have tried very hard to adhere to the specific analysis of each case through this policy and through other means.

Senator PROXMIRE. How many former Defense Department employees do you have on your payroll? Can you tell us, roughly?

Mr. JONES. I can't give you that number accurately.

Senator PROXMIRE. Will you tell us that for the record and also indicate how many generals, admirals or flag-rank people you have?

Mr. JONES. Yes.

[Additional information submitted by Mr. Jones follows:]

Question 1. How many retired military officers or former DoD civilian employees are currently employed by the company?

Answer. Northrop has 190 retired regular military officers on its payroll, eleven of whom are flag rank. Northrop employs five former officials of the Department of Defense.

Senator PROXMIRE. Colonel G. J. O'Rourke's duties are described as "providing information concerning changes in customer policies and practices which might affect Northrop business prospects." Do his duties include contacting DOD officials to determine changes in their thinking?

Mr. JONES. I'm not familiar with this man's duties and operations.

Senator PROXMIRE. You're not familiar with what, sir?

Mr. JONES. You mentioned O'Rourke.

Senator PROXMIRE. Yes, sir.

Mr. JONES. I cannot—I do not have that knowledge.

Senator PROXMIRE. Will you find that out and let us know for the record.

Major General Winston Wilson's duties are similarly described. Do his duties include any contacts with Department of Defense officials to determine changes in their plans or their possible future needs?

Mr. JONES. I would prefer to respond with his activity report.

Senator PROXMIRE. You're saying you do not know in his case and will find out?

Mr. JONES. I can't firsthand give you the total range of the activities of each of these employees with accuracy; no.

[Additional information submitted by Mr. Jones follows:]

Question. Describe, in detail, the duties of Colonel G. J. O'Rourke, General Winston Wilson, Captain Wynn Whidden, and Colonel S. W. Towle with the company. Have any of these officials at any time had any liaison duties with the Department of Defense or a military service? Have any been involved in the provision of or planning for corporate entertainment of government officials? If so, please describe such duties.

Mr. Whidden's job description is submitted. (See Appendix III(B) p. 194.)

Mr. Wilson's duties are described in his consulting agreement dated September 23, 1975 and the Statement of Work attached thereto. (See Appendix III (B) p. 196.)

Mr. Towle's duties are described in his consulting agreement dated January 13, 1976 and the Statement of Work attached thereto. (See Appendix III(B) p. 203.)

As of January 31, 1976, Mr. O'Rourke's consulting relationship with Northrop was terminated. Mr. O'Rourke's duties were to provide Northrop with analyses of the Federal budget and of DOD's planning, programming and budgeting.

Mr. Whidden's duties include some liaison with DOD, which consists of obtaining information and providing information on general trends and requirements and general Northrop capabilities. His duties do not include providing or planning corporate entertainment for government officials.

Mr. Wilson has no DOD liaison duties. Provision and planning of corporate entertainment for government officials is an ancillary part of Mr. Wilson's functions. In prior years, he was involved in the planning of hunting activities at the Northrop facility and, in 1974–75, in making arrangements for the Masters Golf Tournament. (See p. 57.)

Mr. Towle maintains liaison with DOD to obtain information about DOD planning and requirements. An ancillary part of Mr. Towle's activities is the provision of corporate entertainment to government officials in the form of meals. It should be noted that Mr. Towle retired from military service in 1946.

Mr. O'Rourke's duties included some liaison with DOD, although his analyses of the Federal budget and DOD planning were based largely on data gleaned by Mr. O'Rourke from public documents. Mr. O'Rourke's duties did not involve the provision of or planning for corporate entertainment of government officials.

Senator PROXMIRE. Now the draft DCAA audit report of August 6, 1975, quotes a Northrop official as saying "Colonel Towle represents a unique capability to Northrop in terms of discreet liaison with very senior Air Force officers." Did his duties include discreet liaison to discuss service procurement plans, needs, or company programs?

Mr. JONES. No, I don't believe so. Colonel Towle was a long-time employee of Northrop in the Washington area and we are always concerned, especially if we find something is going awry in one of our systems, that we want to pick up as soon as possible problems before they develop and so Colonel Towle is a person who just served relatively small——

Senator PROXMIRE. What bothers me and I think would bother almost anybody else is this word "discreet." Why not out in the open and let everybody know about it?

Mr. JONES. It is out in the open. I don't know why people use words like "discreet." All of these things are really in the open, for anyone who wants to find out.

Senator PROXMIRE. These aren't my words. These are from the DCAA audit report. It says, "He represents a unique capability to Northrop in terms of discreet liaison with very senior Air Force officers." This is what a Northrop officer told them.

Mr. JONES. He was our representative in Washington for years and it was known that we carried him as a consultant and I don't think he wore a nametag but it wasn't intended to be covert.

Senator PROXMIRE. Well, we're not talking about whether he's well known. I'm sure as a high former official and perhaps a high official in your company he might be well known. I'm talking about whether his relationship with various procurement officials in the Air Force was discreet or well known and if it was discreet, why was it?

Mr. JONES. I don't think it was procurement.

Senator PROXMIRE. How many people do you carry as consultants in the Washington, D.C. area?

Mr. JONES. I'd have to provide that number to be accurate.

Senator PROXMIRE. Now both Captain Whidden and General Wilson appear to have been highly involved in the entertainment of Government officials at the hunting lodge. It is particularly interesting to note that Captain Whidden was at the hunting lodge several times when two officials from the Navy Aircraft Plans and Requirements Division, his former division, were also present. These two officials were Macon S. Snowden and Humphrey B. Lansden. Did he at any time, to your knowledge, discuss future Navy aircraft plans or Northrop capabilities with these two officials or any other Navy officials?

Mr. JONES. I couldn't answer that.

Senator PROXMIRE. You don't know whether he did or not?

Mr. JONES. No.

Senator PROXMIRE. Did you order him not to discuss such matters either at the hunting lodge or any other place?

Mr. JONES. No.

Senator PROXMIRE. He was free to do it? There was no restriction on it?

Mr. JONES. I don't know what his superior instructed him. I did not. I know Captain Whidden and Wilson both liked to shoot geese.

[Information submitted for the record follows:]

Question. Did Captain Whidden at any time discuss the F–18, VFAX, company production plans and problems, future Navy aircraft needs, elements of Northrop or Northrop's competitor's bids, or any other business matters with Captain Snowden, Captain Lansden, or any other officials of the Navy Aircraft Plans and Requirements Division? Did the corporation take any steps to assure that he would not contact former subordinates or other employees of this division on such matters?

Answer. Mr. Whidden has discussed none of the referenced subjects with any officials of the Navy Aircraft Plans and Requirements Division except future Navy aircraft needs, which Mr. Whidden has discussed only in terms of general performance criteria and general budgetary considerations. At the outset of his employment by Northrop, Mr. Whidden was instructed by James V. Holcombe, Vice President and Manager of Domestic Field Marketing, not to do anything with his former Navy colleagues that might give rise to a conflict of interest.

Senator PROXMIRE. Mr. Jones, I have introduced legislation as you may have heard when I asked the previous witness, which would temporarily ban the employment after retirement of any Government procurement official by a company which had a direct interest in a contract he had helped award or administer. Do you have any comments on the desirability of such legislation?

Mr. JONES Yes. I think it needs to be specified very carefully so it actually does what you want, but I think it would be helpful

if it was specified carefully what is meant by a procurement officer and what is meant by direct involvement with the company. With that, I think it would be helpful; yes.

[Additional questions and answers for the record, see Appendix III (C), p. 209.]

Senator PROXMIRE. Well, gentlemen, I want to conclude by saying that the record we have made here this morning has begun to bring into the light of day a problem that's been growing for several years in the dark corners of industry-government relations. The problem is pressure and influence, not overt pressure, but an insidious variety that stems from consciously cultivating a network for friendships and obligations through numerous favors and benefits such as offers of employment. We have heard that these relations between industry and Government are merely the results of normal needs to exchange information between buyer and seller, but the record shows that these activities go far beyond exchanging information and far beyond what is permitted by Federal policy.

We have heard that this buyer-seller collaboration is of necessity very close during the planning and production phases of procurement, but that "an arm's-length" posture exists during source evaluation and selection. That may be the ideal—certainly it should be, but in fact what we see is that defense contractors and agency personnel are locked in the same hospitable embrace doing the minuet as well as the waltz and two-step.

We are always being told that the industry is fiercely competitive, yet the evidence shows that some of the competition is to see who can lavish the greatest number of "freebies" on the broadest number of officials under the guise of public relations or Government relations or product promotion. There is a question of whether some of these firms are in the airframe business or the resort business. It's hard to escape the conclusion that these cozy relationships between buyers and sellers distort and enfeeble competition and they generate cost overruns and disguise them. They collaborate to frustrate the spending of every taxpayer's dollar.

Earlier today, we heard that the Government has tough standards to prevent prejudice to the procurement process through this kind of insiduous influence. Tomorrow, we will examine how tough those standards really are and what some agencies are doing to put teeth in these standards.

Gentlemen, I want to thank you very much for your testimony.

The hearings are recessed until 10 o'clock tomorrow in room 1114 in the first floor of this building.

[Whereupon, at 1:05 p.m., the hearing was adjourned.]

DOD-INDUSTRY RELATIONS: CONFLICT OF INTEREST AND STANDARDS OF CONDUCT

TUESDAY, FEBRUARY 3, 1976

U.S. CONGRESS,
JOINT COMMITTEE ON DEFENSE PRODUCTION,
Washington, D.C.

The Joint Committee met at 10:10 a.m., pursuant to call, in room 1114, Dirksen Senate Office Building, Hon. William Proxmire presiding.

Present: Chairman Wright Patman and Senator William Proxmire.

Chairman PATMAN. The committee will please come to order.

Of course, this hearing will be conducted by Senator Proxmire as we had previously agreed. We are proud of the fact that he has assumed the responsibility. He was the very man in the U.S. Congress for this job and we are very proud of him.

Today begins the second of the hearings of the Joint Committee on Defense Production into Federal standards of conduct and conflict of interest regulations. The necessity for these hearings has been made abundantly clear in previous testimony.

On the one hand we heard yesterday that there are strict laws and standards governing the conduct of Federal employees.

On the other hand, we heard yesterday that there is widespread ignorance and neglect of these standards and laws, both in and out of government. It was disclosed, for example, that the Chairman of the Civil Service Commission—who is charged with overseeing agency directives—is not even familiar with the basic Executive Order.

We were told that government contractors are unaware of the very important differences between lobbying and government relations. The testimony revealed that contractors did not prohibit their employees from discussing business in the course of entertaining Federal officials. It revealed that contractors did not even know that they were putting these Federal officials in a compromising position.

This says something both about how the issue has become clouded and about how lax the agencies have become in enforcing compliance with standards of conduct.

To avoid a conflict of interest, it may at times be necessary to make some sharp distinctions and fine judgments. Agencies should do everything possible to make it easier for their employees to understand these distinctions.

But the basic issue is a simple one. The issue is that the government cannot allow a "buddy system" to grow up that may influence costly decisions about defense or space programs, or any other program for that matter.

It is time we cleared up once and for all any doubt or confusion that may exist. In fact, it is long past time to straighten out these matters because the regulations have been on the books for a decade.

Today we will hear from witnesses about what their agencies or departments are doing to remedy the situation. I hope they will tell us that they have found a cure.

Last autumn I asked the committee vice chairman—Senator Proxmire—to look into these issues for the committee. More recently the Joint Committee voted to establish a subcommittee on investigations to continue this work and I appointed Senator Proxmire to chair it. I will again ask him to conduct these hearings today. He's doing a wonderful job and you may rely upon him to continue a wonderful job in these hearings.

Senator PROXMIRE. Thank you very much, Mr. Chairman.

Mr. Chairman, before we swear in the first witness I want to thank you very much for your remarks and your leadership and also say that the Joint Committee heard witnesses yesterday who addressed the government's longstanding and strict regulations in this area. We heard also from the presidents of aerospace firms, who gave an industry perspective on gratuities and entertainment.

We learned that the hospitality programs of government contractors are not mere charity. It was revealed that these programs are widespread, systematic, carefully planned and costly. We learned that their purpose is to develop good will and that this purpose is not so innocent as it sounds. We learned that developing good will means developing a network of obligations to a company—obligations which can be exploited to the company's benefit when it seeks government business.

The committee also learned that government contractors hire former military officers and officials with a view to improving corporate connections within the government.

It was disclosed that there is widespread confusion about whether entertainment activities and gratuities constitute lobbying or public relations or government relations or product promotion or all of these things. We learned that there is confusion about who can accept what from whom. It became obvious that this confusion can be exploited to hide the true nature of industry-government relations. We learned that this confusion may lead Federal employees to misunderstand the standards of conduct rules.

We were told that company representatives are placed in Washington to exchange information with contracting agencies. But we also learned that these representatives may be registered lobbyists and that their activities go well beyond technical discussions. We learned that information exchange apparently cannot be done over an office desk, over the telephone, or through the mails, but instead has to involve hunting expeditions, expense account lunches, and hospitality suites.

Today the committee wants to learn about measures that have been taken or will be taken to improve conflict of interest and standards of conduct regulations, to dispel the confusion that has led to widespread relaxation and abuse.

The committee's primary focus is on remedial measures to prevent repetition of this abuse. The committee is not interested in scape-

goating individuals. It is not our purpose to embarrass officials for one or two lapses in judgment.

But one factor that will have a lot of weight in future decisions by Federal officials facing temptation will be the knowledge that misconduct involves severe punishment. It is not adequate to forgive regular offenders and promise to be more watchful in the future.

The Executive Order on standards of conduct has been on the books for more than 10 years. That is time enough for people to have learned of its existence and intent.

If government agencies fail to act strongly now to show that they are serious about enforcement, Federal employees confronted with temptations in the future will decide that the agencies don't really care about abuse. The Executive Order will continue to be a dead letter. The question of penalties is therefore an important one.

The Joint Committee is also intent on examining the nature of the continuing investigations being conducted by these agencies into the acceptance of corporate hospitality by Federal employees.

We will hear first today from Ms. Alice Tepper Marlin, Executive Director of the Council on Economic Priorities, which has been studying compliance with conflict of interest statutes. Later we will hear from Dr. George Low of the National Aeronautics and Space Administration on that agency's standards of conduct program. Our final witness will be Hon. William Clements, Jr., Deputy Secretary of Defense and he will testify on these same questions.

Ms. Marlin, will you please stand and raise your right hand? Do you swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Ms. MARLIN. I do.

Senator PROXMIRE. Now, Ms. Marlin, your statement will be printed in full in the record. If you would like to abbreviate it in any way that's perfectly proper. We have some questions for you. We are grateful to you for appearing. It's unusual that organizations take this kind of effort and do the kind of work that certainly assists this committee and assists the Congress in getting a perspective and an understanding on a problem of this kind. So I think you're serving a fine public purpose by coming before us.

STATEMENT OF ALICE TEPPER MARLIN, EXECUTIVE DIRECTOR, COUNCIL ON ECONOMIC PRIORITIES

Ms. MARLIN. Thank you very much, Senator. It's, I believe, equally unusual for public interest groups such as ours to be scheduled so early in the hearings and we are particularly grateful for this opportunity to present our findings.

Senator PROXMIRE. Go right ahead.

Ms. MARLIN. Senator Proxmire, I am pleased to appear today to present testimony before the Joint Committee on Defense Production and I am glad to see that the committee is looking into this problem.

I represent the Council on Economic Priorities, of which I am Executive Director. The Council is a sort of hybrid, perched between the world of public interest advocacy groups and the more traditional Wall Street research firms. It was founded in 1969 to conduct

research and produce studies on the public effect that certain corporate practices have. CEP believes that it is only through informed public discussion that members of the public can come to understand important social problems.

Several years ago, the Council initiated a study of the interchange of personnel between defense contractors and the Department of Defense in the belief that such interchanges, if widespread, could have a serious effect on defense contracting decisions. This study was the first comprehensive effort that I know of to examine the reports required by an amendment you proposed in 1969.

When we started this project, we believed, in good faith, that it would take only a few months to prepare our report. We understood that it had been your hope at the time you proposed this legislation that the Department of Defense would make some effort to evaluate these reports, and we quite frankly believed that we would be able to use this DOD evaluation as the basis for our report.

We quickly found that this would not be possible. The Department of Defense had never made any effort to evaluate these reports. Their annual report to the Congress consisted merely of a summary of the numbers of individuals filing such reports. We also quickly discovered that even this simple number summary is quite misleading for a number of reasons.

First, it is filled with numerous errors of a simple clerical nature. More important, however, the council found that, despite the fact that failure to file a required report carries criminal penalties, many people required to file these reports fail to do so with impunity. We have no way of estimating how many should be filing who never have filed even their first report. The Department of Defense has never made any effort to review compliance with this reporting requirement. It has never prosecuted or taken administrative action against any person who has failed to file such a report. This is the first clear indication the Council found that the Department of Defense failed to enforce provisions relating to conflicts of interest.

The DOD representatives to whom we spoke stated that it was impossible for them to police this requirement. They said that they had no way to know which retired officer or former civilian employee has gone to work for a defense contractor, and that the best they could do is to try to remind people that this requirement exists.

This contention clearly runs counter to the facts. Because of limited resources, the council was unable to determine the number of people who should have filed a report and never filed even their first report, but by simply comparing the names of those who filed at least once and should have filed at least one more time, CEP found over 1,500 apparent cases of failure to file a required report. I would like to point out that in addition to our disseminating these findings to our own subscribers, our contentions in this area were widely reported in the press. That was merely a year ago. Since then, not one representative of the Department of Defense has either disputed this figure or contacted the Council to ask for the names of the individuals so that they could determine the facts on their own. The Department of Defense has access to still more comprehensive means not available to the Council for pursuing this matter.

We followed up in a newsletter on the same topic last August and in that newsletter we analyzed the 1974 reports. We included a survey of portions of that year's list and also found a serious problem of noncompliance with this filing requirement. We found that individuals who do file the report the first year still tend to fail to file in subsequent years.

Let me give you an example. Twenty-three transferees filed in 1974 naming Boeing as their employer. Five of these should have filed earlier but failed to do so. Twelve others who filed with Boeing in previous years did not file at all in 1974. In our survey of only a small portion of the 1974 list we found over 170 additional cases of failure to file the required report.

This charge was also printed widely in the newspapers at the time we released our newsletter and once again nobody from the Department of Defense made any attempt to ascertain the names of these individuals. Since I can hardly believe that no one at the Pentagon reads the newspapers, I think this can be interpreted only in one way: the Department of Defense does not want to know who isn't filing the reports because the Department of Defense does not want to be forced to take any action against these individuals.

Nor are the involved individuals worried. One former officer now working at Rockwell International told reporter Charles Rabb of *Newsday* that when he was told by the Air Force Judge Advocate's Office that his job would be interpreted as a violation of a noncriminal conflict-of-interest statute, he had some changes made in his job description—not in his job, but in his job description—and convinced the Air Force that he "never really did those objectionable things." He said he deleted the part about direct contact from the job description.

From what I have read in the newspapers, this is the same attitude that you ran into, Senator Proxmire, when this committee looked at the DoD's investigation of guests at the Northrop hunting lodge in Easton, Md. The Department of Defense did not initiate any investigation until the Northrop invitation list was turned over to them and then they exonerated the individuals until you branded their investigation a whitewash. Not until then was any positive action taken. I have to confess that even now the penalties seem rather mild. I find it extremely interesting that in our August updating of *Military Maneuvers* Northrop distinguished itself as the company which had most markedly increased its officer hiring pace in 1974. It added 33 brand new transferees for fiscal 1974 alone.

Clearly, the same situation exists with regard to laws which seek to inhibit conflict of interest. I think there are glaring inadequacies in the present conflict-of-interest laws on the books. They are just not adequate to deal with all the problems that exist. But there are conflict-of-interest laws on the books just the same and they are not being enforced.

The law which has the greatest potential for enforcement, as I'm sure you know, Senator, is the criminal law which permanently bars retired officers from selling materials to their branch of service. Only one attempt has been made to enforce this law and that case was dismissed. Of course, the blame for lack of enforcement of this law

does not rest entirely at the DOD's door. The Justice Department seems to have been notably unaggressive in enforcing this law. But the DOD has clearly failed to adopt an aggressive policy of seeking out and reporting suspected violations of this law. The DOD has also attempted to markedly weaken this law, which is one of the few strong laws on the books in this area. An investigation into the possible conflict-of-interest situations cited by CEP has recently been concluded by the General Accounting Office [GAO]. Although GAO is responsible for determining in which cases pensions might be denied to retired officers, it hasn't done these investigations itself but has relied upon the Department of Defense to investigate the cases. Not surprisingly, DOD found that in none of the cases questioned by CEP had any official violated the civil law against selling materials to the DOD.

The major conflict-of-interest problem, however, is not the lack of enforcement of current conflict-of-interest laws. Rather, it is the failure of Congress and Federal agencies to understand the concept of what constitutes a conflict of interest. Most people assume that a conflict of interest exists when a person takes some specific action that is harmful to the Government's interest. That really isn't the case. Legally a conflict of interest is a situation. It's not an action. It exists when a person is placed in a situation of temptation where he must balance the Government's interest against his personal financial interest. Clearly, the best way to control conflicts of interest would be to remove the temptation rather than to try to discover and punish the offenders after the action has been taken. CEP found a very high percentage of retirees who could be considered to have had a conflict of interest. This conflict did not involve their current job with their defense industry employer, but rather involved the potential for conflict arising from their relationships with their current employer while they had been serving on active duty. What I am speaking of here is the case of an active military officer or civilian DOD employee who, after retiring from the military, accepts a job with a company over which he had exercised some sort of control or authority while in the military. In its report on conflicts of interest, CEP found that over one-quarter of all transferees could be considered to have this sort of conflict of interest. This is the type of conflict that the government has so far failed to guard against.

Thank you, Representative Patman and Senator Proxmire. I will be pleased to answer any questions you may have. I'm grateful for this opportunity to present my views here.

[Prepared statement follows:]

STATEMENT OF ALICE TEPPER MARLIN, EXECUTIVE DIRECTOR, COUNCIL ON ECONOMIC PRIORITIES

Senator Proxmire, I am pleased to appear today to present testimony before the Joint Committee on Defense Production. I am glad to see that this Committee is looking into the problem. I am here representing the Council on Economic Priorities, of which I am Executive Director. The Council is a hybrid organization, perched between the world of public interest advocacy groups and the more traditional Wall Street research firms. It was founded in 1969 to conduct research and produce studies on the effect that certain corporate practices have on the public. CEP believes that it is only through informed open discussions that members of the public can come to understand important social problems.

Several years so, the Council initiated a study of the interchange of personnel between defense contractors and the Department of Defense in the belief that such interchanges, if widespread, could have a serious effect on defense contracting decisions. This study was the first comprehensive effort I know of to examine the reports required by an amendment you had proposed in 1969.

When we started this project, we believed it would take only a few months to prepare our report. We understood that it had been your hope at the time you proposed this legislation that the Department of Defense would make some effort to evaluate these reports, and we quite frankly believed we would be able to use this DOD evaluation as the basis for our report.

We quickly found this would not be possible. The Department of Defense had never made any effort to evaluate these reports. Their annual report to the Congress consisted entirely of a summary of the numbers of individuals filing such reports. We also quickly discovered that even this simple number summary is quite misleading for a number of reasons.

First, it is filled with numerous errors of a simple clerical nature. Most important, however, the Council found that, despite the fact that failure to file a required report carries criminal penalties, hundreds of retired military officers who are required to file these reports fail to do so with impunity. The Department of Defense has never made any effort to review compliance with this reporting requirement, and has never prosecuted or taken administrative action against any person who has failed to file such a report. This was the first clear indication we found that the Department of Defense failed to enforce provisions related to conflicts of interest.

The DOD representatives to whom we spoke stated that it is impossible for them to police this requirement. They stated that they have no way to know which retired officer or former civilian employee has gone to work for a defense contractor, and that the best they can do is to try to remind people that this requirement exists.

This contention runs counter to the facts. Because of limited resources, the Council was unable to determine the precise number of people who should have filed a report and never did. But by simply comparing the names of individuals who filed at least once and should have filed at least one other time, CEP found over 1,500 apparent cases of failure to file a required report. I would like to point out that this contention was widely reported in the press at the time CEP released its report nearly a year ago. Since then, no representative of the Department of Defense has either disputed this figure or contracted CEP to ask for the names of the individuals so that they could determine the facts.

CEP produced a follow-up newsletter on the same topic last August, in which the reports filed for 1974 were analyzed. This newsletter included a survey of portions of that year's list, and also found a serious problem of non-compliance with this filing requirement. We found that individuals tend to file the report the first year they are required to, and tend to fail to file in subsequent years. For example, 23 transferees filed in 1974 naming Boeing as their employer. Five of these should have filed earlier. Twelve other transferees who filed with Boeing in previous years, however, failed to file at all in 1974. In its survey of only a portion of the 1974 list, CEP found over 170 additional cases of failure to file a required report.

This charge was also printed widely in newspapers at the time CEP released the newsletter, and again, nobody from the Department of Defense made any attempt to ascertain the names of these individuals. Unless you want to believe that nobody at the Pentagon reads the newspapers, I think this can only be interpreted in one way: the Department of Defense does not want to know who isn't filing reports, because the Department of Defense doesn't want to be forced to take action against these individuals.

Nor are the individuals worried. One former officer now working for Rockwell International told Charles Rabb of *Newsday* that "when he was told by the Air Force Judge Advocate's Office that [his] job would be interpreted as a violation of a noncriminal conflict-of-interest statute, he said he had some changes made in the job description and convinced the Air Force that he 'never really did those objectionable things.' He said he deleted the part about direct contact from the job description." From what I've read in the newspapers, this is the same attitude you ran into, Senator Proxmire, when this Committee looked at the DOD's investigation of guests at the Northrop hunting lodge in Easton, Md. The Department of Defense didn't initiate any investigation until the Northrop

invitation list was turned over to them. Then they exonerated the individuals until you branded their investigation a whitewash. Not until then was any positive action taken, and I have to confess that even now the punishments seem to have been rather mild.

I find it extremely interesting that in our August update of *Military Maneuvers* Northrop distinguished itself as the company that had most markedly increased its retired officer hiring pace in 1974, adding 33 new transferees in FY 1974.

The same situation exists with regard to the laws which seek to inhibit conflict of interest. I think there are glaring inadequacies in the present conflict of interest laws. They are just not adequate to deal with all of the problems that exist. But there are conflict of interest laws on the books, and for some reason, they are not being enforced. The law which has the greatest potential for enforcement is the criminal law which permanently bars retired officers from selling materials to their branch of service. Only one attempt has been made to use this law and that case was dismissed. Of course, the blame for lack of enforcement of this law does not rest entirely at the DOD's door. The Justice Department seems to have been notably unaggressive in enforcing this law. But the DOD has clearly failed to adopt an aggressive policy of seeking out and reporting suspected violations of this law. The DOD has also attempted to markedly weaken this law, which is one of the few strong laws on the books in this area.

An investigation into the possible conflict of interest situations cited by CEP has recently been concluded by the GAO. Although the GAO is responsible for determining in which cases pensions might be denied to retired officers, it has relied upon the Department of Defense to investigate cases. Not surprisingly, the DOD found that in none of the cases questioned by CEP had any official violated the civil law against selling materials to the DOD.

The major conflict of interest problem, however, is not the lack of enforcement of current conflict of interest laws. Rather, it is the failure of Congress and federal agencies to understand the concept of what constitutes a conflict of interest. Most people assume that a conflict of interest exists when a person takes some specific action that is harmful to the government's interest. But that is not the case. Legally, a conflict of interest is a situation, and not an action. A conflict exists whenever a person is placed in a situation of temptation where he must trade off the government's interest against his personal financial interest. Obviously, the best way to control conflicts of interest would be to remove this temptation rather than to try to discover and punish the offenders after the action has been taken. CEP found a very high percentage of retirees who could be considered to have had a conflict of interest. This conflict did not involve their current job with their defense industry employer, but rather involved the potential for conflict arising from their relationships with their current employer while they had been serving on active duty. What I am speaking of here is the case of an active duty military officer or civilian DOD employee who, after retiring from the military, accepts a job with a company over which he had exercised some sort of control or authority while in the military. In its report on conflicts of interest, CEP found that over one-quarter of all transferees could be considered to have this sort of conflict of interest. This is the type of conflict that the government has so far failed to guard against.

Thank you. I will be pleased to answer any questions you have.

Mr. PATMAN. You say that limited resources prevented the Council from determining how many people should have reported defense related employment. Are you satisfied that your estimate of 1,500 probable failures to report is reliable?

Ms. MARLIN. We are quite confident that that is a reliable figure. Our problem is that it's a minimal figure. We have only been able to ascertain those people who filed one report and failed to file subsequent reports.

Mr. PATMAN. How did you arrive at this estimate? Did you ask the Defense Department to comment on the estimate?

Ms. MARLIN. The Council on Economic Priorities did not ask for any direct response from the Defense Department. We arrived at the figure by looking at how many people had filed the report once and, as far as we could ascertain, had no reason for not needing to file it in the second and third years. They are required to report for 3 years.

Mr. PATMAN. Could you provide the records of nonfilers to this committee or the Department of Defense?

Ms. MARLIN. We would be delighted to do that. We have those names. It would take us a number of weeks to get them into an order that would be convenient for this committee or for the Department of Defense to use but we would be delighted to provide them.

Mr. PATMAN. That's all for me at this time.

Senator PROXMIRE. You say in the course of your very, very helpful remarks—and I think this is most useful testimony, as you say it's rare that we get people to come in and testify in this way in the public interest and on an informed basis, so we are grateful for it.

Now you say that the law is inadequate. Then you also say the investigations are reluctant if we ever get them, and that, third, the enforcement of the law is almost nonexistent.

Can you tell us in what way the law can be strengthened? I realize if you don't get investigations under the law and enforcement it's not very helpful in any event, but I'm a little puzzled because at times you refer to this as a strong law and then at other times you indicate it's not adequate. How would you change the law?

Ms. MARLIN. Are you referring to criminal selling act or to the filing requirements?

Senator PROXMIRE. I'm referring to both.

Ms. MARLIN. I do have a number of suggestions as to how the filing requirements could be strengthened. Maybe I could go over those first.

I did refer to those as strong. They have whatever effect disclosure has, which is certainly some. It enabled us to do all of our work. I find it good legislation, but I have four areas where I think it may be strengthened. They may not be major ones, but I'd like to propose them.

One is that anyone who works indirectly for a contractor with the Department of Defense as an attorney or consultant is not now required to file such a report. I would like to have retired Defense Department officers be required to file reports if they act as an attorney or a consultant to a contractor.

The second problem is industry association employees. While one could not claim that an employee of an industry association has a particular company's interest at heart, certainly they have an industry's interest at heart. A job in an industry association is a perfectly fine function of the "buddy system," which may provide a very nice reward for an officer when he retires. I believe industry association employees should be required to file as well.

A third is when an officer retires and goes to work for a major defense contractor but in a subsidiary that does not itself produce defense goods. He's not required to file. Now that's a provision I am unable to understand because it seems to me that, as a reward system,

a job for a company is just as good a reward whether it's in the defense business or the nondefense aspects of their business, and I would add that to the list of people who should have to report.

A fourth change that I'd like to see is a change in the descriptions of the jobs that retired officers held while they were still in the military. It seems that if a person did not work in procurement full time but did have a part-time involvement in procurement he is not required to report. For instance, if someone served on a Source Selection Advisory Council, that would not presently be clear from the reports. I would like to see that clarified because such advisories can play an important role in determining who gets a contract.

Senator PROXMIRE. Well, now you say that there are about 1,500 minimum. You said that was a minimum estimate, as I understand it, who should have filed who did not file on the basis of your estimates.

Ms. MARLIN. That's right. That's an enforcement problem.

Senator PROXMIRE. How many did file? Do you recall?

Ms. MARLIN. Well, in our first study there were 1,406 from 1969 through 1973, I believe.

Senator PROXMIRE. So you think that about half the number filed who should have if they had complied with the law?

Ms. MARLIN. Just about. At least 1,500 reports that should have been filed for fiscal year 1971, 1972, or 1973 were not filed, compared with 1,406 reports that were filed for fiscal years 1969–73.

Senator PROXMIRE. That was a minimum and you say you didn't follow up on the initial filing—you had the second and third year?

Ms. MARLIN. I think half would be a good, conservative estimate.

Senator PROXMIRE. All right. Now you pointed out in your testimony that a legal definition of a conflict of interest does not mean a specific action but instead means a situation which could lead to an action prejudicial to the government's interest. In other words, you're not saying that somebody has done something wrong. They are just in a position where there's a presumption that they are awfully tempted to do something wrong. Is that a generally accepted legal opinion? Are there adequate legal precedents for such a definition?

Ms. MARLIN. Yes. We used as our source an opinion by the Association of the Bar of New York City in 1960. They defined conflict of interest at that time, as follows:

> A conflict of interest does not necessarily presuppose that action by the official favoring one of these interests will be prejudicial to the other, nor that the official will in fact resolve the conflict to his own personal advantage rather than the government's. If a man is in a position of conflicting interests, he is subject to temptation however he resolves the issue. Regulation of conflicts of interest seeks to prevent situations of temptation from arising.

Senator PROXMIRE. Now what you're saying is that in a case like Admiral Townsend who headed the F–14 Source Selection Advisory Council and then went to work for Grumman, that his defense related employment before would not necessarily indicate his serving on the advisory council yet the conflict would be quite severe; he would have had a great opportunity to aid this company and his acceptance of a job would indicate this was a possibility. Is that so?

Ms. MARLIN. That's a very fine example, Senator.

Senator PROXMIRE. That's the kind of thing that you had in mind.

Now you gave statistics in your report which I have just mentioned which indicated a shockingly high percentage of such officials in what you termed conflict of interest situations. Do you have any evidence of specific wrongdoing by any of these individuals?

Ms. MARLIN. No. We have made no attempt to establish specific wrongdoing.

Senator PROXMIRE. It would be very difficult to do it.

Ms. MARLIN. Yes, it would. That's one of the problems with enforcement.

Senator PROXMIRE. Do you have any notion on how that might be pursued? How could you determine whether there's actual wrongdoing?

Ms. MARLIN. I don't know how, but I suppose one could do the kind of investigation that I hear from the press was reported on yesterday here.

Senator PROXMIRE. The reason I'm raising this point is that it's so very, very hard to establish an actual act of wrongdoing once you put a person into a position of conflict of interest where he can assist a company and get paid off for doing so. It's awfully hard to establish it and the conflict of interest itself suggests that a great deal of that is going on, but it's awfully hard to tell how much or where or where the damage is.

Ms. MARLIN. That's exactly why we didn't try to establish it ourselves. Almost any decision made by the Department of Defense in determining that one contractor rather than another shall be chosen really can't very easily be questioned by anyone from the outside. There are too many factors that go into those decisions for us to easily and firmly establish whether an incorrect one was made or not. Furthermore, the conflict of interest arises very often from the expectation of a job to be offered in the future, so at the time the decision is made there's no way of establishing it and there may in fact be no actual job offer at the time. It's the possibility that the job offer may be forthcoming several years later that is relevant. Even if you could establish that conflict later it would be years after the decision had been made and it would be of merely historical interest.

Senator PROXMIRE. Do you think the Department of Defense could adequately police the defense related reporting requirement if the will were there to do so?

Ms. MARLIN. Yes. Policing it is a very easy matter. We have already demonstrated what we could find as an outside public interest group with small resources. We were able to establish the names of 1,500 who could have filed and didn't. That's quite an easy list comparison. It would probably take one person a couple of months to do. It's not very much of a job but the Department of Defense has access to much more useful reports than the Council on Economic Priorities or any other member of the public does. What they could do still more effectively is look at reports that are made on a confidential basis to the Department of Defense by every officer who retires. Those reports were not available to the public, and they don't give as much detail about job descriptions as the public reports that you have required,

but they require that every retiring officer report whether or not he is working for a contractor with the Department of Defense. Now if those reports are filed as they should be, that seems to me a fail-proof way of finding out not only those people who failed to file a second and third time, but also those who never filed the first time. The Council has no access to these reports and we have no idea how many people have never filed but should have.

Senator PROXMIRE. Now you're being followed by a witness from the National Aeronautics and Space Administration [NASA] and then followed by Secretary Clements of the Defense Department. Did you have any evidence at all of any violations on the part of NASA personnel?

Ms. MARLIN. We didn't look into that.

Senator PROXMIRE. You say you didn't look into it. Would you have encountered that had there been?

Ms. MARLIN. I don't think so, but I would have to check into it more precisely and get back to you. I'm fairly sure we would not have.

Senator PROXMIRE. One final question. You mentioned the Department of Defense had tried to weaken one of the current conflict of interest laws. How was that done?

Ms. MARLIN. That's very interesting because it's been done by proposing legislation before this Congress drawn from the Fitzhugh Commission which has been put forward as positive legislation that would improve the very kinds of problems we have encountered with conflict of interest; but, unfortunately, the most significant change that they have proposed is one that would weaken the present unconditional prohibition of selling by retired officers. You have already established in earlier discussions, Senator, that it would be very difficult right now to establish whether or not a conflict of interest situation had been resolved against the public interest and in favor of private economic interest instead. This new legislation would not only require establishing that, but would extend it to demonstrate that the person had exercised undue influence on the Department of Defense decision.

Now, in my opinion, that would take a regulation that is already difficult at best to enforce and make it entirely unenforceable.

Senator PROXMIRE. We thank you very, very much, Ms. Marlin. As I say, we very much appreciate your testimony. It's most useful.

Ms. MARLIN. Thank you, Senator.

Senator PROXMIRE. Our next witness is Dr. George Low, Deputy Administrator, National Aeronautics and Space Administration. Dr. Low, would you please stand, and the gentlemen with you?

Dr. Low. Mr. Neil Hosenball, our General Counsel.

Senator PROXMIRE. Fine. Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Dr. Low. I do.

Mr. HOSENBALL. Yes.

Senator PROXMIRE. We have your statement and you may present it in any way you wish. If you'd like to summarize it, the entire statement will be printed in full in the record.

Dr. Low. I would like to summarize it, Mr. Chairman.

Senator PROXMIRE. All right, sir.

STATEMENT OF DR. GEORGE M. LOW, DEPUTY ADMINISTRATOR, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION; ACCOMPANIED BY S. NEIL HOSENBALL, GENERAL COUNSEL, NASA; AND JAMES J. CUMMINGS, DIRECTOR OF INSPECTIONS AND SECURITY, NASA

Dr. Low. Mr. Chairman, Senator Proxmire, the material in my prepared statement supplements the information already given to the committee on NASA's actions in relation to the senior Government officials visiting hunting facilities as guests of aerospace contractors. My statement today and my report to the committee should be considered only as a progress report because our investigation is still underway.

When this matter first came to our attention we immediately took the following actions:

First: We asked the Department of Defense to inform us if in their investigation it was found that any NASA employee was involved. In other words, we wanted to get the names of NASA employees as quickly and expeditiously as possible.

Second: I directed NASA's Office of Inspections and Security to conduct an immediate investigation to determine the extent to which NASA employees were entertained by NASA contractors by way of gifts, gratuities, entertainment, tickets, vacation trips, or invitations to hunting lodges. I gave Mr. Cummings, who is the head of our Office of Inspections and Security, complete freedom in the extent and in the conduct of that investigation.

The initial results of our investigation were first forwarded to the Justice Department to determine whether there were any Title 18 violations and then to the staff of this committee for their information. The investigation, as I mentioned, is continuing.

Third: We have taken disciplinary action against those NASA employees who were in violation of our then existing standards of conduct regulations. Specifically, we issued formal letters of reprimand to seven NASA employees found to have visited hunting facilities; letters of admonishment to two; and verbal reprimands to two.

Fourth: We have clarified and further defined NASA's regulation concerning acceptance of anything of value by our employees from private concerns doing or seeking business with NASA.

Fifth: And finally, we intend to amend our procurement regulations to place on our contractors a firm requirement to avoid situations like the ones we are discussing here today. Because the Office of Federal Procurement Policy wants to coordinate this on a Government-wide basis, it may take some time before the new regulations can be issued by NASA. In the meantime, we are advising each of our major contractors of our new standards of conduct regulations.

Now, let me turn to specific questions raised in Senator Proxmire's letter of January 14. First, on the subject of standards of conduct regulations, our new and revised regulations have been published in the *Federal Register* and were sent with a forwarding letter by me to each NASA employee. These regulations make it very clear that no NASA employee nor his spouse or minor child may accept any gifts,

gratuities, entertainment, including food, refreshments, tickets or invitations to performances and other events, favors, loans, transportation, accommodations, or any other thing of monetary value from an aerospace contractor.

The new regulations also severely limit and clearly define any exceptions. They leave no room for doubt as to interpretation.

Alleged violations will immediately be investigated by the Office of Inspections and Security. In addition, employees will be required to certify on an annual basis that they have reread those regulations.

Next, let me turn to the results of NASA's investigation to date. In our initial investigation, after the matter of hunting lodges was first brought to my attention, our inspectors interviewed 75 people. This included top management officials at NASA headquarters and those individuals named by various sources as having hunted as guests of aerospace contractors. In these interviews, 13 current NASA employees acknowledged that they had hunted as guests at either Northrop or Rockwell International. Of these 13, seven received formal letters of reprimand. The letters constitute official personnel actions under the civil service system. Two received letters of censure; two received verbal reprimands; and two are under further investigation.

In addition, the investigation identified 14 employees who accepted tickets to sporting events and the like. Eleven of these received verbal reprimands, while the remaining three were not in violation of our then existing standards of conduct regulations.

You asked about the possible impact of these events on NASA contract awards. In connection with NASA procurement of goods and services from aerospace contractors, I would like to make two observations. First, there have been no allegations from any source that the employees involved in our investigation improperly influenced any NASA procurement decision. Second, the checks and balances and safeguards built into NASA's source evaluation board procedures make that process virtually fail-safe. There are so many people involved in the evaluation process and so many levels of review, including quite often GAO reviews, that no individual nor even a small number of individuals could improperly bias results.

Mr. Chairman, I, of course, consider the violations of our standards of conduct regulations an extremely serious matter. At the same time, I'm pleased that to date at least we have found no improprieties with respect to the awarding of NASA contracts.

Let me turn to the costs resulting from contractor entertainment. The NASA audits of aerospace contractors are performed by the Defense Contract Audit Agency [DCAA], which is the Government's "one face to industry" and therefore the Defense Contract Audit Agency performs NASA audits as well. That agency is now auditing the activities of 10 contractors, including Northrop and Rockwell, for the possible occurrence of gratuities and entertainment expenses. We must await the results of those audits before we can determine whether any of these expenses were charged improperly to NASA. If they were, we will, of course, take appropriate action to disallow the costs.

Next let me turn to the interchange of personnel between NASA and aerospace companies. Our records indicate that a surprisingly

small number of NASA employees at the higher grades have gone to work for aerospace industry and vice versa. In fiscal year 1975, for example, there were only three such employees who have gone into industry, less than 1 percent of the total 487 separations in these higher grades. I should mention in checking into those three, I found that one of them went to the California Institute of Technology as a professor, but nevertheless had to report this because the Jet Propulsion Laboratory of California Technical is a contractor of NASA.

Senator PROXMIRE. If Chairman Patman would let me interrupt at that point, this does look very good and very encouraging, but it's awfully hard to tell on the basis of the preceding witness' testimony whether this is an accurate and complete picture. How are you assured that these were the only former employees of NASA who went to work for contractors? Do you know where all of them went to work? Do you have a clear record on your former employees?

Dr. Low. Senator Proxmire, I cannot be 100 percent sure that we have the total numbers since the law places the responsibility in each individual to report. However, since NASA is a much smaller agency than the Department of Defense, we can do much more in terms of notifications and follow-up than apparently has been possible for the Department of Defense.

In the years 1971 to 1975, only 55 employees have reported going to the areospace industry in these higher grades. There may be a few errors in our numbers, but I don't expect that there are large discrepancies. We do follow up. We do post notifications—we do post requirements and regulations on bulletin boards. We inform our contractors and we follow up individually by notifying people who leave NASA of the requirement to report.

Senator PROXMIRE. Have you found any violations?

Dr. Low. No, sir.

Senator PROXMIRE. You have no instance of an employee who has failed to comply with the law and indicate when he has worked for a contractor?

Dr. Low. I know of one instance where we reminded an employee before he was in actual violation. We have followed up in that way. We know of no instances of violations.

Senator PROXMIRE. So it would have been a violation if they had not filed, but you made sure that they did?

Dr. Low. Yes, sir. In the same period of time, by the way, this last year, NASA hired 143 persons at grade 13 or above. Of this, 16 came from the major aerospace contractors. I should mention also that reports on these transfers are publicly available and are sent annually to the Congress.

I'd like to make two observations here. First, NASA employees going to industry, of course, are disqualified by law from representing a private company to NASA in areas which are under their responsibility while at NASA. Second, I believe that the interchange of people between NASA and industry is a healthy and extremely important one to the productivity, efficiency and success of our aeronautic and space programs. It is therefore NASA policy to include among its top management members a mix of career civil servants and managers with extensive industry experience.

I'd like to add in passing, Senator Proxmire, that in my view, this policy has contributed in a major way toward NASA's excellent productivity record which you noted in your statement of January 2.

In closing, Mr. Chairman and Senator Proxmire, let me say that NASA regards as serious and most unfortunate the violations of our standards of conduct regulations, which I have mentioned. The public has a right to demand that we conduct our affairs without even a hint of impropriety or scandal. The actions we are taking are designed specifically to protect against such occurrences in the future. Perhaps the most unfortunate aspect of recent events is that the actions of a few could create a doubt in the minds of the public concerning the remaining thousands of NASA employees who have conducted themselves over the years in strict adherence to the letter and to the spirit of NASA's standards of conduct.

Dr. Fletcher and I are determined to do whatever is necessary not to let this happen again. Thank you, Mr. Chairman.

[Prepared statement of Dr. Low follows:]

STATEMENT OF DR. GEORGE M. LOW, DEPUTY ADMINISTRATOR, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. Chairman, Mr. Vice Chairman and members of the committee, my appearance before the Committee this morning, in response to Senator Proxmire's letter of January 14, 1976, will supplement the information that NASA has already given to the Committee and its staff on NASA's actions in response to news media articles that senior Government officials visited hunting facilities as guests of aerospace contractors.

When the articles regarding defense contractors first appeared last September, NASA initiated a number of actions:

First, NASA's General Counsel and our Director of Inspections and Security promptly contacted officials of the Defense Department to voice our concern in this matter, to offer our full cooperation in DoD's investigation, and to request that DoD inform us if in its investigation it was found that any NASA employee was in any way involved. I confirmed those discussions with a letter to the Deputy Secretary of Defense, and in his response, Mr. Clements promised to keep us informed of any involvement of NASA employees.

Second, I directed NASA's Office of Inspections and Security to initiate an investigation to determine the extent to which NASA employees were entertained by NASA contractors by way of gifts, tickets to sporting or cultural events, vacation trips, or invitations to hunting lodges. Although that investigation is still underway, we have completed a major portion of it and on December 30, 1975, the NASA General Counsel forwarded a report on it to the Department of Justice with the request that we be advised whether, in the Department's opinion, any of the reported instances documented in the report warrants the institution of criminal proceedings.

We were advised verbally on January 15, and in writing on January 23 that attorneys in the Justice Department were still reviewing the matter to determine the desirability and scope of further investigative or prosecutive action. But the Assistant Attorney General stated his view that meanwhile administrative disciplinary action by NASA would not interfere with any actions undertaken by the Department.

A copy of the report that we sent to the Department of Justice was sent to the Committee on January 16 so that the Committee staff could review it.

Third, we have taken disciplinary action against those NASA employees who, in violation of NASA's regulations, acted improperly in accepting invitations to hunting lodges. Acting under a special delegation from me, the Assistant Administrator for Personnel Programs has issued formal letters of reprimand to seven NASA employees found to have visited hunting lodges as guests of aerospace contractors. These letters constitute official personnel actions under the Civil Service system. I will discuss additional disciplinary actions later in my statement.

Fourth, I undertook with the General Counsel a thorough review of NASA's Standards of Conduct regulations with a view toward developing more specific guidance to NASA employees. As a result of that effort, we decided that there was a need to clarify and generally to restrict the regulations concerning the acceptance by NASA employees of anything of value from private concerns doing or seeking business with NASA. On January 19, 1976, a complete revision of that part of our regulations was published in the *Federal Register* and a copy sent to each NASA employee. Copies of that revision and my forwarding memorandum are attached to my statement as Appendix A. [p. 90].

Finally, we are amending our procurement regulations to require that all future NASA contracts in excess of $1 million include a Standards of Conduct Certification. To be able to make that certification the contractor and his major subcontractors must have established (1) a written company policy providing for appropriate dissemination of NASA's regulations concerning the acceptance of gifts, (2) a code of conduct for company employees observing the restrictions on NASA employees, and (3) disciplinary procedures for any company employee responsible for causing a violation of the company policy. The company policy would be available for review by NASA.

A draft of the certification is attached to my statement as Appendix B [p 94]. We have forwarded that draft to the Office of Federal Procurement Policy with the suggestion that they review it for possible application Government-wide, and a proposed NASA procurement directive based on the draft is now being prepared for publication in the *Federal Register*.

With that as an introduction, let me now turn to the specific matters listed in Senator Proxmire's January 14 letter and address each separately.

STANDARDS OF CONDUCT REGULATIONS

In amending our Standards of Conduct regulations we defined more precisely the general rule prohibiting the acceptance by a NASA employee or his spouse or minor child, from a private person or organization having relationships with NASA, of any gift, gratuity, entertainment (including food, refreshments, tickets or invitations to performances and other events), favors, loans, transportation, accommodations, or any other thing of monetary value. And we tightened up significantly the exceptions to that general rule. For example, the so-called "business-lunch" exception is now limited to the acceptance of food and soft drinks only in a contractor's plant when the conduct of official business will be facilitated and when no provision can be made for individual payment. Otherwise, a NASA employee may not accept food or refreshments from a contractor, even if official business is transacted. Other exceptions are also severely limited and clearly defined in the new regulations; employees are cautioned that the exceptions are to be strictly construed. Under the new regulations, the Office of Inspections and Security will continue to have the responsibility to receive and investigate alleged violations of the Standards of Conduct.

RESULTS OF NASA'S INVESTIGATION

The investigative report that we sent to the Department of Justice and provided to the Committee staff records the interviews of 75 NASA employees and other officials detailed to NASA. The interviews were conducted by the Office of Inspections and Security between October 1 and December 8, 1975. Those selected for this initial group of interviews include all top management officials at NASA Headquarters as well as those named by various sources, including the staff of this Committee, as having hunted as guests of the Northrop Corporation or Rockwell International Corporation.

In these interviews, 13 current NASA employees or detailees and one former NASA employee acknowledged that they had hunted as guests of either Northrop or Rockwell while they were employed by or detailed to NASA. One current NASA official acknowledges hunting as a guest of Northrop while at DOD.

Actions taken with respect to these 13 employees are as follows: 7 received formal written reprimands; 2 received letters of censure; 2 received verbal reprimands; and 2 cases are under further investigation.

In addition, the investigation identified 14 employees who accepted tickets for sporting events and the like from NASA contractors. Eleven of these received

verbal reprimands. We determined that the remaining three were not in violation of our then-existing Standards of Conduct regulations.

POSSIBLE IMPACT OF CONTRACTOR ENTERTAINMENT ON CONTRACT AWARDS COSTS

In Senator Proxmire's letter of January 14, reference is made to the possible impact that contractor entertainment of Federal officials may have had on contract awards and costs.

With respect to the selection of contractors, I am convinced that the safeguards and the checks and balances built into NASA's rigorous Source Evaluation Board (SEB) procedures used for major dollar procurements (over $1 million) make it virtually fail-safe.

At the first level in the SEB process, a number of Government experts from NASA and often from other agencies analyze and evaluate hundreds of discrete elements concerning the business or technical aspects of the contractors' proposals. They report their findings to the SEB itself or more often to special committees of the SEB, which in turn report to the SEB. The record thus created supports and documents the overall analyses and evaluations presented on the record by the SEB to the selecting officials.

In our large procurements, the final SEB report is the work product of so many separate employees of NASA and perhaps other agencies, often more than a hundred, that the ability of any one or even several employees improperly to influence the result is just about impossible. Throughout the process the findings of the SEB are subjected to and must withstand challenge and cross-examination as to their adequacy and accuracy. The final selecting official, while required to exercise his judgment in considering various trade-offs among costs and technical and other factors, is constrained in his selection options by the findings of the SEB and the supporting record. And his decision, which in major procurements is reached in consultation with two other senior officials, must be reduced to writing and must be able to withstand scrutiny by the GAO and even the courts. Nothing uncovered in our investigation would lead us to conclude that any contract award was, or even could have been, improperly biased.

With respect to any impact on contract costs resulting from contractors entertaining Federal officials, I understand that there are a number of actions underway, taken by this Committee, by the Defense Contract Audit Agency (DCAA) and by the General Accounting Office (GAO). Since its inception, NASA has followed the Federal "one-face-to-industry" concept in the audit of costs incurred by its contractors. Because DCAA is the cognizant audit agency for the aerospace contractors with which we do business, that agency performs all audits of these contractors for NASA.

We have been advised that the DCAA, in addition to its review of the Northrop Corporation, has expanded its review of the Washington office activities of eight other contractors for the possible incurrence of gratuity and entertainment expenses. Those contractors are: Boeing, General Dynamics, Hughes, Lockheed, Martin-Marietta, Raytheon, Rockwell International and Sperry. These reviews are all still in process and no interim reports have been issued.

We also have been informed that the GAO is beginning its reviews of the questionnaires that this Committee sent to a number of companies. We are in contact with the DCAA and will review the result of its audits, and we will look to the results of the Committee's and GAO's efforts, when they are available, to gauge the adequacy of the steps we have already taken and to determine whether other actions would be desirable.

INTERCHANGE OF PERSONNEL BETWEEN NASA AND AEROSPACE COMPANIES

Section 2462 of Title 42 of the U.S. Code requires the registration of persons moving from NASA to NASA's major contractors and vice versa. Under that law, NASA maintains records going back to fiscal year 1971 on (1) all reporting NASA employees at grade GS–13 or higher who within the previous three fiscal years were employed at an annual salary of $15,000 or higher by a major contractor, i.e., one awarded $10 million or more in the reporting fiscal year, and (2) all reporting former NASA employees who were at GS–13 or higher within the previous three fiscal years and who were employed by a major contractor within the reporting fiscal year at $15,000 per year or higher. Those records

are publicly available and I am told that they were recently reviewed by the staff of this Committee. Reports based on the NASA records are submitted annually by NASA to the President of the Senate and the Speaker of the House and to NASA's two authorizing committees.

Under the law, the responsibility is on each individual to register and criminal sanctions are provided for failure to do so. NASA has an active program to give adequate notice of the requirement, within NASA and within the private companies falling within the $10 million threshold.

Historically, very few NASA employees separating at GS–13 and above report going to middle or high level jobs with the firms covered by the reporting requirements. In FY 1975, for example, there were only three such employees, less than 1% of the total of 487 separations at GS–13 and above. During the five-year period of the reports, FY 1971 – FY 1975, there were only 55 of a total of 3,141 separations from NASA at GS–13 and above, or less than 2%. Of course these employees are disqualified by law from representing a private company to NASA in areas which were under their responsibility while with NASA. The disqualifications are either for one year, or forever, depending upon the nature of their former responsibility.

With respect to movements the other way, i.e., from major aerospace firms to NASA, the reported data are comparable. During FY 1975, NASA hired 143 persons at grade GS–13 and above; of these, 16 report coming from major contractors. And during the five-year period, FY 1971 – FY 1975, 65 reported such employment, out of a total of 543 accessions at GS–13 and above.

Since aerospace engineers are, by training and experience, qualified to work either on the Government side or the aerospace industry side of defense, space and aeronautics programs, and since their choices beyond those opportunities are somewhat limited, I believe the numbers I have given are surprisingly low, certainly not cause for any action or further restrictions. Moreover, NASA has always had a policy, which I believe is sound, to include in its top management a mix of career civil servants and managers with extensive industry experience. In my view this policy has contributed in a major way toward NASA's excellent management record which Senator Proxmire noted in his January 2 press release.

EFFECT OF THE "CWAS" PROGRAM ON CONTRACTOR COSTS

You asked that NASA provide in this hearing information on NASA's participation in the DOD program known as the Contractor's Weighted Average Share in Cost Risk (CWAS).

NASA has not incorporated CWAS provisions in our procurement regulations and we do not plan to do so. The basis for our position is our concern with the validity of the underlying premise that contract costs can be assumed to be reasonable based on the extent of the contractor's commercial and fixed price business.

In the interest of uniformity in dealing with our major contractors, however, NASA agreed in 1967 to observe CWAS ratings approved by DOD on a case-by-case basis. This was to be done after first determining that the extent of NASA involvement and other factors did not warrant any NASA objections to the application of a CWAS rating to a particular profit center. Even in such cases, however, we have never felt compelled to accept a cost which we believed to be unreasonable solely because the contractor was CWAS qualified.

We are informed that DOD is reviewing its CWAS program criteria in the area of consultants' fees and related matters, and we will, of course, be interested in the results of that effort.

In closing, Mr. Chairman, let me say that NASA regards as serious and unfortunate the violations of our Standards of Conduct which I have mentioned. The public has a right to demand that we conduct our affairs without even a hint of impropriety or scandal. The actions we are taking are designed specifically to protect against such occurrences in the future.

Perhaps the most unfortunate aspect of the recent publicity is that the actions of a few could create a doubt in the minds of the public concerning the remaining thousands of NASA employees who have conducted themselves over the years in strict adherence to the letter and the spirit of NASA's Standards of Conduct.

Mr. Chairman, this concludes my prepared statement.

APPENDIX A TO STATEMENT OF DR. GEORGE M. LOW

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
WASHINGTON, D.C., *January 19, 1976.*

OFFICE OF THE ADMINISTRATOR
To: All employees.
From: AD/Deputy Administrator.
Subject: Acceptance of gifts, gratuities, or entertainment.

In my memorandum of October 24, 1975, to all NASA employees, I reported to you that I had asked the General Counsel to work with me in developing more specific policies and procedures concerning NASA's standards of conduct for all employees. It became apparent during that effort that there was a need to clarify and generally to restrict the regulations concerning the acceptance of gifts, gratuities, entertainment, or any other thing of value from private concerns. Attached for your information is an extensive amendment to NASA's Standards of Conduct regulations, which amendment, among other things, completely revises the regulations concerning the acceptance of gifts, gratuities, or entertainment.

Each of you has a personal responsibility to become thoroughly familiar with these new regulations and to govern your conduct in strict compliance with all of the provisions.

The new regulations define more precisely NASA's general policy against the acceptance by a NASA employee or his spouse or minor child, from a private person or organization having relationships with NASA, of any gift, gratuity, entertainment (including food, refreshments, tickets or invitations to performances and other events), favors, loans, transportation, accommodations, or any other thing of monetary value, unless specifically and clearly permitted by one of the exceptions listed in §1207.735–201(d). Those exceptions are to be strictly construed, and if, after consulting with appropriate counselors, there is any question as to whether a particular exception to the general rule is applicable, the exception should not be used.

The attached regulations incorporate a reference to the newly enacted criminal provision concerning the acceptance of excessive honorariums, 18 U.S.C. 616. If you have any questions concerning the applicability of that provision, for example, to outside teaching or lecturing, you should consult with the General Counsel, who will seek the advice of the Department of Justice in appropriate instances.

We are now in the process of revising the Standards of Conduct handbook (NHB 1900.1A) to incorporate the attached amendment. Your installation's principal legal officer and personnel officer will continue to serve as ethics counselors. If you have any questions regarding the attached amendment or any other provisions of the handbook, I urge you to seek their advice and counsel.

GEORGE M. LOW.

[From the Federal Register, Monday, Jan. 19, 1976]

CHAPTER V—NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

PART 1207—STANDARDS OF CONDUCT

ACCEPTANCE OF GIFTS, GRATUITIES, OR ENTERTAINMENT

The principal purposes of these amendments to the Standards of Conduct regulations of the National Aeronautices and Space Administration are (1) to provide more specific guidance to NASA employees on NASA policy concerning the acceptance of gifts, gratuities, entertainment or any other thing of value, and (2) to limit the exceptions to the general policy proscribing the acceptance by NASA employees of any gift, gratuity, entertainment or any other thing of value from persons doing business with NASA.

Section 201(b) of Executive Order 11222, 30 FR 6469, 3 CFR 1965 Supp., authorizes agency heads to issue regulations, coordinated and approved by the Civil Service Commission, to implement the policy established by the Executive Order concerning the acceptance of gifts, etc., by agency employees and to provide for such exceptions as may be necessary and appropriate in view of the nature of their agency's work and the duties and responsibilities of their employees.

NASA has determined that there is a need to clarify and generally to restrict the exceptions applicable to NASA employees. The underlying objective is to provide greater insurance against a NASA employee acting in any manner, with respect to the acceptance of anything of value from a person or organization doing business with NASA, that could create the appearance of a conflict of interest. At the same time, recognizing the advantages to NASA in certain circumstances in permitting a NASA employee to provide services on a reimbursable basis to an industrial, technical or professional association, the amended regulations would permit reimbursement for transportation, accommodations and subsistence, under tight procedural requirements, from such an organization.

The amendments also update the references to statutory provisions that relate to an employee's conduct, including 18 U.S.C. 616 concerning the acceptance of excessive honorariums.

Since these amendments are concerned only with internal administrative responsibilities and standards of conduct for NASA employees, notice and public procedure thereon is not required. The amendments have been coordinated and approved by the Civil Service Commission.

AUTHORITY: Sec. 203, National Aeronautics and Space Act of 1958, as amended, 72 Stat. 429, 42 U.S.C. 2473; E.O. 11222, 30 FR 6469, 3 CFR 1965 Supp.; 5 CFR 735.104.

§ 1207.735–101 [Amended]

1. Paragraph (e) of § 1207.735–101 is reserved as follows:

(e) [Reserved]

2. Paragraph (f) of § 1207.735–101 is amended by adding paragraphs (18), (19), and (20), reading as follows:

(18) The prohibition against a public official appointing, employing, promoting or advancing a relative of the official in his agency, or advocating any such actions in his agency for such a relative (5 U.S.C. 3110).

(19) The prohibition against (i) the disclosure of crop information and speculation thereon (18 U.S.C. 1902); and (ii) the issuance of false crop reports (18 U.S.C. 2072).

(20) The prohibition against the acceptance of excessive honorariums (18 U.S.C. 616).

3. Subpart B is revised in its entirety to read as follows:

SUBPART B—ACCEPTANCE OF GIFTS, GRATUITIES, OR ENTERTAINMENT

1207.735–200 Scope of subpart.
1207.735–201 Policy.
1207.735–202 Statutory prohibitions.

SUBPART B—ACCEPTANCE OF GIFTS, GRATUITIES, OR ENTERTAINMENT

§ 1207.735–200 Scope of subpart.

This part establishes NASA policy with respect to the acceptance of gifts, gratuities, entertainment (including food, refreshments, tickets or invitations to performances and other events), favors, loans, transportation, accommodations, or any other thing of monetary value by NASA employees. Any violation of these regulations and/or any of the criminal statutes referred to herein will subject the employee to administrative disciplinary action and/or criminal prosecution.

§ 1207.735–201 Policy.

(a) It is NASA policy not to interfere in the private lives of NASA employees and their families. However, certain conduct involving acceptance of gifts, gratuities, entertainment (including food, refreshments, tickets or invitations to performances and other events), favors, loans, transportation, accommodations, or any other thing of monetary value, must be regulated in view of the nature of the official duties of the employee and the special responsibilities that are assumed by a person who accepts Federal employment.

(b) Except as provided in paragraphs (d), (f), and (g) of this section, the direct or indirect solicitation or acceptance by a NASA employee or his spouse or minor child of any gift, gratuity, entertainment (including food, refreshments, tickets or invitations to performances and other events), favors, loans, transportation, accommodations, or any other thing of monetary value from any person, corporation, or group:

(1) Has or is seeking to obtain contractual or other business or financial relationships with NASA; or

(2) Has interests which may be substantially affected by such employee's performance or nonperformance of his official duty; or

(3) Is in any way attempting to affect the employee's official action.

(c) There are certain exceptions to the foregoing general rule which are set forth in paragraph (d) of this section. Those exceptions are to be strictly construed. In determining whether one or more of the exceptions apply in any particular circumstance, each NASA employee shall avoid any situation having an appearance which might, whether justifiably or not, bring discredit to or embarrass the Government or NASA. Each NASA employee will so govern his conduct in the light of this part as to have no difficulty in justifying his actions if required to do so.

(d) The following are exceptions to the general rule set forth in paragraph (b) of this section:

(1) Acceptance of food and soft drinks of nominal value at a contractor's plant on an infrequent basis when the conduct of official business within the plant will be facilitated and when no provision can be made for individual payment. An employee shall avoid all other situations, e.g., in private clubs, where there would be no provision for individual payment for his food or refreshments.

(2) Instances in which the interests of the Government are served by participation of a NASA employee in widely attended luncheons, dinners, and similar gatherings sponsored by industrial, technical, or professional associations for the discussion of matters of mutual interest. Participation in such events is permitted only when the host is the association and not a private company and only when approved by the employee's supervisor as being a part of or related to his official duties. Acceptance of gratuities, food, or refreshments from a private company in connection with such association's activities, is forbidden.

(3) Acceptance of gifts, favors, or entertainment, where there is a family relationship between the employee, or between his spouse, children, or parents, and the donor, where the circumstances make it clear that it is that relationship rather than the business of the persons concerned which is the motivating factor for the gift, favor, or entertainment, and where it is clear that the gift, favor, or entertainment is paid for by the donor and not by a private company.

(4) Acceptance of modest food and refreshments at the host's home, where there is an obvious personal relationship between the employee and the host, where it is clear that it is that relationship rather than the business of the persons concerned which is the motivating factor for the food and refreshments, and where it is clear that the food and refreshments are paid for by the host and not by a private company.

(5) Purchase of articles at advantageous rates where such rates are offered to Government employees as a class.

(6) Acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities of employees, such as home mortgage loans.

(7) Acceptance of unsolicited advertising or promotional material, such as pens, pencils, note pads, calendars, or other items of trivial value, clearly less than $5.00.

(8) Acceptance of contractor-provided local or intrastate transportation while on official business when alternative arrangements are clearly impracticable or where such acceptance will facilitate the conduct of official business. Acceptance of intrastate transportation is permitted only when specifically authorized in the employee's travel authorization, or otherwise authorized in writing by the employee's supervisor, as being in the interest of the Government.

(9) Acceptance of transportation, accommodations, subsistence, or services furnished under a reimbursable arrangement with NASA, from an industrial, technical, or professional association, when authorized in the employee's travel authorization as being in the interest of the Government. When transportation, accommodations, subsistence, or services are furnished in kind by such an association, appropriate deductions shall be made in the travel, per diem, and other allowances otherwise payable to the employee. When transportation, accommodations, subsistence, or services are provided under a cash reimbursable arrangement, the reimbursement must be paid directly to NASA by check payable to the National Aeronautics and Space Administration; the employee will be reimbursed for necessary expenses by NASA in accordance with applicable laws and regulations. In no case shall a NASA employee accept benefits which are under prudent standards extravagant or excessive in nature.

(10) Special situations in which the Associate Administrator for Center Operations, after consultation with the General Counsel, determines in advance in writing that the interest of the Government will be served by an employee's participation, in his official capacity and as a designated NASA representative, in a public ceremony or other event at the expense of a private company.

(11) Acceptance of transportation or other services provided by a private company in special situations in which the Administrator or the Deputy Administrator determines in advance in writing that acceptance of such transportation or other services will facilitate the conduct of official business and be in the best interest of the Government.

(e) A gift or gratuity, the receipt of which is prohibited under paragraph (b) of this section, will be returned to the donor. If return is not possible, the gift or gratuity will be turned over to a public or charitable institution and a report of such action, and the reasons why return was not feasible, will be made to the employee's supervisor. When possible, the donor should also be informed of such action.

(f) An employee will not solicit a contribution from another employee for a gift to an official superior, make a donation as a gift to an official superior, or accept a gift presented as a contribution from an employee receiving less salary than himself (5 U.S.C. 7351). However, this paragraph does not prohibit a voluntary gift of nominal value or a donation in a nominal amount made on a special occasion such as marriage, illness or death, or retirement.

(g) An employee will not accept a gift, present, decoration, or other thing from a foreign government unless authorized by Congress as provided by the Constitution and in 5 U.S.C. 7342 (see NASA instruction NMI 1030.1A).

§1207.735–202 Statutory prohibitions.

The prohibitions set forth in § 1207.735–201 are to be construed as being in addition to and not in limitation of:

(a) The prohibitions of 18 U.S.C. 201 as amended, relating to the corrupt solicitation or receipt of, or agreement to receive, anything of value in connection with an employee's performance of his official duty; and

(b) The prohibitions of 18 U.S.C. 203, as amended, relating to the unlawful solicitation or receipt of, or agreement to receive, compensation for services rendered by an employee in connection with matters affecting the Government.

4. Section 1207.735–305 is revised to read as follows:

§ 1207.735–305 Compensation, honorariums, travel expenses.

(a) An employee may accept compensation or an honorarium for permissible outside employment or other outside activity which is nonofficial in character unless otherwise prohibited by this subpart.

(b)(1) Except as provided in §1207.735–201(d)(9) and in paragraph (b)(2) of this section, travel expenses will be borne by the Government when official employment activities of NASA employees are involved, including attendance at meetings of nongovernmental organizations. Conversely, when nonofficial outside employment activities are involved, appropriated funds will not be utilized for travel or subsistence.

(2) Contributions and awards incident to training in non-Government facilities and travel, subsistence, and other expenses incident to attendance at meetings may be accepted by NASA employees, provided that such contributions, awards, and payments are made by non-profit organizations pursuant to 5 U.S.C. 4111 (formerly the Government Employees Training Act), and that the employee has obtained specific written authorization to accept the contribution or award.

(c) No employee shall accept (1) any honorarium of more than $1,000 (excluding amounts accepted for actual travel and subsistence expenses) for any appearance, speech, or article, or (2) honorariums aggregating more than $15,000 in any calendar year (18 U.S.C. 616). The provisions of this paragraph apply whether the appearance, speech or article is approved as permissible outside employment under Subpart C of this part, or pertains to the private interests of the employee.

5. Section 1207.735–309 is amended by adding paragraph (d) reading as follows:

§ 1207.735–309 Related statutory provisions.

* * * * * *

(d) 18 U.S.C. 616 provides:

Whoever, while an elected or appointed officer or employee of any branch of the Federal Government—

(1) accepts any honorarium of more than $1,000 (excluding amounts accepted for actual travel and subsistence expenses) for any appearance, speech, or article; or

(2) accepts honorariums (not prohibited by paragraph (1) of this section) aggregating more than $15,000 in any calendar year;

shall be fined not less than $1,000 nor more than $5,000.

Effective date. This amendment takes effect on January 19, 1976.

JAMES C. FLETCHER,
Administrator.

APPENDIX B TO STATEMENT OF DR. GEORGE M. LOW

NOTE THE STANDARDS OF CONDUCT CERTIFICATION IN THIS SOLICITATION. Bidders or offerors are cautioned to comply with the terms of the "Standards of Conduct Certification" in this solicitation. Failure of a bidder or offeror to comply with the certification may result in a determination of nonresponsibility by the Contracting Officer.

STANDARDS OF CONDUCT CERTIFICATION (FEBRUARY 1976)

(Applicable if the bid or offer exceeds $1,000,000)

The National Aeronautics and Space Administration has established policies which govern the acceptance of gifts, gratuities, entertainment (including food, refreshments, tickets or invitations to performances and other events), favors, loans, transportation, accommodations, or any other thing of monetary value by NASA employees. These policies are found in Title 14, Code of Federal Regulations, Chapter V, Part 1207, Subpart B (see *Federal Register*, Vol. 41, No. 12, January 19, 1976). It is imperative that employees of NASA contractors and subcontractors be made aware of the limitations on the activities of NASA employees and honor the spirit and intent of such limitations. Accordingly, as a condition of competing for the award of a contract resulting from this solicitation, the bidder or offeror shall institute and implement a written company policy which will appropriately provide for dissemination of information regarding the above NASA policies to company employees, provide a code of conduct for company employees with respect thereto, and further provide for disciplinary action for any company employee responsible, directly or indirectly, for causing a violation of the company policy. The bidder or offeror is also required to execute the certificate set forth below. The person executing the certificate, through the act of signature, represents that he has the authority to bind the bidder or offeror to the terms of the certificate. Failure to institute and implement a meaningful company policy in accordance with the above will result in a determination that the bidder or offeror is not a responsible contractor for this procurement.

CERTIFICATE

Bidder/offeror represent that, at the time of submission of this bid/proposal, a written company policy has been made effective which provides for appropriate dissemination to company employees the NASA policy regarding acceptance of gifts, gratuities, or entertainment by NASA employees (14 CFR, Chap. V, Part 1207, Subpart B; see *Federal Register*, Vol. 41, No. 12, January 19, 1976); a code of conduct for company employees with respect thereto; and, for disciplinary action to be taken against company employees who, directly or indirectly, are responsible for causing a violation of the company code of conduct. Upon request of the Contracting Officer, the above company policy will be made available for review.

_____ _____

Signature—Title Date

The successful bidder/offeror agrees to insert the substance of the above, including the certificate, in all subcontracts for which the price is expected to equal or exceed $1,000,000 in amount.

Senator PROXMIRE. On the first page of your statement, Dr. Low, you say that NASA initiated a number of actions at the time when articles about defense contractors first appeared in the press. Am I

to understand that these actions were undertaken voluntarily and without prompting from outside the agency?

Dr. Low. Yes, sir.

Senator PROXMIRE. You initiated these actions even though there had been no indication that NASA officials might also be involved in the acceptance of favors or entertainment; is that right?

Dr. Low. That's right.

Senator PROXMIRE. What caused you to begin these actions when no one had pointed a finger at NASA personnel?

Dr. Low. Mr. Chairman, one employee came to me voluntarily before his name appeared in any other way, and told me that he had visited one of the hunting facilities. In addition, when I read the newspaper articles about the Defense people visiting the Northrop hunting lodge, I became concerned that maybe some NASA people might also be involved and therefore immediately met with our General Counsel and our Director of Inspections to decide whether we should follow up on this and we decided we should.

Senator PROXMIRE. Now in regard to your investigation, how many individuals worked on the investigation?

Dr. Low. Our Director of Inspections, Mr. Cummings, is sitting behind me. I will have to ask him that. I believe it was about six inspectors.

Senator PROXMIRE. What techniques were used to carry out the investigation?

Dr. Low. Could I call on Mr. Cummings to tell you that directly?

Senator PROXMIRE. Yes. Why don't you come up to the table, Mr. Cummings?

Mr. Cummings, do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CUMMINGS. I do.

Senator PROXMIRE. All right, sir. The question related to the techniques that were used in making these investigations. What did you do? How did you make the investigation?

Mr. CUMMINGS. Senator, the first thing we did was to interview the people whose names we had from various sources, including the news media. In addition to that ——

Senator PROXMIRE. You say including the news media. You interviewed the reporters who made the reports?

Mr. CUMMINGS. No, sir; I did not.

Senator PROXMIRE. What do you mean by "including the news media?"

Mr. CUMMINGS. In other words, in the news media there appeared the names of NASA employees who were alleged to have gone to these hunting facilities.

Senator PROXMIRE. I see.

Mr. CUMMINGS. In addition to that, we went directly to Rockwell and explained the situation to them and asked their cooperation, which they promised. In the meantime, we felt that we needed a higher level of confidence, that we did not have senior and top level NASA management people involved in this, so we undertook to interview those people.

Senator PROXMIRE. So your technique included interviews with the people whose names had appeared in the press and also the top level people?

Mr. CUMMINGS. Yes, sir.

Senator PROXMIRE. To see if any of them had been?

Mr. CUMMINGS. That's correct.

Senator PROXMIRE. By top level, what do you mean?

Mr. CUMMINGS. We took all of the—starting from Dr. Fletcher on down.

Senator PROXMIRE. Down to what level?

Mr. CUMMINGS. Probably to the assistant deputy level—Deputy Assistant Administrator.

Senator PROXMIRE. How many people were asked about this?

Mr. CUMMINGS. I would guess about 60 to 70.

Senator PROXMIRE. Was the investigation restricted to your Washington headquarters or did you investigate the space centers and other field offices?

Mr. CUMMINGS. Senator, I should point out that initially when I met with Dr. Low, he told me that I had carte blanche to do whatever I thought was necessary to get to the bottom of the matter. We initially started out with the headquarters situation because we felt that that's probably where most of it was situated because all of the information we had dealt with the Washington offices of these various firms.

Where we did get leads indicating some involvement in the field centers we went to the field centers, but not nearly as thoroughly as we had done the Washington area.

Senator PROXMIRE. As you know, we had testimony yesterday indicating there are far-flung lodges all over the world almost, certainly all over this country and spreading out in the Caribbean and beyond. When you say you weren't as thorough, what does that mean? Does that mean you didn't go down as far from the top command?

Mr. CUMMINGS. Perhaps that is not the right word. We went through a period of time when we only had a certain number of leads to follow up on and while we were waiting for more information we took that opportunity to go through our Washington headquarters office pretty thoroughly.

Now, in the meantime, we did get cooperation from Rockwell in furnishing us with names and so that became the obvious lead to follow and that's what we did.

Dr. LOW. Mr. Cummings and his investigators, Senator, are extremely thorough in following up on all leads. There's no question about that. Initially, before we had any leads, we also started the investigation by just arbitrarily talking to senior people here at headquarters. Since that time, the leads have been developed. Mr. Cummings has told me that he felt that following through on leads rather than arbitrarily dipping in and talking to individuals where we have no idea that they have ever been involved in anything is a more productive way of conducting such an investigation.

Senator PROXMIRE. I want to know precisely what the interview consisted of. Did you ask these people if they had been entertained at any lodge of any kind, if they had been given a free drink or meals or

theater tickets or sports tickets? How far did you go? Do you have a copy of the questions you asked? Did you interrogate them under oath?

Mr. CUMMINGS. No, sir, we do not interrogate them under oath. I'm not empowered to administer an oath in that situation.

Senator PROXMIRE. All right; tell us, then, what you asked them.

Mr. CUMMINGS. We advised in all cases that the purpose of the investigation was to determine the extent to which major NASA aerospace contractors had entertained or attempted to entertain NASA employees by way of gifts, tickets to sporting or cultural events, vacation trips, or invitations to hunting lodges or hospitality suites.

Dr. LOW. And transportation, I might add, because I recently had my interview and I know that was a question asked also.

Senator PROXMIRE. So in each case they were asked whether or not they had received any gratuity?

Mr. CUMMINGS. Or if they knew of anyone else in NASA who had participated.

Senator PROXMIRE. All right; thank you, sir.

Now, Dr. Low, your written testimony mentions reciprocal offers between NASA and the Defense Department to assist in each other's investigations wherever possible. Did this in fact occur?

Dr. LOW. I did write to Secretary Clements, offered to assist them in their investigation if they had such a requirement, but specifically asked for any information about NASA employees that might have come up in the Defense investigation. In continuing contacts between our people and the Defense people this exchange did indeed occur.

Senator PROXMIRE. I'm sorry; I missed the last part of that.

Dr. LOW. The answer is yes, we did continue to coordinate with the Defense people and if they had turned up any leads in addition to the ones we already had we would have received those.

Senator PROXMIRE. Are you confident that they cooperated fully? Did they provide full information as far as you know?

Dr. LOW. I have no question in that regard whatsoever.

Senator PROXMIRE. What sort of information did you give the Defense Department?

Dr. LOW. We discussed between our General Counsel and theirs and between our investigators the kind of investigation we were conducting and the kinds of things we were finding.

Senator PROXMIRE. The kind of things you were finding?

Dr. LOW. The kinds of things we were finding in our investigation.

Senator PROXMIRE. Did you supply the names of DOD officials that might have turned up in your investigations?

Dr. LOW. In our discussions with the DOD—I'm talking now about former Defense officials who are now with NASA or people from the Defense Department detailed to NASA—in discussions with us DOD has said that any disciplinary action taken on Defense people detailed to NASA should be taken by NASA.

Senator PROXMIRE. Well, what I'm asking is whether or not you supplied the Defense Department the names of former DOD officials who had been entertained or who had been in violation of the law in any way that you happened to encounter in the course of your investigations.

Dr. Low. I don't believe we have yet because our investigation is not yet complete, but we will.

Senator PROXMIRE. You will?

Dr. Low. Yes, sir.

Senator PROXMIRE. Why didn't you do that as soon as you developed the names?

Dr. Low. Mr. Cummings will answer that.

Mr. CUMMINGS. I'd have to check the records, Senator, but I don't believe we came up with any specific names in the military establishment.

Senator PROXMIRE. All right; did the Department of Defense provide your investigations with any assistance or information?

Mr. CUMMINGS. We have exchanged conversations on an informal basis. We have made both the DOD and the FBI aware of our interest in this particular matter, but we have not received any information from either one of them on this particular subject; no, sir.

Senator PROXMIRE. So the principal exchange of information was your telling the DOD and their telling you what you were doing, what kind of interrogation you had, how many people you investigated or interviewed, and what you asked them; is that correct?

Mr. CUMMINGS. That's correct, Senator.

Senator PROXMIRE. And they told you the same—they gave you the same kind of information as to what their investigations were and so forth?

Mr. CUMMINGS. I don't think I was ever really successful in finding out precisely who in the Defense Department organization was responsible for coordinating the whole investigation, I suppose. I think perhaps we had a little different interest in this matter.

Senator PROXMIRE. Well, you gave them information on what you were doing. Did they tell you who they investigated, on what basis, what standards they applied in determining who they would investigate?

Mr. CUMMINGS. No, sir.

Senator PROXMIRE. They did not?

Mr. CUMMINGS. No, sir.

Senator PROXMIRE. Did you ask?

Mr. CUMMINGS. I wouldn't be sure that I asked it precisely that way.

Dr. Low. We specifically asked, Senator Proxmire, for any names of NASA employees that turned up in the DOD investigation and we were told as recently as last week that there were none in addition to those which we already had.

Senator PROXMIRE. Was your investigation coordinated in any other way with that of the DOD?

Mr. CUMMINGS. No, sir.

Senator PROXMIRE. Any that we haven't covered?

Mr. CUMMINGS. No, sir.

Senator PROXMIRE. Now the committee has asked your agency, Dr. Low, for documentation of your dealings with Rockwell International in the course of your investigation. While the NASA investigation cooperation with the Joint Committee has been good in other respects I am concerned that there is no documentation of your contacts with

Rockwell. Can you tell me why this is so? Does a sound investigative technique require the regular recording of information gained from all contacts?

Dr. Low. Mr. Cummings has had a continuing dialog with officers of the Rockwell Corp. I was unaware, Senator, that we were delinquent on providing a report on that dialog. We will be happy to do so.

Senator PROXMIRE. Do you have any written records of your discussions with Rockwell?

Mr. CUMMINGS. I interviewed a senior official from Rockwell last week. I have a rather lengthy interview and that's in the process of being transcribed now. It's not part of any report yet, but it will be in our subsequent report.

Dr. LOW. And will be made available to the committee.

Senator PROXMIRE. All your other inquiries to individuals and agencies are documented?

Mr. CUMMINGS. Yes, sir.

Senator PROXMIRE. Were you trying to go easy on Rockwell?

Mr. CUMMINGS. No, sir.

Senator PROXMIRE. Why was there this difference? You just took them up later? Was that the problem?

Mr. CUMMINGS. I am not sure that I understand the question as far as the difference.

Senator PROXMIRE. Well, we knew about the documentation with respect to the other contractors, but we didn't have any documentation with respect to Rockwell. Now you tell us you will develop documentation and make it available to the committee. Why is that coming in later? Why didn't it come in earlier?

Mr. CUMMINGS. Well, I think if you will look at our report you will find that every contact I had with the Rockwell Corp. relative to their furnishing information is reported. Now in addition to that, we had a substantive interview with them last week, a rather lengthy one, that dealt with costs and the results of their further efforts to determine the names of NASA employees who had visited hunting lodges. That took a little while to have them complete that work. We have that now and that will be part of our next report, Senator.

Dr. LOW. Senator, the initial information received from Rockwell was up to 1972 only. Beyond that, they went to a new expense account form where the names of the individuals entertained were no longer kept as an official record. Mr. Cummings insisted, however, that Rockwell reconstruct their records so he could get the names of NASA employees who visited their hunting facilities after 1972. It took Rockwell some time to provide this reconstruction, but the names were provided to us last week and this is the record that Mr. Cummings is now speaking about.

Senator PROXMIRE. It took them some time, you say, to provide that information. Did this contrast with the cooperation you got from the other contractors?

Mr. CUMMINGS. Senator, that may be a misunderstanding. I have not gone to other contractors yet. I'm still working almost entirely on the Rockwell situation.

Senator PROXMIRE. Did your investigators learn anything that Rockwell didn't want reported?

Mr. CUMMINGS. No, sir. I think that they have been to date rather forthright with the information that they have given me. I say that because in some instances the information that they have furnished us has tied in quite precisely with information we have gotten from other sources as to dates and places and number of times.

Senator PROXMIRE. Dr. Low, why did NASA forward its preliminary findings to the Justice Department before the NASA investigation was complete?

Dr. LOW. I'd like our General Counsel to answer that.

Mr. HOSENBALL. Senator, there is a Statute 28 United States Code Section 535(b), that does require us to notify the Attorney General when any allegation is made against a public official alleging wrongdoing relating to Title 18. Frankly, I have been criticized before for not forwarding it fast enough. It was, therefore, required to be forwarded expeditiously. We have a NASA regulation that sets forth that we should forward it even if we have doubts as to whether there might be a criminal violation.

The purpose of that is obvious. They have much more investigative resources than certainly NASA has as far as investigators are concerned. So I was following the statute and our own regulation that required us to forward it.

Senator PROXMIRE. Was there any thought that forwarding an incomplete investigation to the Justice Department would result in a finding that no further action was required?

Mr. HOSENBALL. No, sir.

Senator PROXMIRE. That it might prejudice the effectiveness of the investigation?

Mr. HOSENBALL. No, sir.

Dr. LOW. To the contrary, Senator Proxmire, I wanted to get on with the issuance of disciplinary actions with those names we then had as quickly as possible and on advice of counsel did not take that action until after we had the initial readout from the Justice Department, and this is why we sent the incomplete report of the initial investigation to the Justice Department early on. We intend to do this with the next version of the report also.

Senator PROXMIRE. I want to be sure I understand just who you investigated. Was your investigaton confined to NASA contracting or procurement officials or did you investigate other agency officials?

Dr. LOW. We investigated in NASA headquarters all top level officials whether they were in the procurement office or not, including every staff office and every program office in NASA headquarters.

Second, we investigated every lead, every name that came to us, either in our initial investigation or through other sources, and followed up on those leads in detail. It is a wide ranging investigation.

Senator PROXMIRE. In your investigation did you turn up any evidence that agency officials may have suggested to contractors that they should provide gratuities of any kind?

Dr. LOW. Not to my knowledge. The detailed investigatory reports of the first 75 were turned over to the committee staff and I don't remember in my reading of that any such allegations.

Mr. Cummings reminds me that there is one report from a former contractor employee now with NASA who indicates that while he was working for a contractor he was occasionally approached and asked about tickets to football games and the like by NASA people.

Senator PROXMIRE. What action did you take on that?

Dr. LOW. We have not yet completed that investigation.

Senator PROXMIRE. You are following up on it?

Dr. LOW. Yes, sir.

Senator PROXMIRE. And these were tickets to a football game—Redskin tickets?

Dr. LOW. Redskin tickets and lunches.

Senator PROXMIRE. People will do almost anything to get those Redskin tickets. [Laughter.]

You mentioned verbal reprimands to 11 NASA employees. Do you think that is adequate penalty for infractions of the standards of conduct?

Dr. LOW. Senator Proxmire, unfortunately, our previous standard of conduct regulations left some room for doubt on the matter of personal friendship. The verbal reprimands are by and large issued to people who have attended football games and the like. Because our regulations were not as clear as they should have been on when this was acceptable and when it was not, we decided in that instance to issue only verbal reprimands.

Our new regulations make it very clear that that is unacceptable and in the future there will be penalties stiffer than verbal reprimands for those events.

Senator PROXMIRE. In the future you will have what? I didn't follow that.

Dr. LOW. In the future we will have stiffer punishments certainly for any violation of our regulations.

Senator PROXMIRE. Could you spell out what those punishments are and are those punishments understood by your personnel?

Dr. LOW. The punishments in civil service range from removal on the one hand, to suspension, to written reprimands, to letters of admonition, to verbal reprimands. What punishment is meted out in any specific case has to be determined in that case. I cannot prescribe rules now as to what will be done in the future.

Senator PROXMIRE. But you do say they will be stiffer because now the regulations are well known and they are in writing and they are clear?

Dr. LOW. Yes; they were well known and in writing. Before they were not as clear as they should have been.

Senator PROXMIRE. What is the practical effect of a letter of censure or a written reprimand?

Dr. LOW. A letter of censure or a letter of admonition, lets the individual know that management is aware of the wrongdoing. It means that when that individual is in the future considered for any other NASA assignment that will be taken into consideration.

A formal written reprimand is in the individual's personnel folder for a period of 2 years. It therefore has not only an effect within NASA, but it would also have an effect if that person would seek other Government employment. That would be part of his official folder, would be considered, would have to be considered by any future employer should that person decide to leave NASA and go to another Government agency.

Senator PROXMIRE. Dr. Low, as you know, I have been critical of NASA's budget at times in the past and disagreed with some of the priorities that provide for our voting money to it, but I have great

respect and admiration for the efficiency of this agency. I have reviewed a lot of agencies and it's one of the most efficient in Government. You do an excellent job in that respect and I'm encouraged by the actions that you have taken in this regard too. I think it's exemplary.

However, it does seem that NASA—now correct me if I'm wrong here, I don't want to be unfair—it does seem that NASA only awakened from its slumber and started enforcing the standards of conduct recently. Can you account for the comparative lack of interest in this area before the hunting lodge revelations in the newspaper?

Dr. Low. I don't think there was a lack of interest, Senator Proxmire. We did and we do investigate things that come up each year and every day. However, none of the things like the hunting lodges had come to our attention until we read about them in the newspaper. If there had been allegations in any other way, if I had known of these instances in any other way, we would have taken action immediately.

Senator PROXMIRE. But you just testified that the regulations were vague or at least they weren't as clear as they should have been. There had been apparently no direct, explicit warning of top level personnel of the dangers involved here. If there had been the punishment would have been perhaps greater than it has been.

Dr. Low. We published our standards of conduct regulations for NASA employees in October 1967. It is this yellow book which I am holding up here, and these regulations were handed to each employee at the time he entered on duty with NASA. What we missed doing and we only know this now, after the events of recent months, is reminding employees on an annual basis that these regulations existed. I think that was a failing on our part but we didn't recognize this until we came to current events.

Second, in looking at these regulations today in the light of current events, we have identified areas where they were subject to interpretation and not as strict or as tight as they should have been. Again, it's easy to correct them after the things that have happened in recent weeks have happened. Unfortunately, we did not foresee these things until they were called to our attention.

Senator PROXMIRE. I have one more question before I yield to the chairman. I am informed that the NASA Administrator, Dr. Fletcher, is being asked to coordinate an interagency review of standards of conduct matters. Based on your testimony, that seems a wise choice. Can you confirm this and tell us a little more about this interagency effort, which seems so long overdue?

Dr. Low. Senator, I believe you're referring specifically to a certification that we want to include in all major NASA contracts. This certification would put responsibility on the contractor not to tender offers on NASA employees which NASA employees are not allowed to receive. We decided that before we would place these certifications unilaterally into NASA contracts we would check it out with the Office of Federal Procurement Policy. The Administrator of that office wrote us a letter, an initial letter dated the 30th of January, indicating that he would ask us to hold off on placing those certifications in NASA contracts because he believes that this should be considered on a Government-wide basis. He also told us that he's sending us a second letter, a letter to Dr. Fletcher, which I have not

yet seen, asking NASA to chair an interagency task force to see what language should be placed in the contracts. We'd be very pleased to do this because we very strongly feel that this is something that should be done.

Senator PROXMIRE. Dr. Low, for the record, I would like to indicate that the chairman of this committee, Chairman Patman, and I directed the committee staff to cooperate fully with NASA in its own investigation. We have provided any information we thought you should have. I would also note that you have been cooperative with this committee and thank you for this cooperation. It has served both of our purposes well. The way you have handled this matter reinforces my confidence in your agency and the job that NASA generally has done, as I said before. Thank you very much for your most helpful testimony.

Dr. Low. Thank you, Senator.

Senator PROXMIRE. Our final witness this morning is Deputy Secretary of Defense, William Clements, Jr. Mr. Clements, will you and your colleagues please stand and raise your right hand?

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CLEMENTS. I do.

Mr. LYNN. I do.

Mr. WILEY. Yes.

Senator PROXMIRE. Mr. Clements, we are anxious to hear your testimony. We have a copy of your statement if you would like to abbreviate it in any way the entire statement will be printed in full in the record and you may proceed.

Mr. CLEMENTS. Senator Proxmire, Mr. Chairman, with your permission, I'd like to read the statement.

Senator PROXMIRE. Yes, sir. Go right ahead.

STATEMENT OF WILLIAM P. CLEMENTS, JR., DEPUTY SECRETARY OF DEFENSE; ACCOMPANIED BY RICHARD A. WILEY, GENERAL COUNSEL, DEPARTMENT OF DEFENSE, AND BERNARD B. LYNN, DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY

Mr. CLEMENTS. Mr. Chairman, I appreciate the opportunity to testify before this committee concerning the efforts of the Department of Defense to reaffirm and enforce the Department's standards of conduct, to implement existing legislation requiring the reporting of defense related employment and the exchange of such information with Congress, and to insure appropriate reimbursement of contractors' costs.

Although all of these subjects are of great importance to the Department of Defense, I would like to devote the majority of my prepared remarks to the subject of standards of conduct, because I particularly want this committee to understand just how strongly we in the Department feel about maintaining the highest possible standards in this area.

The Department of Defense standards of conduct directive and component regulations are implementations of and in fact preceded Executive Order 11222 of 1965, which prescribes standards of ethical conduct of government officers and employees.

These documents go beyond the statutes that restrict criminal activity by providing strong ethical guidance to all of the Department of Defense's 1 million civilian and 2 million military personnel.

As ethical guidance they provide the parameters of official and personal activity which all Department personnel must meet in order to perform the national defense mission in a manner that protects the interests of the taxpayers while insuring the national security.

The taking of a position within the Department of Defense either as a member of the Armed Forces or as a civilian employee involves the acceptance of a standard of conduct which embodies the highest level of responsibility and personal integrity.

When on rare occasions some individuals have forgotten their ethical duty we, as a Department, have reacted to these deviations by strongly reaffirming the unique responsibilities associated with the government service.

It is with this premise that I would like to discuss recent developments in the area of standards of conduct.

Upon discovering that certain Department of Defense officials had attended a Northrop Corp. hunting facility on the Eastern Shore of Maryland, the Department initiated a vigorous effort to inquire into this matter.

The General Counsel of the Department requested from that company the names of the Department of Defense personnel involved. Personal interviews were then conducted to determine the facts and verbal admonitions were delivered along with warnings against any such activity in the future.

Later, as pointed out in my letter of January 22, admonition letters were sent to 38 military and civilian officials who had attended Northrop's facility. A copy of my letter is submitted for the record. [See Appendix IV (A), p. 232.]

In order to focus the highest possible attention on this subject I convened a triservice committee composed of the under secretaries of the military departments in October 1975 to review the Department of Defense standards of conduct directive and look closely at possible conflicts of interest within the services. The final report and recommendations will be forthcoming soon. [See Appendix IV (B), p. 242.]

In addition, a special task force headed by Mr. Terence E. McClary, Assistant Secretary of Defense [Comptroller] was set up to review audit surveillance and contract procedures in order to enhance the effectiveness of DOD safeguards against reimbursing defense contractors for improper expenditures.

The final report of that task force has been completed and approved by me. A copy of this report is submitted for the record. One aspect of that report—the obtaining of a certification from contractors that they did not claim reimbursement for costs of entertaining government employees—will be implemented after other inquiries, which I will refer to later, are completed.

At that time a determination will be made as to when and in what format such a certification will be obtained.

In an effort to close any potential loopholes involving conflicts of interest, the Department of Defense directive on standards of conduct has been changed to eliminate the exception regarding close friends and relatives.

In addition, the requirements for filing statements of financial interest have been expanded. Specific changes include deletion from the directive of the provisions on gratuities which previously permitted: (1) customary exchange of social amenities between personal friends and relatives when motivated by such relationships and extended on a personal basis; and (2) transactions between and among relatives which are personal and consistent with the relationships.

The revised directive also adds the following categories of military and civilian personnel to the list of those already required to submit statements of employment and financial interests: (1) All civilian officers and employees paid at the level of grades GS–16 to GS–18; (2) all officers of flag or general rank; and (3) commanders and deputy commanders of major installations, activities, and operations as determined by the respective secretaries of the military departments and directors of the defense agencies.

These changes have strengthened our directive to the point there shouldn't be any question as to the Defense Department's policy on acceptance of gratuities or other questionable transactions between our military and civilian personnel and major defense contractors.

Potential loopholes regarding exchange of social amenities no longer exist. A copy of the amended directive is submitted for the record. [See Appendix IV (C), p. 260.]

Certain other actions have also been initiated in regard to the Northrop Corp. For example, the Air Force has recovered $564,013 in improper costs charged to the Government. A table detailing that recovery is submitted for the record.

AIR FORCE RECOVERIES COST RESULTING FROM NORTHROP AUDIT REPORTS ON APR. 4, 1975, AND AUG. 6, 1975

Initiating date and action	Date of recovery	Cash payment	Overhead credit	Cumulative recovery
Nov. 13, 1974—Office of the Secretary of the Air Force message directed AFSC to obtain written assurances from Northrop that no improper costs had been reimbursed under Government contracts				
Dec. 26, 1974—Northrop letter to Air Force Corporate Administrative Contracting Officer (CACO) advising of their intent to voluntarily refund $133,499 as a result of improper political contributions	Jan. 6, 1975	$133,499		$133,499
Jan. 17, 1975—Northrop determines Government due $23,924 as their share of corollary costs associated with the making of improper political contributions	Jan. 17, 1975	23,924		157,423
Apr. 10, 1975—CACO letter to Northrop demanding $161,591 in additional recoupment—this figure was based on the Apr. 4, 1975 audit report's questioning of costs related to the Savy companies	May 8, 1975	161,591	$51,913	370,927
June 3, 1975—CACO letter to Northrop requesting that the $51,913 be refunded the Government in the form of a cash payment rather than as an overhead credit. Note: $370,927 was the total amount questioned by DCAA in the Apr. 4, 1975 audit report including $87,456 in interest	July 8, 1975	51,913	(51,913)	370,927
Aug. 6, 1975—DCAA draft audit report issued questioning $189,564 as the Government's share of additional political contribution related costs				
Oct. 6, 1975—CACO letter to Northrop demanding additional cash payment of $109,824 plus a credit to overhead of $79,740 (total $189,564). This amount included $19,781 in interest	Oct. 13, 1975	109,824	79,740	560,491
Oct. 6, 1975—Government share of overhead credit found to be improperly calculated—$3,522 additional owed the Government	Oct. 13, 1975		3,522	564,013
Oct. 20, 1975—Air Force Special Review Team chartered to ascertain any further recoveries due the Government as a result of costs classified as questionable in the Aug. 6, 1975 audit report				
Total to date		480,751	83,262	564,013

Senator PROXMIRE. Would you just hold up for just a minute, Mr. Secretary? The chairman would like to inquire briefly and then we will go back to your statement.

Mr. CLEMENTS. Certainly.

Mr. PATMAN. Thank you, Mr. Chairman.

The figures of the amount recovered from the Northrop Corp., I believe it's about $500,000, does that include hospitality or gratuity costs or just political contributions?

Mr. CLEMENTS. Those are political contributions, Mr. Chairman.

Mr. PATMAN. This $500,000?

Mr. CLEMENTS. I beg your pardon?

Mr. PATMAN. Is $500,000 near the exact amount?

Mr. CLEMENTS. Well, in my statement I have $564,013.

Mr. PATMAN. We will insert that amount instead, with your approval.

Mr. CLEMENTS. That is the amount that's in the statement, Mr. Chairman.

Mr. PATMAN. All right, sir; fine. Why precisely were these Northrop cost claims disallowed?

Mr. CLEMENTS. Because they were improper and illegal.

Mr. PATMAN. Have the moneys actually been returned to the government?

Mr. CLEMENTS. Yes, sir, they have.

Mr. PATMAN. Was an interest penalty assessed?

Mr. CLEMENTS. There was interest, yes, sir. Excuse me, Mr. Chairman. This is Mr. Lynn with the Defense Contract Audit Agency and this is our General Counsel, Mr. Wiley of Defense.

Mr. PATMAN. Thank you, sir. Now I have the exhibit—I believe it's filed in connection with your statement about the expenses that were recovered and how they were assessed. They will appear in your statement I assume.

Mr. CLEMENTS. Yes, sir, and I have said that they would go into the record.

Mr. PATMAN. Yes, they will. One of your lines on the exhibit is blank. In fact, there are three of them. Will you be able to supply the information for those lines in a reasonable time?

Mr. CLEMENTS. Mr. Chairman, I don't think that the first item that you're referring to as being blank will require any filling in of the spaces.

Mr. PATMAN. What about the last one?

Mr. CLEMENTS. I'm not sure that there will be any information in regard to the last one that will be inserted, but if it's appropriate and if there is information obtained it will certainly be inserted.

Mr. PATMAN. But you have no information at this time that leads you to believe that there will be any?

Mr. CLEMENTS. No, sir.

Mr. PATMAN. Is it associated with entertainment?

Mr. CLEMENTS. I didn't understand your question.

Mr. PATMAN. Is it associated with entertainment?

Mr. CLEMENTS. No, sir, I do not think so.

Mr. PATMAN. Is it subject to negotiation?

Mr. CLEMENTS. It could be; I just don't know. It depends on what we determine.

Mr. PATMAN. That's all.

Senator PROXMIRE. All right, sir; proceed.

Mr. CLEMENTS. May I take up, Senator Proxmire?

Senator PROXMIRE. Yes, sir.

Mr. CLEMENTS. The Air Force is also presently conducting a detailed review of the August 6, 1975, DCAA draft audit report on the special review of consultant costs and other matters concerning the Northrop Corp.

Until the ongoing audits involving the Northrop Corp. have been completed, we have suspended final payment on all contracts other than firm fixed price contracts with Northrop until February 29, 1976, when, if necessary, the suspensions will be extended.

In addition, Northrop's contractors' weighted average share [CWAS] status was suspended indefinitely, thereby requiring the corporation to demonstrate the reasonableness of all indirect overhead cost charged to government contracts.

In aggressively pursuing this matter we have not limited our effort to the Northrop Corp. The Office of the Secretary of Defense has been conducting an informal, confidential inquiry of the chief operating executives of 43 other major defense contractors regarding their entertainment activities.

The results of that inquiry are still under review. However, I can assure you that the industries which have been contacted are aware of our concern and of our desire to insure that our relationship with them must be in strict compliance with our published standards of conduct.

The response by these chief executive officers within their corporations—internal audit and special outside audits—involve many thousands of man-hours and great expense on their part. They look upon this as serious business and are not doing a superficial job.

In addition, the Defense Contract Audit Agency is expanding its normal audits of the Washington offices of 10 major defense contractors, all of whom were contacted in the above inquiry, to determine if reimbursement has been sought or obtained for entertainment costs not allowable under Department procurement regulations.

The contractors being audited are: Raytheon Co., North American Rockwell Corp., Hughes Aircraft Co., Martin Marietta Corp., Boeing Co., General Dynamics Corp., Lockheed, Sperry Rand Corp., Grumman Corp., and LTV Corp.

These audits are still under way. Upon completion, all information will be integrated and evaluated so that a decision can be made on the proper direction that our investigations should then take.

To insure that all of our defense contractors are aware of our desire to enforce the highest possible standards of conduct, I also sent letters to 106 contractors requesting their cooperation by informing their personnel of our directives with respect to standards of conduct. We have asked them not to tender that which the recipient is prohibited from receiving. A copy of a representative letter and a list of addressees is submitted for the record. [See Appendix IV (D), p. 314.]

In order to insure that there is a complete understanding throughout the Department of Defense regarding our policies, we have

reemphasized through various inhouse media, the need for strict compliance with standards of conduct by all Department of Defense personnel.

To further reiterate the need for complete understanding and compliance with those standards, I sent letters to 74 project managers who manage over $183 billion of total program procurements for the Department of Defense, reminding them of their responsibility and have received very encouraging replies to my letters.

A copy of a representative letter, a list of the addressees and some sample replies indicating a concern about and an understanding of the standards of conduct are submitted for the record. [See Appendix IV (E), p. 326.]

In an effort to cover all areas of possible conflict of interest we also took action with regard to the conduct of defense personnel in connection with the activities of industrial associations.

We have written to 47 such organizations and advised them of the conduct we deem necessary for the continued attendance of Department personnel at association activities. A copy of that letter and a list of addressees is submitted for the record. [See Appendix IV (F), p. 345.]

We are finding that these associations are acting in a positive and constructive manner in their attempts to adhere to the letter and spirit of our more stringent policy guidance.

I would like to turn briefly now to the other areas in which you expressed interest. In the first of these you asked about Department of Defense implementation of legislation intended to assure that information on the interchange of personnel between DOD and industry would be available to Congress.

The Department has issued a directive and component regulations implementing section 410 of Public Law 91–121, which specifically requires the collection and forwarding to Congress of such information. Those documents were forwarded by the Department of Defense General Counsel in a letter to you of December 10, 1975, along with a detailed description of DOD procedures. I would like to have copies of this correspondence inserted for the record. [See Appendix IV (G), p. 354.]

You have also asked about the effect that our contractors' weighted average share [CWAS] program might have on contractors' cost claims. I am particularly pleased to have this opportunity to explain the DoD CWAS program.

Unfortunately it has been improperly identified as a contributing cause of improper cost reimbursements to defense contractors.

The program was initiated in December 1966, and was based on the premise that under appropriate circumstances good management by industry, properly motivated by cost consciousness, can accomplish much more effective control of costs than can detailed review and overhead audits by government personnel.

Under the CWAS guidelines, a contractor with a sufficiently high ratio of risk, generally represented by commercial or firm-fixed price work, can apply for a CWAS rating.

The issuance of a CWAS rating, however, does not at all imply that costs submitted for reimbursement under a defense contract by a

CWAS-qualified contractor are not reviewed. In order to obtain reimbursement, a cost must first be properly assignable to a particular contractor.

Second, the cost must be allowable under terms of the contract and the provisions of the Armed Services procurement regulation. Some items of cost, such as entertainment expense are expressly identified as unallowable, and not subject to reimbursement.

Finally, a cost must be reasonable in amount to be reimbursable. Reasonableness is defined as being that amount that a prudent businessman might incurr. It is only in this area of reasonableness that the CWAS concept is applicable, and then only to specifically designated types of indirect expenses.

If a contractor has a satisfactory CWAS rating, that is, if he assumes the financial risk on sufficiently large portions of his business, then it is assumed that the designated types of indirect costs incurred under his defense contracts are reasonable in amount. They are still reviewed prior to reimbursement, however, to determine whether they are properly assignable.

The Department is currently studying the criteria for evaluation of contracts under CWAS and we are reviewing the CWAS concept to determine whether it should be continued.

In closing, I would like to return briefly to the subject of conflict of interest. Prior to the time of the disclosure of the use of the Northrop hunting facility by DOD personnel, both the Secretary of Defense and I had clearly stressed to the leadership of the Department, that no gratuities or favors should be accepted by anyone in the Department of Defense from any individual or firm that does business with this Department.

Our intention and our instructions were intended not only to avoid conflict of interest but even the appearance of conflict of interest. Since the disclosure, in mid-1975, of conflict of interest violations with regard to the Northrop hunting facility we have undertaken, as I have already pointed out, a vigorous effort to further tighten our regulations, increase our audits, and to go on record with the personnel of the Department, with defense contractors, and with nongovernmental organizations that we are determined to maintain impartiality and objectivity in all of our dealings with contractors.

Our efforts in this regard have been extensive and far reaching. In short, it has been a massive effort. Through a series of actions, formal and informal, written and verbal, we have contacted our key personnel, our project managers, and the leadership of industry and of nongovernmental associations.

This is an enormous task. These contacts have been one on one, direct, by groups, by organizations and by industry. The response has been most gratifying. These persons in turn have passed on our guidance, our policies, and our concern to the membership of their associations, corporations, contractors, and subcontractors.

All told, the message that the Department of Defense means business with regard to eliminating conflict of interest, and even the appearance of conflict of interest, has been transmitted to thousands of organizations and to their millions of employees and members.

Our efforts will continue until both the Secretary of Defense and

I are satisfied that we have done all we can to maintain the highest possible standards of conduct throughout the Department of Defense.

[Prepared statement of Mr. Clements follows:]

STATEMENT OF WILLIAM P. CLEMENTS, JR., DEPUTY SECRETARY OF DEFENSE

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These changes have strengthened our directive to the point where there shouldn't be any question as to the Defense Department's policy on acceptance of gratuities or other questionable transactions between our military and civilian personnel and major defense contractors. Potential loopholes regarding exchange of social amenities no longer exist. A copy of the amended directive is submitted for the record. [See Appendix IV (C), p. 260.]

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Our efforts will continue until both the Secretary of Defense and I are satisfied that we have done all we can to maintain the highest possible standards of conduct throughout the Department of Defense.

Senator PROXMIRE. Thank you very much, Mr. Secretary.

Mr. Secretary, I'm going to question you at some length here. We have a rollcall at 12 o'clock I understand and I may have to recess the hearings temporarily and come back if that's all right, but I think we can complete this in maybe half an hour or 35 minutes if that's all right with you.

Mr. CLEMENTS. Fine.

Senator PROXMIRE. First, I'd like to thank you for your statement. It's a very helpful statement. We are pleased to know that you and the DOD are taking action in these areas that concern both the DOD and Congress. I must confess that paperwork remedies are like paperwork directives—of little value unless somebody puts some teeth in them. We already have good laws and regulations on the books. There is the gratuities clause in defense contracts, for example. Even the old Defense Department standards of conduct directive was pretty restrictive. Now it is even tougher.

Enforcement is the issue. Since compliance with former regulations was pretty lax, I think we are entitled to assurances that enforcement of the new standards will be a lot tougher.

Enforcement means, first of all, finding out about offenses. Let me ask about the Defense Department investigation of the Northrop case. Did qualified investigative personnel interview each of the individuals named on the Northrop guest list?

Mr. CLEMENTS. I don't know, Senator Proxmire, what you consider qualified.

Senator PROXMIRE. Who did conduct the investigation?

Mr. CLEMENTS. Both civilian and military management people within the services.

Senator PROXMIRE. What was their qualification?

Mr. CLEMENTS. Well, it would be right on up to the level of the Secretary.

Senator PROXMIRE. Will you identify as generally as you can for the record who those people were? You say the Secretary was among them. Who else?

Mr. CLEMENTS. In the Air Force, the General Counsel had it under his general supervision. In the Navy, the Inspector General; in the Army, the Inspector General in the Office of the Secretary of Defense, the office of the General Counsel; in the Marines, the Inspector General. These were the people or the Department heads who were charged with the direct responsibility. In the case of the Office of the Secretary of Defense, for instance, I personally was charged with the responsibility of carrying on these investigations and moving them forward. In the case of the Navy, I know that Secretary Middendorf actually personally talked to some of these people. The same way in the Air Force and the same way in the Army. So it was not a person. It was several people and these people, in my judgment, were properly admonished and reprimanded.

Senator PROXMIRE. Was a record made of these interviews?

Mr. CLEMENTS. No, sir. I don't think so. In the spirit that you're probably wanting to know whether they were recorded, to my knowledge, they were not. If you're talking in terms of extensive notes or memorandum of discussions, I think probably not. There were letters, however, sent to these people which then did become part of the record.

Senator PROXMIRE. Why weren't detailed records kept of something like this? This is a public business. This is something that, as you said, you view with real concern. If that's the case, why weren't records kept so we have a record?

Mr. CLEMENTS. You're talking about records by the commercial firms?

Senator PROXMIRE. Records of the interviews, records of the investigations, what question was asked and what the response was in each case.

Mr. CLEMENTS. I don't think, Senator Proxmire, that in this type of an incident that records are particularly important. I don't think that anybody denied that they were in a duck blind shooting ducks and that's really at the very heart of the matter.

Senator PROXMIRE. Well, isn't this regular procedure for the Defense Investigative Service to have these interviews in writing, to have a written record so you can determine exactly what was asked and what the responses were and how thorough it was?

Mr. CLEMENTS. It certainly is, depending upon the importance and significance of the particular investigation.

Senator PROXMIRE. Well, then, you didn't regard this as important or significant?

Mr. CLEMENTS. To the contrary, the accusation was that these people had gone duck hunting. They admitted going duck hunting and what else is there to talk about?

Senator PROXMIRE. Well, there are many other things as to what went on during that period, what they discussed, whether they discussed the relations between the Defense Department and the company, and so forth.

Mr. CLEMENTS. Are you inferring, Senator Proxmire, that some of these highly placed flag officers, and so forth, in the Department of Defense were in some manner impugned over a duck hunt?

Senator PROXMIRE. How do you know unless you ask them, unless you have a record of it? You just assume that they were not?

Mr. CLEMENTS. I don't think that their presence on a duck hunt on one day is an offense that would seriously cast a shadow on their integrity after some 30 years of service in one of our services. I just don't feel that way.

Senator PROXMIRE. Well, Mr. Secretary, I'm puzzled. You say you regard this as something of real concern and yet you say that the presence on one day in one duck blind doesn't mean much or doesn't mean anything.

Mr. CLEMENTS. I didn't say that.

Senator PROXMIRE. What does it mean?

Mr. CLEMENTS. I think that is represents a problem and we have tried to eliminate that problem. We have certainly eliminated the so-called personal relationship and the family relationship, but so far as moving beyond the area of reprimand and the lack of judgment of these individuals in doing this, I would question that it should be something that would impugn their integrity as opposed to 30-odd years of service, for instance.

Senator PROXMIRE. Now at this point I'm not getting into integrity or impugning their integrity. What I am getting into is the method by which the investigation was conducted, whether or not we can determine if it was a thorough investigation, whether or not we can determine whether the questions were appropriate and reasonable and searching and adequate. We can't do that when we don't have a written record.

Mr. CLEMENTS. We think that it was, and it was conducted——

Senator PROXMIRE. But how can we tell? How can anybody else tell whether the Defense Department is doing an adequate job? We have the responsibility in Congress of overseeing you and the other agencies. There's no basis on which we can determine whether this investigation was adequate.

Mr. CLEMENTS. In a matter of this particular kind, Senator Proxmire, I think that you have some confidence in the people that were doing the investigation.

Senator PROXMIRE. Were these investigations done over the telephone?

Mr. CLEMENTS. No, sir. Some were contacted over the telephone but they were done in a personal manner and, as I have said before, in some instances at the highest level within the services.

Senator PROXMIRE. Were statements taken under oath?

Mr. CLEMENTS. No, sir.

Senator PROXMIRE. Were individuals asked whether they had attended the hunting lodge before or after the period covered by the Northrop guest list?

Mr. CLEMENTS. Would you say that again, please?

Senator PROXMIRE. Were they asked whether they had attended the Northrop hunting lodge before or after the period covered?

Mr. CLEMENTS. Yes, sir.

Senator PROXMIRE. They were asked that?

Mr. CLEMENTS. They were.

Senator PROXMIRE. Were the individuals asked whether they had received similar benefits from other companies?

Mr. CLEMENTS. Yes.

Senator PROXMIRE. Did you attempt to go beyond the Northrop guest list to determine whether other officials not named in that guest list may have attended the Northrop facilities?

Mr. CLEMENTS. We know for a fact that there were and it included several congressional members and their staff.

Senator PROXMIRE. Were other members of the Defense Department ascertained as having attended?

Mr. CLEMENTS. All Defense Department members have been listed and have become public.

Senator PROXMIRE. Were any not on the guest list?

Mr. CLEMENTS. I'm not sure I understand your question.

Senator PROXMIRE. Were any DOD personnel not on the Northrop guest list? Did you ascertain that there were some who attended who were not on the Northrop guest list?

Mr. CLEMENTS. I'm not sure I understand your question, but as I understand it, the answer is no.

Senator PROXMIRE. Well, my question relates to whether or not there were some who were not on the list whom you ascertained accepted Northrop hospitality.

Mr. CLEMENTS. No, we did not determine that.

Senator PROXMIRE. You did not ascertain any others. Did your investigation ask individuals whether they had seen other officers or civilian DOD employees on these hunting expeditions?

Mr. CLEMENTS. We did not.

Senator PROXMIRE. You didn't ask that?

Mr. CLEMENTS. We did not.

Senator PROXMIRE. Did your investigation turn up the names of any NASA personnel at hunting lodges where military officials were found?

Mr. CLEMENTS. I don't know.

Senator PROXMIRE. Did you inquire as to whether there were other government officials who were present other than the DOD.

Mr. CLEMENTS. No, we did not.

Senator PROXMIRE. Why would it not have been appropriate to find out from your personnel whether there were other DOD members, Department of Defense employees I should say, or personnel who were also accepting this hospitality and also violating the law? Why wouldn't that have been a sensible line of investigation?

Mr. CLEMENTS. I'm not sure they were violating the law and, furthermore, I felt that our task was sufficiently large that if we could do what our responsibilities are to our own people that we had all we could say grace over.

Senator PROXMIRE. Well, the last question I asked related to DOD personnel, your own people. My question was: Why would it not have been a logical and appropriate and proper investigative concern to ask the people who had been at the lodge whether there were other DOD personnel who were there?

Mr. CLEMENTS. I don't think it's proper.

Senator PROXMIRE. Why isn't it proper?

Mr. CLEMENTS. Because in the management of the Department of Defense and the standards of our ethical behavior and the way that we look upon this sort of thing, in my judgment, we should not be

asking other people in the Department of Defense to disclose indiscretions of their fellow employees. I don't believe in this.

Senator PROXMIRE. That's beyond me, Mr. Secretary. I don't understand what kind of investigation this is. Any police department or any other investigative agency that conducted an investigation of that kind, when there was this violation of regulations, when there was this impropriety at the very least, something that you're concerned about, something that you recognize now as having been wrong, why didn't you inquire as to whether or not other Defense Department personnel were involved?

Mr. CLEMENTS. We have other means of doing this rather than asking individuals to tattle on other individuals. I think that's improper.

Senator PROXMIRE. What are your other means of doing this?

Mr. CLEMENTS. Through audit and through contact with the companies themselves.

Senator PROXMIRE. Well, do you think it is somehow improper, unethical or at least wrong to ask your own personnel whether or not there were Department of Defense personnel there but not wrong to ask defense contractors?

Mr. CLEMENTS. We did ask the Defense contractors.

Senator PROXMIRE. What's the distinction? Why should Defense contractors be free to tattle, as you put it, and Defense Department personnel not free to be disclosing this?

Mr. CLEMENTS. Senator Proxmire, as you may well know, in the instance of some of these companies they did have records and those records are subject to our audit and this is entirely an appropriate procedure and we have tried to use that facility to determine as much of this as we can.

Senator PROXMIRE. Now you know, Mr. Clements, I get the impression that the Defense Department was less than zealous in this instance.

Mr. CLEMENTS. Your impression is absolutely wrong.

Senator PROXMIRE. Mr. Clements, at the very least, it sounds like this investigation was an effort to confine damage, not discover it. Many people seem to think this business of accepting entertainment and hospitality is small potatoes. That is because they don't have any idea how widespread it is, how subtle it can be. I don't believe the Defense Department really knows how big it is. Information available to this committee indicates that these practices are not restricted to the Northrop Corp. alone, that in fact other companies entertained on a much more extensive scale. The problem only becomes significant when you have regular and widespread abuse of standards of conduct.

Do you believe that the wholesale provision and acceptance of a variety of favors would be harmful to the procurement process?

Mr. CLEMENTS. I am absolutely opposed to it. I thought my statement made that expressly clear. We have been extremely vigorous in pursuing this. In my statement I told you that we have contacted literally thousands of companies; affecting millions of contractor people, DOD people, and involving approximately $183 billion in contracts. I don't want any of these people accepting luncheons, dinners, Redskin football tickets or anything else of this nature, and

if you don't think I feel strongly about this you're grossly mistaken.

Senator PROXMIRE. Well, the committee has identified a number of individuals not named in this report as having attended Eastern Shore hunting trips as a guest of Northrop. For instance, Gen. Bert E. Spivy, who is identified as having attended only after retirement, was identified as having also attended while he was on active duty. Did your investigation disclose that?

Mr. CLEMENTS. I will supply that for the record. I can't recall that offhand.

[See Appendix IV (K), p. 435.]

Senator PROXMIRE. The committee has also identified a number of other guests, including Gen. Thomas Marchbanks, Vice Adm. Rufus Taylor, Brig. Gen. John C. Bartholf, Maj. Earnest Coleman, Rear Adm. William R. Flanagan, and Lt. Col. Monte D. Montgomery. Did your investigation disclose these names?

Mr. CLEMENTS. Are these active service people or are they retired?

Senator PROXMIRE. They were active at the time they attended the lodge.

Mr. CLEMENTS. When did they attend?

Senator PROXMIRE. Both before and after the Northrop guest list was disclosed, both before and after.

Mr. CLEMENTS. And after?

Senator PROXMIRE. During the period covered by the guest list.

Mr. CLEMENTS. I will be surprised, Senator Proxmire, if they are actively in the military, in any of the services, at the present time, either military or civilian, and in this current period. I certainly thought that we had contacted, reprimanded and had knowledge of all those people that fit the classifications I just mentioned. If you have additional names, I'd be most grateful.

Senator PROXMIRE. Well, these people that I have just listed are some of the people on the guest list whom you apparently did not discover.

Mr. CLEMENTS. We would want to investigate this and to make sure that that information is correct.

Senator PROXMIRE. I should say these people were not on the guest list. We found that out independently.

Now, Mr. Clements, you said in your testimony that you have been conducting an informal, confidential survey of the chief operating officers of the 43 major defense contractors. Do you intend to keep your findings confidential or will you report them to this committee?

Mr. CLEMENTS. If there are any findings of improprieties, I will report it to you and this committee.

Senator PROXMIRE. How will you determine an impropriety?

Mr. CLEMENTS. Well, we can start with duck hunting or fishing or this sort of thing and go up from there.

Senator PROXMIRE. Accepting any gratuity?

Mr. CLEMENTS. That's exactly right. Now, I would exclude, Senator Proxmire, as practiced in the past, working lunches as they are referred to, and this sort of thing, because it's too common for us to really police and to get into the details of that sort of thing. We think that we have stopped this at this time.

Senator PROXMIRE. I think that's reasonable. I'd like to be sure I understand what a working lunch amounts to. I think there undoubt-

edly are lunches where people do meet for the purpose of transacting business and that would be obviously a perfectly appropriate exception, but again, I'd want to know how far that goes.

Mr. CLEMENTS. It's only an appropriate exception in the past. I repeat, I hope that we have stopped that even now as a practice that we would condone.

Senator PROXMIRE. Now concerning Rockwell International, I understand that you contacted the company last summer or fall to ask for a list of names of the individuals who attended this hunting lodge. I also understand that they did not provide any names to you. Is that correct?

Mr. CLEMENTS. They told us at that time that they did not keep a list of these guests and therefore they couldn't supply this information to us. We are continuing to pursue this.

Senator PROXMIRE. The company did provide the names of a number of NASA officials to that agency and that agency was able to identify other officials who the company did not name. They did know by interviewing NASA officials starting from the top and working down—that is, NASA interviewed their own officials starting at the top and working down. They asked these officials if they had ever gone hunting with Rockwell or any other company and if they had ever accepted any other form of gratuity from Rockwell or any other company.

Do you think that this indicates that NASA was more intent upon learning the names of their agency's officials who were Rockwell's guests than you were?

Mr. CLEMENTS. No, sir. I think that they may have had information that led them to some of these people, and if we had such indicators, I can assure you we would contact those people and we would pursue it in a like manner.

Senator PROXMIRE. Well, what the NASA people did, and they have just testified to that this morning, was to start with their top people and go right down the list and interview each of them and ask them whether or not they had accepted hospitality of this kind, not only at Northrop but elsewhere. Has the Defense Department done that?

Mr. CLEMENTS. To a degree, but when you start talking about top people, the difference in size and scope is significant between ourselves and NASA.

Senator PROXMIRE. Well, you have more investigators than NASA. You could have had a similarly rigorous investigation. I realize that you're a much bigger agency, but you also have far greater procurements and I think in proportion that the investigation could have been just as thorough.

You say, "in part." What do you mean "in part"? How many people have been interviewed and asked whether or not, in fact, they have accepted hospitality of this kind?

Mr. CLEMENTS. Well, quite a few, and I'm talking now at the very top echelons of the Department of Defense.

Senator PROXMIRE. How many is quite a few?

Mr. CLEMENTS. Oh, probably in the range of 60 or 70. That is an estimate.

Senator PROXMIRE. Well, 60 or 70 was what NASA did and NASA, as you say, is a far smaller agency. It would seem to me that perhaps as many as a thousand would be an appropriate number in the Defense Department, given your size and your number.

Mr. CLEMENTS. It's possible, Senator Proxmire, that something like this could be done and we will take it under consideration.

Senator PROXMIRE. Well, I hope you will take in under very serious consideration. As I say, NASA was able to do it with good results. They were able to identify people. They were able to take action to prevent this kind of conduct in the future.

If you were provided with a list of military officials who were guests of Rockwell International Corp. at their Wye Island lodge, would you investigate those individuals?

Mr. CLEMENTS. Yes, sir.

Senator PROXMIRE. The committee is now providing to you a list of the names of 55 officials of the Department of Defense who were identified by this committee as having attended the Wye Island hunting lodge as guests of Rockwell International. Included in this list are officials of the Army, Navy, Air Force, Office of the Secretary of Defense, and the Defense Supply Agency. There are four rear admirals, one vice admiral, one brigadier general, and one major general on this guest list.

The committee has also provided the names of five military officials who have been tentatively identified as having been guests of Raytheon Co. at hunting trips on the Eastern Shore of Maryland.

You will note a number of names that you will recognize from the original Northrop guest list, including John Tutko, Rear Admiral McClellan, Captain Lansden, David McColl, and Vice Admiral Harlfinger.

[Complete list follows:]

Office of the Secretary of Defense and Defense agencies

Name and Number of Visits	*Position and Agency*
W. A. Chapman (2)	Defense Supply Agency: Defense Fuel Supply Center; Acting Deputy Director, Procurement & Production
Rear Adm. Horace H. Epes (1)	Office of the Assistant Secretary of Defense/International Security Affairs
Col. Charles R. Gentzel (1)	Weapons System Evaluation Group
Wallace D. Henderson (1)	Office of the Assistant Secretary of Defense/Intelligence, Special Assistant to Assistant Secretary of Defense, Warning
Thomas C. Muse (1)	Office of Director of Defense Research and Engineering; Office of Deputy Director, Research and Advanced Technology
Comdr. John Ambrose (2)	Naval Air Systems Command; Materiel Acquisitions; Chief Missile Guidance and Control Branch
Lyle J. Bercier (1)	Headquarters Naval Materiel Command, Aircraft and Ship Programs; Assistant for Aircraft
Lt. Comdr. Lyle F. Bull (1)	Office of the Deputy Chief of Naval Operations (Air Warfare); Aviation Plans and Requirements Division; Attack Sensors Program Coordinator
Rear Adm. W. N. Dietzen, Jr. (1).	Office of the Deputy Chief of Naval Operations (Submarine Warfare); Director, Deep Submergence Systems Divisions & Deep Submergence Systems Program Coordinator

Office of the Secretary of Defense and Defense agencies—Continued

Name and Number of Visits	*Position and Agency*
Lt. Comdr. A. M. Edwards (2)	Naval Air Systems Command; Air Force logistics Command Representative; Joint Technological Group on Aircraft Survivability
C. W. Fritz (3)	Office of the Deputy Chief of Naval Operations (Air Warfare) aviation plans and Requirements Divisions; Director, Air Launched Weapons Section
Comdr. John D. Gandy (1)	Office of the Assistant Vice Chief of Naval Operations (Director Naval Administration) Chairman, Military Personnel Branch
Donald R. Grubb (2)	Naval Ship Systems Command; AN/BQQ–2 Sonar Project; Director, Fleet Supply Branch
Vice Adm. F. J. Harlfinger (1)	Office of the Chief of Naval Operations; Director, Command Support Programs
Lt. Comd. Gerald G. Kemp (1)	Naval Air Systems Command; Materiel Acquisition Division; Fighter Aircraft Branch
Capt. Joseph C. Kemp (1)	Naval Air Systems Command; Materiel Acquisition Division; Chief, Avionics Division
Capt. H. B. Lansden (1)	Office of the Deputy Chief of Naval Operations (Air Warfare); Aviation Plans & Requirements Division; Ass't. Director, Aircraft and Weapons Requirements Branch
H. G. Lewis (3)	Naval Air Systems Command; Materiel Acquisition Division, Executive Director for Materiel Management
Capt. G. E. Lockee (2)	Office of the Assistant Vice Chief of Naval Operations (Director Naval Administration) Director, Administrative Services Division
Capt. Donald Loranger (2)	Naval Air Systems Command; Project Manager, Anti-Radiation Missiles
Rear Adm. Thomas R. McClellan (1).	Commander, Naval Air Systems Command
Comdr. Curtis G. McDowell (1)	Office of the Deputy Chief of Naval Operations (Surface Warfare); Combat Direction Systems Branch; Head, Interface Coordination & Joint Chiefs of Staff Action
K. G. Orman (2)	Naval Air Systems Command; Office of Command, Control and Guidance Administration
Capt. G. F. Peoples (2)	Office of the Deputy Chief of Naval Operations (Air Warfare) Aviation Plans & Requirements Division; Director, Electronic Warfare/Reconnaissance/Communications
Comdr. Robert A. Phillips (1)	Office of the Deputy Chief of Naval Operations (Air Warfare); Aviation Training Division; Pilot Training Section
Paul Pugh (1)	Senior Navy Member, Weapon Systems Evaluation Group
D. H. Quinn (1)	Naval Station, Norfolk
Joseph L. Rizzo (2)	Naval Air Systems Command; Contract Adjustment Division, Termination Branch; Contract Termination Specialist
Rear Adm. R. J. Schneider (1)	Commander, Naval Electronic Systems Command
Capt. J. F. Stader (1)	Office of the Deputy Chief of Naval Operations (Surface Warfare); Naval Combat Directions System; Standardization & Policy Section
J. S. Tassin (5)	Naval Air Systems Command; Contracts Division, Executive Director for Procurement Management

Office of the Secretary of Defense and Defense agencies—Continued

Name and Number of Visits	*Position and Agency*
	AIR FORCE
Robert E. Beerstecher (1)	Office of Assistant Chief of Staff (Intelligence)
Col. T. W. Birge (1)	Office of the Deputy Chief of Staff (Research and Development); Directorate of Operations Requirements and Development Plans; Air Force Research and Development Member, AMRAD Command
J. Bowman (2)	U.S. Air Force Academy
Brig. Gen. A. W. Braswell (1)	Deputy Director, Plans
H. W. Christian (1)	Andrews Air Force Base
Lt. Col. James P. Cooney (1)	Office of the Deputy Chief of Staff (Research and Development)
Lt. Col. Richard C. Coupland (3)	Office of the Deputy Chief of Staff (Research and Development), Directorate of Development and Acquisition
Maj. Robert F. Durkin (1)	Office of the Deputy Chief of Staff (Research and Development), Directorate of Development and Acquisition
Lt. Col. Thomas A. Fleck (1)	Office of the Deputy Chief of Staff (Systems and Logistics); Directorate of Military Assistance and Sales; Materiel Management Division; Chief, Implementation Branch
Col. Lloyd R. Leavitt, Jr. (1)	Directorate of Operations, Deputy Director for Operational Forces
Ben. S. Martin (2)	U.S. Air Force Academy
Col. Robert J. McCormick (1)	Military Assistant to the Assistant Secretary of the Air Force (Research and Development)
Lt. Col. Brooks Morris (1)	Office of the Deputy Chief of Staff (Research and Development) Directorate of Operational Requirements and Development Plans; Chief, Armament Division
M. O'Conner (1)	Andrews Air Force Base
Franklin J. Ross (2)	Office of the Assistant Secretary of the Air Force (Research and Development); Deputy for Requirements
John Tutko (2)	Chief, Headquarters Recreation Service
	ARMY
Paul Cyr (3)	U.S. Army Materiel Command; Special Assistant for Congressional Affairs
Lt. Col. Charles P. Ippolito (1)	Office of the Assistant Chief of Staff (Force Development), Force Development Plans Division
Lt. Col. Weldon F. Honeycutt (1)	Office of Assistant Executive to the Assistant Deputy Chief of Staff, Military Operations
Col. James V. Irons (1)	Office of the Assistant Chief Staff (Force Development); Force Development Plans Division
Maj. Gen. Elroy B. Roberts (1)	Assistant Deputy Chief of Staff (Military Operations)
	UNIDENTIFIED MILITARY
Lt. Col. Robert A. Barraclough (1)	
Col. John H. Lattin (2)	
Capt. Daniel V. Marshall (1)	

Senator PROXMIRE. Mr. Clements, there are two things which bother me about the fact that this committee is providing you with these lists. First is the fact that it was this committee which found the names of these individuals and not the Department of Defense. I

believe that this committee has a very capable staff, and I am proud of them, but the fact is that this is a small staff. It disturbs me that this committee staff was able to identify the names of these guests when your Department was unable to do so.

The second thing that disturbs me is the fact that at least five of these individuals were on the Northrop guest list and were presumably interviewed by your investigators at the time of that investigation. It would have been a very easy thing to ask at that time whether they had ever accepted hunting trips from other contractors. Vice Admiral Harlfinger's case is particularly disturbing because he was one of those individuals identified as never having attended the Northrop hunting facility. In essence, he was cleared of any wrongdoing. Why did not that most elementary question of all, "Did you accept favors from any other Defense contractor" occur to your investigators?

Mr. CLEMENTS. I'm not sure that it didn't. I can't answer that, Senator Proxmire.

Senator PROXMIRE. Well, if it didn't, then this should have been known to you. This should have been disclosed by your people.

Mr. CLEMENTS. Certainly the people that are on this list were to be less than candid if they were duplicates of other lists, as you have pointed out, and I am greatly disturbed by this.

Senator PROXMIRE. Doesn't this list suggest the inadequacy of your investigation?

Mr. CLEMENTS. Well, the thoroughness, which is perhaps what you are terming the inadequacy—we perhaps could be more thorough than we have been and I'd be interested to know the dates that these occurred. I notice that the list here doesn't have any dates on it as to when these visitations took place.

Senator PROXMIRE. Well, I can tell you they were in two nonconsecutive recent years, all since 1972.

Mr. CLEMENTS. That would be very helpful. Could we discuss these with your staff subsequently?

Senator PROXMIRE. Yes, indeed.

Mr. CLEMENTS. We'd be grateful and we appreciate your giving us this and we will follow through with it you can be sure.

Senator PROXMIRE. All right, sir.

It would seem that a great deal of investigative work remains to be done. At a minimum, the individuals on these lists should be interviewed to ascertain that they were guests of the company and did not pay their own expenses.

For the record, I want to point out that the Raytheon list is not complete and that the Rockwell list contains the names of individuals who were guests at the Wye Island facility only during 2 nonconsecutive years, as I said.

In view of yesterday's testimony, I would hope that the Defense Department would investigate records pertaining to the Rockwell hunting lodges Rockwell has maintained in Pennsylvania and Georgia. I think yesterday's testimony disclosed other information that bears looking into.

The Defense Contract Audit Agency questioned the allocation to Government contracts of the salaries of numerous Northrop Wash-

ington office employees who were heavily involved in operation of the hunting lodge and other forms of unallowable entertainment or lobbying activities. This committee has heard similar allegations concerning certain officials of the Rockwell International Corp. Will you be performing a similar review of cost allocation for salaries for Rockwell Washington office employees or consultants?

Mr. CLEMENTS. We are in the process of doing that right now and we have that under audit.

Senator PROXMIRE. Very good. Will you inform this committee of the results of that review?

Mr. CLEMENTS. We will.

Senator PROXMIRE. Mr. Clements, if one part of enforcement is investigation, the other is penalties or sanctions. Am I correct in understanding that the letters of admonition sent to the Northrop guests are nonpunitive in nature, that they are an informal action, and that they will not become permanent parts of the individual's service records?

Mr. CLEMENTS. That's correct.

Senator PROXMIRE. Was there no other punishment, such as temporary suspension, removal from certain duties or privileges, letters of reprimand or censure, or the barring of individuals from eligibility to serve on certain types of boards?

Mr. CLEMENTS. Not in the official sense that you're using those terms.

Senator PROXMIRE. Well, in what sense?

Mr. CLEMENTS. Certainly, these people have been reprimanded with the letter of admonition that I spoke of and that you have referred to, but in addition to that, they have been verbally chastised, should I say, and this is important to them and it certainly will be something that shall I say casts a shadow on their performance and their judgment.

Senator PROXMIRE. I wonder if it really casts much of a shadow compared to what NASA did. NASA provided a reprimand, a formal reprimand as compared with a letter of admonition. Admonition, as I say, is not part of their file. Reprimand would be a stiffer, tougher penalty. It seems to me that your admonition is a wrist slap and not a forceful kind of penalty which would deter conduct of this kind.

Mr. CLEMENTS. It may be more subtle than it should have been, Senator Proxmire, but I think it's also more serious than you're giving it credit for being.

Senator PROXMIRE. Well, how can it be serious if it's not a part of their record? Isn't that what an officer or a top official really is concerned about, his record? If this is simply an admonition, a warning you get with a traffic ticket, it doesn't really mean a great deal, does it? How can it really be a subtle deterrent?

Mr. CLEMENTS. These admonitions and these reprimands, these verbal reprimands, serve a more serious purpose, as I have said, than you're attributing to them.

Senator PROXMIRE. Well, now, if an individual accepted hospitality from several contractors on a repeated basis, would that constitute grounds for more serious penalties?

Mr. CLEMENTS. Certainly. Without any question.

Senator PROXMIRE. Well, now that you have a more stringent standard of conduct directive and now that we have had this situation, talking about the future, do you anticipate the future abuses will be dealt with more severely?

Mr. CLEMENTS. There's no question whatsoever about it.

Senator PROXMIRE. That's welcome. What kind of penalties could a future offender expect to face?

Mr. CLEMENTS. There would be a severe reprimand in writing put into the personnel folder in the permanent records. That would be the starting point.

Senator PROXMIRE. Well, I think that's helpful because government employees must have a clear idea of what they face if they violate the standards of conduct. We know that the blame in the cases to date does not rest entirely with the officials who accepted the invitation. The directives seemed to have been perceived as a dead letter. Still, the public will compare the actions taken in the hunting lodge episode with the punishment given to the Navy commander who had the go-go dancer aboard his submarine. In that case, he was relieved of command and given a dead-end desk job.

Is this an indicator of how the relative seriousness of these offenses is viewed in the Pentagon? Is wholesale and repeated disregard for standards of conduct slightly less serious than having a go-go dancer on the deck of your submarine?

Mr. CLEMENTS [Laughs]. Senator Proxmire, that question reminds me of the one about when did you beat your wife last. There's no good answer to that.

Senator PROXMIRE. I won't ask you to tell me about that.

[Laughter.]

Mr. CLEMENTS. I can assure you, Senator Proxmire, that if any of these incidents occur now, in the future or in the immediate past after we were alerted to the problem, actions will be quick and they will be very severe.

Senator PROXMIRE. Are you investigating the possibility that Department of Defense officials may have themselves initiated requests for entertainment or other forms of gratuities?

Mr. CLEMENTS. Yes. I looked into that to some degree and discussed it with various people and I had a curiosity also as to whether that was possible or not. I have not found anything that would indicate that, but I still am watchful in that regard and I have that in mind, particularly if there's a pattern that would seem to be indicated in some of these incidents.

Senator PROXMIRE. If they did initiate requests, if they did ask for hospitality, would you regard that as a conduct that should warrant more severe penalties?

Mr. CLEMENTS. Very serious.

Senator PROXMIRE. And the penalty would be more severe?

Mr. CLEMENTS. Yes, sir.

Senator PROXMIRE. At the best, yesterday's testimony revealed that some contractors carry on their government relations or product promotion activities in ignorance of standards-of-conduct regulations. Besides your one-shot letter to contractors, what do you think the Department can do to remind contractors on a regular basis of their

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responsibility to avoid putting Federal officials in a compromising position?

Mr. CLEMENTS. We are doing that and we have the means of doing it through the various industry association publications. We have it through industry association meetings where the officials of these companies gather and their representatives and operating people. We have it through our project offices and this message is carried out to the various operations now, Senator Proxmire, to a degree that I'm sure has never been done before and we intend to keep it on a current basis.

Senator PROXMIRE. Will you do it on a systematic, regular periodic basis so that it won't tend to fade away? These things tend to come to attention and there's an improvement in conduct for a period of months or maybe a year or two and then it seems to go away.

Mr. CLEMENTS. I agree with that.

Senator PROXMIRE. So you will do this at least annually?

Mr. CLEMENTS. We will.

Senator PROXMIRE. Now yesterday both Mr. Jones of Northrop and Mr. Anderson of Rockwell International stated that no official of the Department of Defense, to their knowledge—and they are, of course, the top people and they would have been apprised it seems to me if it had been done in any formal or emphatic way—no official of the Department of Defense had ever contacted their company to remind them of the provisions of standards of conduct regulations and to admonish them not to provide prohibited forms of entertainment before this came to light.

Do you agree with their contentions?

Mr. CLEMENTS. No, sir, I do not.

Senator PROXMIRE. I say before this came to light, before the revelations in the papers about the entertainment at the Northrop hunting lodge.

Mr. CLEMENTS. I don't think——

Senator PROXMIRE. Can you tell us, then, what notification was given to Rockwell or to Northrop?

Mr. CLEMENTS. In the case of Rockwell, I cannot say with complete assurance that this was discussed specifically with them. In the case of Northrop, it was, and there is certainly no doubt whatsoever in Mr. Jones' mind how I feel about this sort of activity and this sort of misbehavior.

Senator PROXMIRE. Was that prior to October 1975?

Mr. CLEMENTS. Yes, sir.

Senator PROXMIRE. Will you provide for the record copies of any communications with Northrop or with any other defense contractor regarding entertainment of government officials prior to October 1975?

Mr. CLEMENTS. I'm not sure that there will be anything of a written record, Senator Proxmire.

Senator PROXMIRE. Once again, Mr. Secretary, it's that written record which is the only basis on which we can have assurance that action was taken and the companies themselves—men also of integrity and you're a man of great integrity—tell us that they were not informed. The only way we can determine this is on the basis of writing.

Mr. CLEMENTS. I think you're right and this is a fault of ours in the past that we have not communicated in a direct sense in writing these kinds of observations and senses of integrity on these kinds of behavior. This will not be done in the future. We will communicate in writing, but the communication that I referred to with Mr. Jones was not in writing. It was a verbal discussion.

Senator PROXMIRE. Now all the disciplinary actions we are talking about—we talked about so far—have concerned individual employees of the Department of Defense. Is there any disciplinary action, any penalty, that could be taken against companies that are found to have attempted to exert undue influence on the procurement process by entertaining Government officials?

Mr. CLEMENTS. May I consult with Mr. Wiley a moment here about this?

Senator PROXMIRE. Yes; if you would like Mr. Wiley to answer it, he can go ahead.

Mr. WILEY. Senator Proxmire, I don't think any of the investigations to date have in any way indicated that any of the entertainment activities thus far have in any way led to any influence, undue or otherwise, on the procurement processes decisions. I think it's fair to state that if in the course of its further investigations the Department uncovered any evidence of any such undue influence, any influence at all that would be other than in most objective possible terms, that the Department would deal very immediately and very severely with any evidence of such influence.

Senator PROXMIRE. Let me read to you that part of the law that concerns me here. This is a reference to Section 2207 of Title 10 of the United States Code. This section states:

> The United States may, by written notice to the contractor, terminate the right of the contractor to proceed under the contract if the Secretary concerned or his designee finds, after notice and hearing, that the contractor, or his agent or other representative, offered or gave any gratuity, such as entertainment or a gift, to an officer, official, or employee of the United States to obtain a contract or favorable treatment in the awarding, amending, or making of determinations concerning the performance of a contract.
>
> If a contract is terminated under clause (1), the United States has the same remedies against the contractor that it would have had if the contractor had breached the contract and, in addition to other damages, is entitled to exemplary damages in an amount at least three, but not more than 10, as determined by the Secretary or his designee, times the cost incurred by the contractor in giving gratuities to the officer, official, or employee concerned.

Have you considered whether any action would be appropriate against contractors under this statute?

Mr. CLEMENTS. Senator, we are aware of the passage that you read and we have in the past discussed various actions that we might take in this regard, but our conclusion to date has been that we shouldn't do this, that the misbehavior, if you want to term it that, has not at this time warranted our moving forward.

Now, we still have this under consideration. You will be interested to know that no later than this morning we talked about an action of this type, but we have not come to any conclusion in this regard and I would say that we still are thinking about it. We are evaluating the misbehavior patterns, and we may very well take this kind of action in the future.

Senator PROXMIRE. You say an action of this type against whom?

Mr. CLEMENTS. I would prefer not to say, Senator Proxmire, at this time. It just would be inappropriate and it is not an action that has been formalized and I think it's a wrong thing to say.

Senator PROXMIRE. Would this involve more than one contractor?

Mr. CLEMENTS. It could.

Senator PROXMIRE. Mr. Clements, it seems obvious to me that Congress made its concerns well known when it enacted this legislation I just referred to. It was obviously the sense of the Congress that there should be stiff penalties against the improper exercise of influence on contracting. Both corporate officials who testified here yesterday agreed that one purpose of these events was to build up some goodwill for the company, and Mr. Anderson went so far as to admit that business was commonly discussed on these trips.

How far do you think a company would have to go in this area for this law to apply?

Mr. CLEMENTS. This is a very difficult question to answer and I'm sure that in your relationships and in your experiences you know that this is a very fine line at times. And my answer to you, Senator Proxmire, is that the best way to handle this is not to have these occasions arise. The environment for this sort of misbehavior is created under these sorts of auspices and I'm absolutely opposed to them and I want our people to stay out of those duck blinds and I want them to stay out of hunting lodges and I don't want these so-called working lunches and I want our relationships to be maintained on a very businesslike, straightforward, high-plane basis.

Senator PROXMIRE. Mr. Secretary, I just have two or three more questions.

I understand the Department of Defense has the primary investigative responsibility for suspected violations of the noncriminal selling law against selling materials to the Department, even though the GAO makes the final determination as to whether a pension will be denied. In the case of Representative Bennett's request to you, I understand that your investigation largely consisted of verifying the information contained in each individual's report, and in surveying major procurement commands to see whether the individuals had been engaged in prohibited activities.

Did you explain to these commands that even one telephone call to inquire about future needs could constitute a violation?

Mr. CLEMENTS. Senator Proxmire, I'm not sure what you're asking me.

Senator PROXMIRE. I'm talking about the retired military officers selling material or products to the Department of Defense.

Mr. CLEMENTS. We are extremely sensitive to this. The officers that I have personally discussed this sort of thing with say that they will not even see their friends and acquaintances through many, many years in the services. They will not see them on business matters at all. Now I hope that that is responsive to what you're talking about. I cannot answer that this person doing the investigation warned them that even one telephone call would constitute a violation. I cannot say that that was so, but we are very, very sensitive to this problem.

Senator PROXMIRE. Now yesterday Mr. Jones told this committee that one purpose of these hunting trips was to promote goodwill for the company.

Mr. CLEMENTS. Well, the opposite effect has been what's happened.

Senator PROXMIRE. The Comptroller General has ruled that "contacts to promote goodwill" are prohibited activities for a retired officer. Both General Wilson and Captain Whidden were heavily involved in the operation of this hunting lodge. General Wilson's duties are further described in the August 6 DCAA audit report as to "entertain where necessary to enhance the image of Northrop."

Do you see any reason why their activities would not be prohibited under this law?

Mr. CLEMENTS. I can't answer that offhand, Senator Proxmire. I'd want to look at that and get the benefit of counsel and let him give you a considered legal opinion from the Department of Defense.

[See Appendix IV (K), p. 435.]

Senator PROXMIRE. All right.

Mr. CLEMENTS. I think that would be better.

Senator PROXMIRE. Now all of this may have been a moot point if a recent DOD legislative proposal had succeeded. Why did the Department suggest that the provisions of this law be considerably softened?

Mr. CLEMENTS. Considerably what?

Senator PROXMIRE. Softened, Let me proceed and perhaps that will help you.

Mr. CLEMENTS. I have no knowledge of that. I'm sorry.

Senator PROXMIRE. We have heard this captioned before as an effort to implement the Fitzhugh Commission recommendations, but the committee staff was unable to find any recommendation in that report that this law be changed so that it would only apply in cases where there was a finding of intention to exert undue influence. The fact that this proposal was rejected is immaterial if we are considering basic DoD attitudes toward enforcement of these laws. I can construe it no other way except as a conscious Department of Defense effort to soften the intent of one of the few strong conflict of interest laws on the books.

Mr. CLEMENTS. Senator Proxmire, I have no knowledge whatsoever of these actions that you are talking about. I hope that you have gotten from my appearance here today that it's hard to imagine anyone that would be any stronger in their opinions about this conflict of interest issue than I am and——

Senator PROXMIRE. This was a formal legislative proposal from the Department of Defense earlier this year to amend the selling law as it related to retired officers.

Mr. CLEMENTS. We will look into that and I will give you a considered opinion for the record, but I cannot respond to it because I know of no such action on our part. It's inconceivable to me that the Department would take that kind of position with my responsibilities with respect to this conflict of interest and not consult me about it.

Senator PROXMIRE. Well, then, you didn't have a chance to review that legislative proposal?

Mr. CLEMENTS. I certainly did not. I don't know anything about it, but we will look into it and I will respond for the record.

Senator PROXMIRE. Aren't you in the position in the Department of Defense where you would normally be acquainted with proposals to the Congress of this kind?

Mr. CLEMENTS. Yes, sir. I would be, and more particularly, in regard to this conflict of interest issue and this whole matter about which we are discussing here this morning I have that direct responsibility and for legislation to be proposed that would interface with that particular charge of responsibility I can't imagine that our position would be contradictory to what I am telling you.

Senator PROXMIRE. All right, sir. Well, I will have my staff work with your staff so we are sure we know exactly what we're talking about, the time it was requested and give you all the details so that we can explore it.

Mr. CLEMENTS. I would appreciate that. [See Appendix IV (K), p. 436.]

Senator PROXMIRE. Yesterday Mr. Hampton, the Civil Service Commissioner, stated that in the case of executive interchange programs care must be exercised to assure that no official could go from the Government to any company that he could aid with inside information. Yet the Navy sent a contract price analyst from the Naval Air Systems Command to work for Northrop during the midst of the F–18 competition.

Wouldn't he have had access to pricing data from Northrop's competitors on this program?

Mr. CLEMENTS. He could have, of course. I don't know that he would have had, but he could have had.

Senator PROXMIRE. Doesn't that at least indicate an appearance of unethical possibilities?

Mr. CLEMENTS. I think it certainly has the appearance of poor judgment, Senator Proxmire. I don't think that was well thought through.

Senator PROXMIRE. We will give you the details then and will you check that out and give us the facts on it?

Mr. CLEMENTS. I'd be pleased to receive that and we will check it out.

[See Appendix IV (K), p. 436.]

Senator PROXMIRE. Mr. Secretary, I will just take a minute or two to conclude. I'd like to conclude this set of hearings on standards of conduct and conflict of interest by emphasizing the seriousness of the problem we are dealing with here. Hunting trips and sports tickets would not be a matter of concern if there were only a few isolated cases of poor judgment. It is the breadth of the company hospitality programs and the widespread acceptance of these costly "freebies" that causes our concern. We have found entertainment facilities operating throughout the country. The operation of these facilities raises questions about whether companies might go beyond mere hospitality, as they have done in many of their overseas marketing operations. It raises questions about whether government officials might be tempted to accept more than a few hunting trips or weekends at resorts. These are questions of the most serious kind, as Dr. Low and Mr. Clements have pointed out this morning.

We heard testimony yesterday that the companies do these things simply because everyone else in industry does them. That sounds dangerously like the justification for payments to foreign officials.

We also heard that entertainment and gratuities are merely a way of developing good will. We have to examine that closely. Good will is a bankable asset, to be drawn on when a company is looking for a favor in return. In the commercial world it is everyday practice, but in government contracting there are no disincentives to excessive entertainment, as there are in private business. There need to be lines drawn and distinctions made.

Besides that, gratuities are a one-way street when it comes to the government. Few, if any, civil servants could repay this lavish hospitality in kind. The recipient inevitably become the debtor with obligations to repay.

Testimony yesterday indicated that the companies receive no gain for their investment in hospitality. If that is so, then why do they do it?

If, on the other hand, entertainment is a profitable activity—if there is a quid pro quo—then the government ought to stop it.

Yesterday officials of North American Rockwell and Northrop indicated that they no longer are entertaining Federal officials. They are making the right decision and this is good news for the taxpayer. The committee will do its best to double check these assertions and to discover whether or not the same policy is being followed by other aerospace companies.

This kind of behind the scenes entertainment, cloaked in a deliberate policy of not keeping records and perhaps fed by charges to government contracts, has no place in government-industry relations.

Lobbying is a proper function for citizen and businessmen alike. But the lobbying should be a matter of public record, by employment of registered lobbyists, and clearly in the public view.

Disclosure is therapeutic. If the corporations are doing nothing improper, then they should make public their records, the list of attendees, the associated costs, and the purpose for such entertainment. Let their stockholders be the judge of their corporate policies and let the public be aware of how they conduct their business.

Mr. Secretary, I want to thank you and I very, very much appreciate your tough and forceful position on conflict of interest and the very serious problem which confronts us. We do have some questions for the record. We would appreciate it if you would respond to those.

[See additional questions, Appendix IV (H & L), pp. 427, 454.]

Mr. CLEMENTS. Good. I'm pleased to have been here, Senator Proxmire, and I want to assure you, and I think you have sensed that, I feel just as strongly about this as you do.

Senator PROXMIRE. Thank you very much, sir.

The committee will stand adjourned.

[Whereupon, at 12:40 p.m., the hearing was adjourned.]

APPENDIX I

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., February 10, 1976.

Hon. WILLIAM PROXMIRE,
Vice Chairman, Joint Committee on Defense Production,
U.S. Senate, Washington, D.C.

DEAR SENATOR PROXMIRE: Enclosed are copies of correspondence relating to the investigation by the Civil Service Commission into alleged charges of favoritism in the hiring of former employees of Rockwell Corporation by the National Highway Traffic Safety Administration. You will recall that I offered to furnish this material to your Committee.

We are also returning the transcript as corrected.

I do appreciate the opportunity you gave me to appear before the Joint Committee.

Sincerely yours,

ROBERT E. HAMPTON, *Chairman.*

2 Enclosures.

UNITED STATES GOVERNMENT

Memorandum

U.S. CIVIL SERVICE COMMISSION

Subject: Analysis of House Subcommittee Report on Senior Level Examining

Date: APR 26 1974

In Reply Refer To:

EPA:EXR

Your Reference:

From: Wendell [illegible], Director
Bureau of Recruiting and Examining

Thru: Bernard Rosen
Executive Director

To: Chairman Hampton

In January 1973, the Subcommittee on Investigations, House Post Office and Civil Service Committee, launched an inquiry into alleged irregularities and abuses connected with name requests for high level (GS-13, -14, and -15) positions. The thrust of the inquiry was to investigate the substance of the allegations and determine if bona fide consideration was actually given other eligible candidates in keeping with merit concepts. The subcommittee focused its investigation on hires made through the Washington Area Office during calendar years 1971 and 1972. Three agencies, in particular, were singled out for close scrutiny: (1) the National Highway Traffic Safety Administration, (2) Administrative Office of the U.S. Courts, and (3) Department of the Air Force.

The Commission staff fully cooperated with the inquiry, providing all information requested, including two appearances before the subcommittee to answer questions and provide a briefing on Senior Level examining procedures. We have now received the final report of the subcommittee which, while acknowledging that certain steps have been taken to "strengthen and improve" Senior Level examining procedures, recommends certain additional actions be taken.

SUBCOMMITTEE FINDINGS

In brief, the subcommittee found that:

- In NHTSA and the Administrative Office of the Courts there is substantial evidence to support allegations of favoritism, preselection, and questionable qualifications of name requests, and that persons who filed in the open examination really had little or no chance for meaningful employment consideration;

- The practice of using panel members from the hiring agency "is suspect," lending itself to abuse and loss of credibility for the merit system. The subcommittee believes the use of panels could be reduced by:

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CSC FORM 631
NOVEMBER 1961

1. Using Commission examiners rather than panel members from hiring agencies, and

2. Closer scrutiny of name requests by the Commission. In this connection, the subcommittee report implies we should require agencies to disclose fully all circumstances leading to the submission of name requests (i.e., by providing all internal correspondence about the name request, by identifying previous associations between the name requested person and employees of the agency, etc.).

COMMISSION RESPONSE

The Commission took several steps during the course of the subcommittee inquiry to assure job relatedness and adequate documentation of examining practices:

- Issued two bulletins to agencies (copies attached), and several internal letters outlining procedures and requirements aimed at strengthening the integrity of the examining process, and a special presentation to the IAG;

- Arranged a pilot test in the Washington Area Office using panel members from other than the hiring agency;

- Established a link between BRE and BPME to follow up on "questionable" cases;

- Held conferences in Washington, Philadelphia, Dallas, and San Francisco on documentation, selective certification, consistency in rating, and other examining matters; and

- By agreement between BRE and BPI, established a procedure for checking the qualifications of those Senior Level hires made through the Washington Area Office on whom a full field investigation is conducted.

While the subcommittee generally commends these steps, it offers six additional recommendations and asks for a report on the results of the actions already taken.

SUBCOMMITTEE RECOMMENDATIONS

1. CSC should enlarge its examiner workforce in order to evaluate Senior Level requests in-house, except where we need subject matter expertise. When panels are necessary, we should exercise closer supervision over them.

2. Requesting agencies should not be permitted to designate panel members except when so requested by the CSC.

3. If CSC determines a panel is needed, at least one panelist should be from a disinterested agency.

4. Agencies should be prohibited from stipulating that they do not want a certificate that does not include the name request.

5. An agency should be precluded from cancelling a request just because its name request does not appear on the certificate. Exceptions would be approved only upon submission of a satisfactory explanation to the Commission.

6. CSC should follow up on the specific cases in the two organizations identified by the subcommittee to ascertain if laws or rules have been violated and corrective/punitive action should be taken.

We generally agree with these recommendations. Our analysis and proposals are as follows:

A. Historically, we have used agency panel members because of the need to apply subject-matter expertise in evaluating candidates for the varied and unique jobs covered by Senior Level. This has been a valid consideration for highly specialized occupations like Psychologist, Economist, and Health related jobs. However, for the general administrative and staff type jobs which comprise a significant number of agency requests, we could rate applicants just as well, if not better, without using outside assistance. This would clearly reduce the appearance or possibility of favoritism in the rating process.

Based on the preliminary results from our current experiment using at least one panel member from a disinterested agency, we believe we get a better product with this approach than when all panelists are from the requesting agency. However, the benefits we realize are offset by the continuing reluctance of agencies to cooperate and the accompanying delays in issuing certificates. Since we believe that we can do as good or better rating without panels in the large majority of cases anyway, we plan to adopt the following approach to Senior Level rating:

-- As a general rule, to process Senior Level requests using our own staffing specialists. We estimate that this will suffice in about 90 percent of the cases.

-- To ask for advisory assistance (from a disinterested agency if possible) in cases where we decide subject-matter knowledge is necessary for effective evaluation. This assistance would be sought for the purpose of gaining a better insight into

the technical aspects of the job or program, and the relative importance of the duties and responsibilities. Advisors would not participate in rating schedule development or in the actual evaluation of candidates.

-- To convene a panel in unusual cases where the complexities of the job cannot be easily assimilated or understood through advisory assistance alone. Such a panel would consist of a subject-matter expert (normally from a disinterested agency) and a CSC examiner serving as chairman and full participating member.

The subcommittee recognizes that implementation of its recommendations will require enlargement of the examiner workforce. Since only 18 percent of the Senior Level requests are handled in the field, and in most cases CSC representatives either perform the evaluation or participate as panel members, we believe the procedures proposed above can be absorbed by regions without additional resources.

However, in the Washington Area Office where 82 percent of all Senior Level activity is centered, we will need to compensate for the assistance lost if panels are eliminated. Currently agency panelists conduct the job analysis, develop the rating schedule, and evaluate the candidates, often involving in excess of 100 applications per request. We estimate that this service is worth approximately 5 hours per request which, on an average volume (over the last 3 years) of 1,900 certificates per year, amounts to about 5 man-years. To provide an acceptable standard of service, we propose to increase the Washington Area Office's Senior Level examining staff by this amount.

B. We concur with the intent of Recommendation No. 4 which would prohibit agencies from stipulating that they do not want a certificate that does not include the name request. However, we propose to discourage rather than prohibit agencies from indicating they do not want a certificate which does not contain a name requested candidate. A flat prohibition would result in unproductive work for us in cases where an agency has decided to fill a position through promotion or other noncompetitive means unless a particular outside candidate they feel to be outstanding is available. Likewise, with respect to Recommendation No. 5, we cannot realistically stop an agency from cancelling a request or from returning a certificate unused, nor can we force them to make a selection. We must recognize that there are legitimate reasons for cancelling requests or returning certificates without action, such as (1) deciding to fill a job in another authorized manner (promotion, transfer, reassignment, or reinstatement), or (2) upon finding the quality of eligibles

referred to be below expectations, deciding to conduct further recruitment to find more highly qualified candidates. We believe we should continue to permit these types of flexibilities, but we recognize the need to assure proper use of the name request procedure. Accordingly, we propose to:

- Review and strengthen existing instructions to require a closer review of cancellations and unused certificates, and

- Explore the best way of following up on suspect cases and for determining any corrective steps that might be taken.

C. With respect to Recommendation No. 6, we have provided a copy of the report to BPME which will meet with the Committee staff to discuss plans for following up on the specific cases featured in the report.

FUTURE PLANS

The subcommittee report focuses mainly on hires through the Senior Level examination (Announcement No. 408) and the Physical Sciences and Engineering examination (Announcement No. 424). Our comments in this paper are framed with these examining plans in mind. However, the subcommittee recommendations may have a broader application to our other examining vehicles, which we believe should be explored. In the next several months we plan to look into this possibility as well as looking more closely at some of the recurring problems (such as conversion of excepted employees, experts, and consultants, and hiring of former associates of current Federal employees) faced in filling high-level positions. As we see needs for strengthening our process as regards these issues, we will develop new strategies, techniques and requirements.

In addition to the six specific recommendations outlined above, the subcommittee report asks for information on four additional action items:

1. Results of the sampling being conducted by BPME,

2. The results of the pilot using panelists from disinterested agencies,

3. Any significant corrective actions in the name request area, and

4. Recommendations for appropriate legislation.

While the results of the sampling will not be known for several months, we have attached a proposed letter which responds to items 2, 3, and 4, in addition to the specific recommendations discussed above.

Attachments

Honorable Thaddeus J. Dulski
Chairman, Committee on Post Office
and Civil Service
House of Representatives
Washington, D.C. 20515

MAY 10 1974

Dear Mr. Chairman:

We have studied the Committee's report (93-925) which inquired into the recruiting and examining practices used for filling high-level positions in the Federal Government. The Commission is vitally interested in strengthening merit staffing procedures throughout the Federal service and the constructive recommendations contained in the report will help us to meet that objective. We appreciate this opportunity to respond to the recommendations and to let the Committee know the additional steps being taken or planned on the basis of the recommendations to improve our examining and referral techniques.

The Committee report recommends that:

1. The Commission limit the use of agency panels to those examinations where it lacks the expertise needed to rate applicants; exercise more supervision over panels; if necessary, enlarge the examiner force.

2. Requesting agencies should not be permitted to designate panel members except when so asked by the Commission.

3. If the Commission determines a panel is needed, it should be composed of at least one member from an agency other than the requesting agency.

4. Agencies should be prohibited from stipulating that they do not want a certificate that does not include the name request.

5. Agencies should be precluded from cancelling requests when it is found their name request is not within reach for referral. Exceptions would be approved only upon submission of a satisfactory explanation to the Commission.

6. The Commission should examine the cases developed by the subcommittee concerning the National Highway Traffic Safety Administration and the Administrative Office of the United States Courts.

Recommendations 1, 2, and 3, are closely related and we are in basic agreement with them. In this connection, we plan to limit the use of agency panel members and to enlarge our examiner work force both to do more of the rating work and to exercise stronger supervision over panels when their use is found to be necessary. Panel member designations will be accepted from agencies only when requested by the Commission. Whenever panels are used, we will seek a subject-matter specialist from a disinterested agency, so that all panels will include a Commission and/or disinterested agency representative.

Our goal is to be fully operational under this procedure in early FY 1975. To accomplish this and, at the same time, to offer timely service to agencies, we must provide an additional 5 man-years support to our Washington Area Office. This will be done, initially, by diverting existing resources from other priorities; however, it may become necessary to request supplementary funding should we find that other program areas suffer, as a result of this shift.

We also concur with the intent of Recommendations 4 and 5. However, to give real meaning to Recommendation 4 we would have to be able to not only require that the agency accept a certificate but that it give full consideration to the persons referred. We do not believe we can realistically require this, nor can we stop an agency from cancelling a request or from returning it unused. There are often sound reasons for taking this action. Nonetheless, we plan to review and, as necessary, strengthen existing instructions to assure close monitoring of cancelled requests and unused certificates. We also plan to follow up on suspect cases and to take corrective action whenever warranted.

With respect to Recommendation 6, it has been agreed that a representative of our Bureau of Personnel Management Evaluation will meet with Mr. Bugler of the Committee staff to discuss the cases highlighted in the report. Based on that discussion, the necessary followup action with the affected agencies will be initiated.

Our investigation, on a sampling basis, of 100 name request cases is currently in progress. We will provide you a report as soon as the sampling is completed. We can report, however, that our pilot procedure of including one panel member from an agency other than the one with the vacancy did not prove worthy of implementing across-the-board. While we believed the quality of evaluation to be somewhat improved by this procedure, this benefit was offset by a loss of production caused by the

excessive amount of time it took to arrange panels. However, as we have indicated above, panel members from disinterested agencies will be used, if feasible, when it is necessary to get subject-matter assistance.

In addition to the planned actions we have outlined in this letter, we will be looking for other ways to strengthen the examining process. While we see no immediate need for legislation, we assure the Committee that legislative proposals will be promptly initiated when found necessary.

Sincerely yours,

(Signed) Robert E. Hampton
5/9/74

Robert E. Hampton
Chairman

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WILLIAM D. FORD, MICH.
FRANK J. BRASCO, N.Y.
WILLIAM (BILL) CLAY, MO.
PATRICIA SCHROEDER, COLO.
JOE MOAKLEY, MASS.
WILLIAM LEHMAN, FLA.

H. R. GROSS, IOWA
EDWARD J. DERWINSKI, ILL.
ALBERT W. JOHNSON, PA.
LAWRENCE J. HOGAN, MD.
JOHN H. ROUSSELOT, CALIF.
WALTER E. POWELL, OHIO
RICHARD W. MALLARY, VT.
ANDREW J. HINSHAW, CALIF.
L. A. (SKIP) BAFALIS, FLA.
JAMES M. COLLINS, TEX.
GENE TAYLOR, MO.

Office of the Chairman

U.S. House of Representatives
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
207 CANNON HOUSE OFFICE BUILDING
Washington, D.C. 20515

May 16, 1974

Honorable Robert E. Hampton
Chairman
Civil Service Commission
Washington, D. C. 20415

Dear Mr. Chairman:

This will acknowledge and thank you for your letter of May 10, 1974, regarding our report (93-925), "Recruiting for High Level Positions in the Federal Government Under the Name Request Concept and Examining Functions of the Civil Service Commission."

The Committee is gratified that you are in basic agreement with the recommendations contained in the report and are taking positive action.

However, with regard to our Recommendation 4, the Committee still feels strongly that agencies should be prohibited from stipulating that they do not want a certificate which does not include the name request, even though better qualified applicants are available. Such a stipulation appears to be contrary to merit system principles and does not afford equal opportunity and equal treatment for all citizens. We believe the agencies should give full consideration to the persons referred, whether or not the name request is included, with the understanding that the agencies can object to any persons so referred and, if the objections are sustained by the Commission, strike them from consideration.

I have alerted Mr. Hugler of my staff to be available to meet with a representative of your Bureau of Personnel Management Evaluation to discuss the individual cases highlighted in the report, and to cooperate fully in necessary followup action with the affected agencies.

69-394 O - 76 - 10

I shall look forward to receiving the report on your investigation, on a sampling basis, of 100 positions filled as a result of name requests.

With kind regards,

Sincerely,

Thad J. Dulski.

THADDEUS J. DULSKI
Chairman

JUN 28 1974

Honorable Thaddeus J. Dulski
Chairman, Committee on Post Office
and Civil Service
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your letter of May 16, 1974, concerning the Committee's report (93-925) about staffing high-level positions in the Federal Government. You reiterated the Committee's view that agencies should be prohibited from stipulating that they do not want a certificate which does not include a name requested candidate.

Our initial concern, as expressed in our letter of May 10, was that to give real meaning to the recommendation we would need authority to require agencies to give full consideration to the candidates referred. Since we cannot realistically require this, we felt that issuance of certificates in such cases would be largely unproductive as many would be returned unused. We are reluctant to establish any requirement which would compel our area offices to issue certificates which they know will not be used. We believe it serves the best interests of all concerned to concentrate our efforts on filling real vacancies.

Nonetheless, we are in complete agreement with the intent of the Committee's recommendation. We think the best way to achieve this goal is through an educational effort. Accordingly, we plan to mount a campaign to educate agency managers in their responsibilities for giving full and meaningful consideration to all persons referred on a certificate. We will stress that it is not in keeping with the principles of merit to cancel a request simply because a named candidate may not be within reach for referral.

In addition, we plan to require our area offices to monitor cancelled requests and unused certificates, and if they notice questionable trends to take the matter up with agency management.

Sincerely yours,

(Signed) Robert E. Hampton
6/27/74

Robert E. Hampton
Chairman

Memorandum

Subject: Investigation at NHTSA of Dulski Committee Name Request Cases.

Date: SEP 9 1974

In Reply Refer To:

From: Mr. John D. R. Cole, Director, Bureau of Personnel Management Evaluation

Your Reference:

To: Mr. Robert Hampton, Chairman
through
Mr. Bernard Rosen, Executive Director

Attached is our report of the fourteen name request cases cited in House Report No. 93-925.

As we stated in our memo of August 13, 1974, [copy attached] we found that seven of these fourteen cases contained evidence of preselection, preferential treatment, or favoritism. No irregularities were found in the appointments of the remaining seven name-requested candidates.

However, after our analysis of the cases our conclusion made on August 13th, as to which cases involve preselection or preferential treatment, has changed. Those name requests which, in our judgement, give evidence of preselection or preferential treatment are cases #4, 6, 7, 9, 10, 12, and 14 in the Subcommittee Report. Cases #9 and 10 involve individuals who were employed by North American Rockwell in 1971. Neither were appointed by NHTSA. Cases #1, 2, 3, 5, 8, 11, and 13 do not involve any improprieties in the appointment process. Cases #1 and 2 involve former employees of North American Rockwell, both of whom were employed by the Administration.

In some cases improper actions were taken before employees received their competitive appointments. These include improper consultant appointments and improper use of the temporary appointing authority. In two cases irregular personnel actions were taken by NHTSA after the appointment. These actions involve improper details to higher level positions without competition.

The primary irregularity we found in the seven cases involving preselection or preferential treatment involved misrepresentation of NHTSA's efforts to locate candidates through merit promotion procedures. Though NHTSA was not required to use merit promotion to fill its vacancies, it did state that a search was made of in-house talents when, in actuality, no such search was conducted.

We could find no indication that current management officials were either applying pressure or were aware of any irregularities in attempting to

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NOVEMBER 1961

employ the name requested candidates. Further, the evidence does not point to the existence of a plan to favor former North American Rockwell employees, as alleged in the Subcommittee Report. As we mentioned in our August 13th memo there is an indication that a political clearance system did exist at the Departmental level. The factors which point to the existence of such a system will be considered, along with other information, and dealt with separately from this review.

In addition to the cases cited in the House Report, nine name requests made by NHTSA during 1973-74 were also reviewed. Out of the nine, there is evidence of preferential treatment in one case. In this instance, preferential treatment appears to have been accorded the name requested candidate primarily because of pressures coming from outside the Department.

To deal with the problems which we found we are requiring NHTSA to:

-Submit a revised promotion plan to us within 60 days.

-Develop and administer an orientation program for managers and supervisors on the proper use of merit staffing procedures. All managers are to have received the required training within 120 days of this report.

-Terminate all improper details and establish controls on future details within 30 days.

Attachment

Investigation at NHTSA of Dulski Committee Name Request Cases

AUG 13 1974

FMB:HEF

John J. Lafferty
Acting Director
Bureau of Personnel Management
Evaluation

Mr. Bernard Rosen
Executive Director

This memo is to bring you up to date on our activity concerning the investigation of the 14 name request cases at NHTSA, and to give you some tentative conclusions based on a preliminary review of the findings from our investigation.

1. Method of investigation. The team was on site the week of July 22, but are still making telephone contacts and gathering information because a number of people were on leave during the actual survey period, or the need to contact some individuals was not evident at the time. The team reviewed all evidence of record pertaining to the cases. We interviewed personally each of the employees about whom a case was written in the Dulski Committee report, as well as management officials, supervisors, and other employees who appeared to be in a position to have direct knowledge regarding specific cases. We were also able to locate by telephone one former employee (the subject of case #7 in the Dulski report), two individuals who were the subjects of cases although not appointed, and other present or former officials not in the geographic area. None of the present employees, the former employee, or the proposed appointees had been contacted by the Committee's investigators. Even managers who figured prominently in the Committee's report had not been interviewed by Committee investigators. We found many of these individuals anxious to state their side of the story.

2. The 14 name request cases. In our July 16 memo, we stated that the objectives of our investigation would be to determine:

(1) whether any illegal appointments were effected,

(2) whether preferential treatment, preselection, or other non-merit factors were involved in making the appointments, and

(3) whether preferential treatment, preselection, or other non-merit factors were involved in attempts to make appointments, although appointments did not result.

We have been reviewing the findings in the individual cases to try to form some preliminary conclusions in line with the objectives. Concurrently, we have been involved in considerable analysis and reconstruction of the facts attempting to determine if preselection or preferential treatment did occur and where in the appointment process these intangibles have been inserted.

Our tentative conclusion at this point is that half the cases are free from taint with the exception of that element of preselection inherent in a name request. These are cases #2, 3, 5, 8, 11, 12, 13). Case #2 involves a former employee of North American Rockwell.

In the remaining cases (#1, 4, 6, 7, 9, 10, 14) there is evidence - in varying degrees of strength - which tends to point towards preselection and/or preferential treatment. Cases # 1, 9 and 10, involve former NAR employees, of these only the subject of case #1 was actually appointed.

In at least two cases, (#4 and 6), the Commission accepted recruiting statements which said, in effect, the candidate was at hand and therefore no attempts were made to broaden the scope of competition beyond that one person. In some cases, the agency told the Commission that the merit promotion procedures produced no qualified candidates when, in fact, there is no evidence that the jobs were ever announced. The METSA plan calls for department-wide competition at GS-14 and GS-15. This misrepresentation to the CSC is one of the strongest pieces of evidence we have to substantiate findings of preselection. It does not appear that the decision to make this statement originated elsewhere than the personnel office. As far as we can determine at this time, management officials were not aware of any improper actions by the personnel office to obtain the name requested candidates. It would seem, though, that findings of preselection or preferential treatment would be likely to lead back to the management officials.

The final report will try to detail the confusion surrounding the merit promotion plan, its various interpretations and applications, and the agency's general approach to staffing and recruitment. Responsibility for basic personnel management seems to have been diffused, confused, unrecognized and ignored. However, the team did not find evidence of collusion or sinister motives as Mr. Hugler, the Committee investigator, suggested.

We think you should also be aware that we found indications of a political clearance system.

3. 1973 - 1974 name request cases. The team is also reviewing the name requests made during 1973 and 1974 to determine if these have been made properly. Information is still being gathered, but one case does indicate preselection based on political sponsorship.

The team is working at full speed to resolve the many knotty issues before them and to produce an over-all report and individual case writeups. You will have the package as soon as possible.

PHE:DSitnick:np
8/9/74

SEP 12 1974

Honorable Thaddeus J. Dulski
Chairman, Committee on Post Office
and Civil Service
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Attached is our report dealing with the fourteen name request cases at the National Highway Traffic Safety Administration (NHTSA) cited in House Report No. 93-925. The investigation of these cases by the Civil Service Commission was conducted in response to recommendation number six on page forty of the House Report.

Out of these fourteen cases, seven contained evidence of preselection, preferential treatment, or favoritism. No irregularities were found in the appointments of the remaining seven name requested candidates. Those name requests which, in our judgment, give evidence of preselection or preferential treatment are cases #4, 6, 7, 9, 10, 12, and 14 in the Subcommittee Report. Cases #9 and 10 involve individuals who, in 1971, were employed by North American Rockwell. Neither were appointed by NHTSA. Cases #1, 2, 3, 5, 8, 11, and 13 do not involve any improprieties in the appointment process. Cases #1 and 2 involve former employees of North American Rockwell, both of whom were employed by the Administration.

In some cases improper actions were taken before employees received their competitive appointments. These include improper consultant appointments and improper use of the temporary appointing authority. In two cases irregular personnel actions were taken by NHTSA after the appointment. These actions involve improper details to higher level positions without competition.

The primary irregularity we found in the seven cases involving preselection or preferential treatment involved misrepresentation of NHTSA's efforts to locate candidates through merit promotion procedures. Though NHTSA was not required to use merit promotion to fill its vacancies, it did state in its requests to the Civil Service Commission that a search was made of in-house talent when, in actuality, no such search was conducted.

We could find no indication that current management officials were either applying pressure or were aware of any irregularities in attempting to employ the name requested candidates. Further, we found no evidence pointing to the existence of a plan to favor former North American Rockwell employees, as alleged in the Subcommittee Report.

We should point out that there has been a change in the leadership of the NHTSA Personnel Office as well as several key staff changes in the support jobs of the office. Hopefully these changes will result in improvements in Personnel Management in the agency as well as preventing a recurrence of the types of actions we found to have taken place in the past.

In addition to the cases cited in the House Report, nine name requests made by NHTSA during 1973-74 were also reviewed. Out of the nine, there is evidence of preferential treatment in one case. In this instance, preferential treatment appears to have been accorded the name requested candidate primarily because of pressures coming from outside the Department.

To deal with the problems we found we are requiring NHTSA to:

-Submit a revised promotion plan to us within 60 days.

-Develop and administer an orientation program for managers and supervisors on the proper use of merit staffing procedures. All managers are to have received the required training within 120 days of this report.

-Terminate all improper details and establish controls on future details within 30 days.

This report does not include an investigation of the four name requests made by the Administrative Office of the United States Courts and cited in the House Report. Our plans, presently, are to conduct a general personnel management evaluation at the Courts and at that time review the four cases. We anticipate beginning this review the latter part of this year. We will advise you of our findings in those cases upon the conclusion of our evaluation.

Sincerely yours,

(Signed) Robert E. Hampton
9/11/74

Robert E. Hampton
Chairman

NINETY-THIRD CONGRESS

THADDEUS J. DULSKI, N.Y., CHAIRMAN

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GENE TAYLOR, MO.

U.S. House of Representatives
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
207 CANNON HOUSE OFFICE BUILDING
Washington, D.C. 20515

September 12, 1974

TO: Mr. Cole
FOR Chairman's Signature

RECEIVED
SEP 17 1974

The Honorable Robert E. Hampton
Chairman
Civil Service Commission
Washington, D. C. 20415

Dear Mr. Chairman:

This will acknowledge receipt of your letter of September 12, 1974, transmitting the Commission's comprehensive report dealing with fourteen name requests cases at the National Highway Traffic Safety Administration cited in House Report No. 93-925.

The Committee is in accord with the requirements the Commission has placed upon the National Highway Traffic Safety Administration as a result of our combined efforts.

I look forward to receiving the report on the name requests made by the Administrative Office of the United States Courts, as cited in the House report. I also look forward to receiving the report on your investigation, on a sampling basis, of 100 positions filled at various agencies as a result of name requests, as outlined in your letter of May 10, 1974.

I want to thank you again for your cooperation, and that of your staff, in this entire matter.

With kind regards,

Sincerely,

THADDEUS J. DULSKI
Chairman

APPENDIX II A

R. Anderson
President

Corporate Offices
600 Grant Street
Pittsburgh, PA 15219
(412) 565-2060

Rockwell International

March 15, 1976

The Honorable William Proxmire
Vice-Chairman
Joint Committee on Defense
Production
Senate Office Building Annex, A-419
119 D Street, N. E.
Washington, D. C. 20510

Dear Senator Proxmire:

This refers to your letter of February 24 enclosing, in order to complete the record of the Joint Committee's recent hearings on standards of conduct, a list of additional questions and a list of material to be supplied for the record.

The information requested by these lists is set out in the enclosed memorandum and I would appreciate it if this letter and the enclosed memorandum were made part of the record.

The enclosed memorandum is based, in part, on my personal recollection and, in part, on investigations I requested be made by others in the Company. I believe the statements in the memorandum to be as accurate and complete as we have been able to develop.

Our responses are made as of the date of the hearing and cover the period of the prior three years, consistent with the procedure followed in the Company's

response to your letter of October 31, 1975, as clarified by Senator Tower's letter of January 2, 1976.

I wish to thank you and the other members of the Committee for the courtesies extended to me in connection with these hearings.

Sincerely,

R Richardson

APPENDIX II B

MATERIAL TO BE SUPPLIED FOR THE RECORD

Please list all facilities owned, leased or used by the corporation or its officials to entertain officials of the Department of Defense or NASA, along with the names of such officials entertained and costs associated with the operation of such facilities. This list should include, but not be limited to, facilities at Wye Island, Md.; Farmington, Pa.; Georgia; Bimini; Cat Cay, Bahamas

(a) The only facilities which fall in this category are those located at:

Wye Island, Md.
Farmington, Pa
Pinebloom, Ga. (sold in 1974)
Bimini, Bahamas

The facility at Cat Cay, Bahamas, was only recently acquired by the Company and has not been used to entertain Department of Defense or NASA officials.

Although the Company has no facility on Catalina Island, Calif., it did on one occasion entertain a NASA employee at a hunting club there.

(b) Department of Defense and NASA officials or employees who are believed to have been guests of the Company during the past three years (including, as to Wye Island, the 1972/1973 hunting season) at Wye Island, Md.; Farmington, Pa.; Pinebloom, Ga.; Bimini, Bahamas; and Catalina Island, Calif., are shown on Attachment A. These guests represented only a small part of the total number using these facilities.

(c) The full cost to the Company of leasing and using the facility at Wye Island for the 1972-73, 1973-74 and 1974-75 hunting seasons was approximately $61,000, $56,000 and $57,000, respectively. (No Department of Defense or NASA officials or employees were guests at the facility during the 1975-76 hunting season.) Most of these costs represent a flat rental for all of the facility, payable whether or not it was fully used, so that the incremental costs for any guest appear to have been modest.

The facilities at Pinebloom, Ga., and Bimini, Bahamas, were acquired by the Company as part of

acquisitions of other companies. These facilities have been operated and maintained in the same manner as any other capital asset and, therefore, are subject to such costs as depreciation, insurance, salaries and wages, taxes, etc. These costs are borne by the Company regardless of the extent to which guests may have been entertained from time to time. It has, therefore, not been feasible to calculate the incremental costs (such as food, beverages and the incidental costs related to any hunting or fishing) associated with the few Department of Defense and NASA officials and employees who were guests at these facilities, but they would appear to have been modest.

With respect to Farmington, Pa., the Company is billed for the costs associated with those of its employees and guests who are present at the facility from time to time. The available Company records are incomplete. Accordingly, in an attempt to determine what might be an average cost per guest, an estimate has been made based on those records that are available with respect to commercial and other guests. Based on this analysis, it is estimated that the average cost per guest was in the neighborhood of $220.

With respect to the Catalina Island, Calif., hunting trip, the cost attributable to the guest was approximately $260.

ATTACHMENT A

Wye Island, Md.

DOD

Those DOD officials and employees whose names were included on the list which Senator Proxmire furnished to Secretary Clements on February 3, 1976, plus the following:

Col. M. Bloom, USAF
Lt. Gen. E. Fris, USMC
Maj. A. F. McLucas, USMC
Lt. Col. R. Harper, USMC
Cmdr. Carl Woodbury, USN
Capt. M. S. Snowden, USN
Maj. Gen. M. E. Carl, USMC
Lt. Col. J. C. Hillery, USAF
Col. Frank Duggins, USA
Adm. Thos. Moorer, USN
Vice Adm. Vincent de Poix, USN
Mr. E. E. Adkins, USAF
Cmdr. E. Preston, USN
Capt. M. R. Siebert, USN
Capt. Z. J. Kowalskey, Jr., USN
Adm. Pierre W. Charbonnet, USN
Lt. Col. Carl Dubac, USMC
Capt. M. J. Katcher, USN
Hugh Moreland, USAF
Cmdr. J. Finley, USN
Col. Lemar Bowles, USAF
Col. J. Burgess, USA
Lt. Col. A. Edwards, USAF
Maj. G. Garwick, USMC
Adm. Wm. Thompson, USN
Mr. J. M. Weissman, USN
Col. E. W. Fuller, USAF
Maj. S. Holmes, USAF
Frank Merritt, USAF Academy
W. Balentine, USAF
Maj. Burlin Lowery, USAF
Col. R. C. Snavely, USAF
Col. H. S. Lowery, USMC
J. Schwall, USAF Academy
E. E. Miller, US Naval Academy
Col. J. A. Saavedra, USAF
Lt. Gen. K. Schultz, USAF
Capt. Bruce Patterson, USN
Brig. Gen. Conrad Stansberry, USA

In addition, Secretary of the Navy Middendorf was on one occasion an overnight guest at the invitation of the naval attache of an embassy in Washington. The embassy official invited Mr. Middendorf to accompany him to Wye Island after the embassy official checked with a Company representative

to determine that there would be no objection. It is our understanding that Mr. Middendorf was not aware that this was a contractor-leased facility when he accepted the invitation.

NASA

A. P. Alibrando
Dale Grubb
Jeffrey I. Hamilton
Chas. E. King
J. A. Saavedra
R. Wetherington
James B. Jackson, Jr.
J. E. Hughes
Jack Cramer
John Q. Miller
G. D. Griffin

Pinebloom, Ga.

DOD

Capt. M. J. Katcher, USN
Capt. Charles Fritz, USN
Capt. Bruce Patterson, USN
Capt. M. S. Snowden, USN
Capt. H. B. Landsden, USN
Adm. Tag Livingston, USN
Adm. Carl Holmquist, USN
Adm. Paul Pugh, USN

NASA

K. Kleinkenect

Farmington, Pa.

DOD

Capt. Charles Fritz, USN
Capt. Richard W. Green, USN
Col. James R. Bean, USAF
Mr. L. J. Bercier, USN
Mr. Harland H. Lewis, USN
Mr. James E. Tassin, USN
Capt. M. S. Snowden, USN
Mr. Paul Cyr, USA
Maj. Gen. Harry Darmstandler, USAF
Col. Vern Frey, USAF

NASA

None

Bimini, Bahamas

DOD

None, except Mr. Malcolm Currie whose visit to Bimini came about as a result of an invitation from Mr. R. Anderson's wife to a personal friend of hers and to Mr. Currie's daughter, Diana, a personal friend of Mrs. Anderson's children. On their return from vacations in the Caribbean, they joined the Anderson family in Miami and stopped at Bimini for a brief visit on the way home.

NASA

Eugene Cernan
Ronald Evans

Catalina Island, Calif.

NASA

K. Kleinkenect

APPENDIX II C

Has the company leased, owned, or at any time used hunting facilities in Labrador or Arkansas to entertain officials of the Department of Defense or NASA? If so, please provide dates such entertainment was provided, names of guests from these two agencies, and costs associated with such entertainment.

The Company has not leased, owned or used hunting facilities in Labrador or Arkansas to entertain officials of the Department of Defense or NASA.

APPENDIX II D

Please provide a list of the members of the Conquistadors, a summary of its activities, names of government officials who have been guests at any time, and a copy of the by-laws of the organization.

(a) Attachment D is a list of the members of the Conquistadores as taken from the organization's most recently published roster.

(b) The activities of the organization are described in Article 1, Section 1, of its by-laws.

(c) The organization's guest lists for the last three years do not show any Government officials.

(d) Attachment E is a copy of the by-laws of the organization, and the Rules referred to in Article 2.

Attachment D

MEMBERS OF CONQUISTADORES

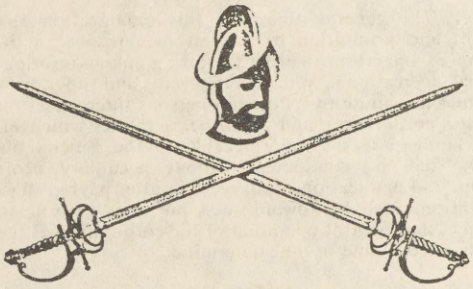
Alvin P. Adams
Lawrence C. Ames
Oscar M. Love
Robert F. Six
George A. Spater
John B. Walker
C. Edward Acker
Richard M. Adams
Robert Anderson
Neil Armstrong
William F. Ballhaus
Armin Baltensweiler
Wellwood E. Beall
Edward A. Bellande
William B. Bergen
Frank Borman
E. H. Boullioun
John C. Brizendine
John S. Brown
Charles A. Bucks
Neil Burgess
Dan W. Burns
Hugh W. Coburn
Burt Cochran
E. O. Cocke
Harry B. Combs
William M. Crilly
Vernon G. Crudge
Donald W. Douglas, Jr.
Welko E. Gasich
Charles C. Gates
Gene W. Goble
Harry J. Gray
John W. Guilfoyle
Sherlock D. Hackley
Knut Hagrup
Floyd D. Hall
Frank E. Hedrick
Samuel Logan Higginbottom
Wayne M. Hoffman
Edward E. Hood, Jr.
Rea E. Hopper
H. M. Horner
Leonard M. Horner
Robert C. Jackson
Frank Gard Jameson
Thomas V. Jones
Arthur F. Kelly
A. Carl Kotchian
Warren E. Kraemer
Winston W. Kratz
Harding L. Lawrence
David S. Lewis
John M. Lockhart
Stewart G. Long
William Francis Long
Forbes Mann
Erle Martin
Mitchell May, Jr.
Jackson R. McGowen
Russell W. Meyer, Jr.
Mark R. Miller
J. B. Montgomery
James L. Murray
John W. Myers
J. Gilbert Nettleton, Jr.
F. E. Newbold, Jr.
Tore H. Nilert
Hilliard W. Paige
Jack S. Parker
Wayne W. Parrish
Raymond I. Petersen
R. James Pfeiffer
William V. Platt
Thomas G. Pownall
Robert W. Prescott
Allen E. Puckett
J. Donald Rauth
Dominic P. Renda
John H. Richardson
George A. Roberts
Willard F. Rockwell, Jr.
William F. Schmied
Guy C. Shafer
John H. Shaffer
James R. Shepley
Barry J. Shillito
Clyde Skeen
Thomas R. Stuelpnagel
James B. Taylor
Paul Thayer
Charles C. Tillinghast, Jr.
S. Warren Towle, Jr.
A. L. Ueltschi
Teddy F. Walkowicz
Roy Eric Wendahl
Harry H. Wetzel
Marvin Whitlock
Clarence F. Wilde
F. C. Wiser

Carlos C. Wood
G. Ray Woody
Leopold S. Wyler
Richard D. DeLauer
Charles M. Forsyth
Henry P. Huff
Edward J. LeFevre
Francisco A. Lorenzo
Daniel P. Reid
Julio R. Serrano, M.D.
John L. Winkel
R. Green Annan
Raymond P. Caldiero
Sanders Campbell
Theodore C. Coleman
Raymond A. Cook
Ken Ellington
John J. Elmore
Clyde S. Fullerton
B. Allison Gillies
William P. Gwinn
Karl G. Harr, Jr.
Carl E. Hartnack
Leonard D. Henry
Wilmer Kenneth Houpt
L. Patton Kline
John R. LeBosquet
Robert S. LeSage
Thomas B. McFadden
John Monsarrat
Will D. (Billy) Parker
Edward M. Powers
Charles A. Rheinstrom
Stanley R. Shatto
Arthur E. Smith
Ray G. Sparks
Alexander D. Thomson
George E. Tubb

HONORARY MEMBER

Curtis E. LeMay

ATTACHMENT E



conquistadores del cielo

BY-LAWS
AND
RULES FOR MEMBERSHIP
AND
RULES PERTAINING
TO GUESTS

SEPTEMBER 1972

BY-LAWS

OF

CONQUISTADORES DEL CIELO

ARTICLE 1

OBJECTS

SECTION 1. The general object of this organization shall be the development and promotion of interest in aerospace activities. The general plan of operation shall be the giving and sponsoring of educational, social, recreational, and athletic events and functions which will bring together and unite in fellowship persons interested in the general object of the corporation, and any other activities which such fellowship shall kindle and inspire, agreeable to the general object. This corporation shall be conducted without pecuniary profit to the membership, and application of all receipts after paying all expenses of the corporation, shall be toward such purposes consonant with the general object and plan of operation of the corporation as the Board of Directors may from time to time determine.

ARTICLE 2

The Rules for Membership in Conquistadores Del Cielo and rules pertaining to guests adopted by the Board of Directors in April 1972 are incorporated by reference and become a part hereof as if fully set forth herein.

ARTICLE 3

SECTION 1. *Corporate Powers.* The corporate powers of this organization shall be vested in the Board of Directors.

SECTION 2. The Board of Directors shall consist of eighteen (18) members divided into three (3) classes, each consisting of six (6) directors. The term of office of each director is three (3) years and six (6) shall be elected at each annual election to take the place of the six (6) whose terms expire at that time. Directors need not be residents of the State of New Mexico but must be Ranch Members of the organization. The Chairman of the Membership Committee and General Counsel shall be ex officio members of the Board of Directors.

SECTION 3. At any meeting of the Board of Directors three (3) members shall constitute a quorum for the transaction of business; provided, however, that the Chairman of the Board shall be present and a member of the quorum.

SECTION 4. *Removal.* Any director may be removed at any time, with or without cause, by the affirmative vote of the majority of Ranch Members present at a special meeting of members called for that pur-

pose, provided that not less than twenty-five (25) such members in good standing attend such special meeting; or, with cause, by affirmative vote of a majority of the members of the Board of Directors then in office. Absence from three (3) consecutive meetings of the Board of Directors, or from the annual meeting of members without excuse from the Board of Directors, may be cause for removal.

SECTION 5. *Vacancies.* Vacancies in the Board of Directors shall be filled at any meeting of the Board by unanimous vote of the directors attending such meeting.

SECTION 6. *Meetings.* Meetings of the Board of Directors shall be held at such places, within or without the State of New Mexico, as may be fixed from time to time by resolution of the Board, or upon call of the President.

SECTION 7. *Committees.* The Board of Directors, or the President, at any meeting may designate one (1) or more committees, each committee to be vested with such powers as may be determined in respect to certain business affairs of the organization.

ARTICLE 4

SECTION 1. *Number and Election.* The officers of the corporation shall be a Chairman of the Board, a President, who shall be one of the directors, one or more Vice Presidents, a Secretary and a Treasurer. The offices of Secretary and Treasurer may be held by the same person, but not the office of President and Treasurer. The Board of Directors from time to time may appoint such additional Vice Presidents, Assistant Secretaries, Assistant Treasurers and such other officers, agents and employees as it may deem proper.

SECTION 2. *Term of Office.* The term of office of the Chairman of the Board of Directors and the President shall continue until the Annual Meeting of Directors one (1) year following their election, or until their respective successors shall be elected and shall have qualified; provided, however, that neither the Chairman of the Board of Directors, nor the President, shall be eligible for re-election to succeed himself. The term of office of each other officer shall continue until the next Annual Meeting of Directors following his election or until his successor shall be elected and shall have qualified. Any officer may be removed from office at any time by the affirmative vote of a majority of the members of the Board of Directors present at any regular or special meeting.

SECTION 3. *Powers and Duties.* Subject to such limitations as the Board of Directors from time to time may prescribe, each of the officers of the corporation shall have such powers and duties as generally pertain to their respective offices, as well as such additional powers and duties as from time to time may be conferred or imposed by the Board of Directors. The Treasurer and the Assistant Treasurers may be required to give bond for the faithful discharge of their duties

in such sums and with such surety or sureties as the Board of Directors may from time to time prescribe.

ARTICLE 5

MEETINGS

SECTION 1. *Annual Meetings.* The annual meeting of the members of the corporation, for the election of directors and for the transaction of such other business as may properly be brought before the meeting, shall be held at such place within or without the State of New Mexico and at such time during the spring months of each year as the President, or in the event of the death or incapacity of the President, the First Vice President, shall direct.

SECTION 2. *Special Meetings.* Special meetings of the members may be held upon call of the President, or in the event of the death or incapacity of the President, then upon the call of the First Vice President, at such time and at such place, within or without the State of New Mexico, as may be fixed by the President, or in the event of the death or incapacity of the President, then as may be fixed by the Vice President. The purpose of such special meeting shall be stated in the notice of call.

SECTION 3. *Notice of Meetings.* Notice of the time and place of every meeting of members shall be mailed at least ten (10) days previous thereto to each member entitled to vote at such meetings. Such notice shall be directed to each member at his address as it appears on the records of the corporation unless he shall have filed with the Secretary of the corporation a written request that notices for him shall be mailed to some other address, in which case it shall be mailed to the address designated in such request.

SECTION 4. *Quorum.* A majority of the members entitled to vote present at any specified meeting of the organization shall consitute a quorum, except at a meeting for the removal of a Director as provided in Article 5, Section 4.

SECTION 5. *Organization.* Meetings of the members shall be presided over by the President, or, if he is not present, by a Vice President, or, if no such officer is present, by a Chairman to be chosen at the meeting. The Secretary of the corporation or in his absence, an Assistant Secretary, or if no such officer is present, a secretary to be chosen at the meeting shall act as secretary of the meeting.

SECTION 6. *Voting.* Each member entitled to vote at any meeting shall have one (1) vote in person.

SECTION 7. The then present Governor of New Mexico shall be invited to attend each ranch meeting as a guest of the organization.

SECTION 8. The President shall arrange for the attendance of a duly qualified physician who shall not be a member to be on call 24 hours a day at the annual ranch meeting.

ARTICLE 6

FUNDS

SECTION 1. *Banks.* The funds belonging to the corporation shall be deposited in such bank or banks as the Board of Directors shall specify by resolution.

SECTION 2. *Checks, etc.* All orders, drafts or checks drawn on or requiring the disbursement of funds of the corporation shall be signed by the Treasurer except as otherwise from time to time provided by the Board of Directors.

SECTION 3. *Secretarial Services.* The personal secretary of the President of the corporation and the personal secretary of the Treasurer of the corporation shall be paid a monthly fee for secretarial services.

ARTICLE 7

OFFICES AND BOOKS

SECTION 1. The corporation may have one or more offices and may keep the books of the corporation outside the State of New Mexico, at such place or places as the Board of Directors from time to time may determine.

ARTICLE 8

FISCAL YEAR

SECTION 1. The fiscal year of the corporation shall coincide with the calendar year.

ARTICLE 9

INITIATION

SECTION 1. New Ranch Members and new Fiesta Members shall be initiated at a ranch meeting in a solemn ceremony.

ARTICLE 10

SECTION 1. The By-laws of the corporation may be amended, added to, rescinded or repealed at any meeting of the Board of Directors, or at a meeting of the members.

RULES FOR MEMBERSHIP

IN

CONQUISTADORES DEL CIELO
AND
RULES PERTAINING TO GUESTS

MEMBERSHIP COMMITTEE

1) Subject to the approval of the Board of Directors, the President shall appoint a Chairman and the members of the Membership Committee consisting of six (6) Ranch members in addition to the Chairman, all of whom shall serve for a term of three (3) years from the date of their appointment.

2) The Membership Committee shall investigate the qualifications of all nominees proposed for membership as provided for in the article entitled "Selection of Members" and make rules and regulations appropriate to the activities of the Committee.

CLASSES OF MEMBERSHIP

Membership in Conquistadores Del Cielo shall be divided into the following classes:

1) Life membership.
2) Ranch membership.
3) Fiesta membership.
4) Honorary membership.

(a) *Life Membership:* Membership in this class consists of the persons designated as Charter members at the 1938 Ranch Meeting (not included are those designated as Honorary Members at that time). There shall be no further admissions to this class.

(b) *Ranch Membership:* Membership in this class shall consist of the persons designated as Ranch Members according to the records of the Secretary-Treasurer as of April 20, 1972. Admission to this class shall be in accordance with the provisions of these rules pertaining to the selection of new members. Membership in this class is limited to one hundred (100) members.

(c) *Fiesta Membership:* Membership in this class shall consist of the persons designated as Fiesta Members according to the records of the Secretary-Treasurer as of April 20, 1972. Admission to this class shall be in accordance with the provisions of these rules pertaining to the selection of new members. Membership in this class is limited to thirty-four (34) members.

(d) *Honorary Membership:* Membership in this class shall consist of persons admitted thereto, upon payment of such dues,

if any, as the Directors shall prescribe. Membership in this class is limited to ten (10) members.

SELECTION OF NEW MEMBERS

1) A Life, Ranch and Fiesta member may nominate an eligible candidate for either Ranch or Fiesta membership (See Eligibility rules). Nomination forms may be obtained from the office of the Secretary-Treasurer. Upon completion, the nomination form shall be filed with the Secretary-Treasurer who will maintain a record of nominations. Upon receipt of a nomination the Secretary-Treasurer shall furnish a copy of the nomination to the Chairman of the Membership Committee, the Chairman of the Board of Directors and the President.

2) The Membership Committee shall determine the eligibility of each nominee and notify the nominating member, the Chairman of the Board, the President and the Secretary-Treasurer of its decision. Upon determining that a nominee is eligible his name will be placed in a pool (not a waiting list) together with other eligible nominees.

3) Meetings of the Membership Committee may be held from time to time at such place or places as determined by the Chairman. Such meetings may be by circular letter.

4) The Membership Committee shall recommend to the Board of Directors those nominees to whom an invitation to membership should be extended. Upon approval and acceptance by the Board of Directors, the invitation to membership shall be extended by the President on behalf of the Board of Directors.

The recommendations and actions referred to in this Paragraph 4 shall be made anually at the Spring Fiesta Meeting. At that meeting the Chairman of the Membership Committee shall review with the Board of Directors the status of those nominees remaining in the pool to whom an invitation to membership is not extended and make recommendations to the Board in respect thereto.

ELIGIBILITY

1) *Life Membership:* To be eligible for membership in this class, the sole qualification shall be designation as a Charter Member (not Honorary) at the 1938 Ranch Meeting.

2) *Ranch Membership:* To be eligible for membership in this class the nominee must be directly associated with aerospace activities in a responsible position and must have attended a Ranch meeting as a guest.

Age of a nominee shall not consistute a bar if he is otherwise eligible. Preference among candidates will generally be given to those nominees who have not reached their fifty-fifth birthday prior to the first day of May of the year in which such nominee would be initiated, if accepted for membership.

3) *Fiesta Membership:* To be eligible for membership in this class the person seeking admission must have been a Ranch member and who notifies the Secretary-Treasurer in writing of his election to change membership status from Ranch to Fiesta, or who is transferred to Fiesta membership automatically as provided for in Paragraph 7 of CONDITIONS.

In the event total membership in this class is less than thirty-four (34) members, a nominee may be admitted to this class without regard to the qualification that he must have been a Ranch member and without the qualifications necessary for Ranch membership provided however that Ranch members who elect to transfer to Fiesta membership shall have the unqualified right to do so at any time, irrespective of the right of a member to nominate candidates who are not qualified for Ranch membership and irrespective of the number limitation for this class set forth in "(C)" under "Classes of Membership".

Should the number limitation referred to in "(C)" under "Classes of Membership" be exceeded by reason of transfers from Ranch to Fiesta membership, then no new candidates shall be admitted until such time as the numbers of Fiesta members is below 34.

4) *Honorary Members:* There shall be no special or separate rules for membership in this class. Admission thereto being solely at the discretion of the Directors.

PRIVILEGES

1) All persons nominated, initiated and remaining in good standing in accordance with such standards, rules and procedures as the Board of Directors may adopt, shall be members of Conquistadores Del Cielo.

2) Eligibility of members for attendance at the Ranch meeting shall be determined in accordance with the following sequence:

1. Life members.
2. Ranch members.
3. Initiates.
4. Honorary members.
5. Guests of Life and Ranch members who are directly associated with aerospace activities.
6. Fiesta members.
7. Guests of Life and Ranch members who are not directly associated with aerospace activities.
8. Guests of Fiesta members who are directly associated with aerospace activities.
9. Guests of Fiesta members who are not directly associated with aerospace activities.

The selection of guests, in accordance with the above sequence, shall be made by the Directors who may delegate their authority to select to any one of the Chairman of the Board, President, Secretary-Treasurer, Chairman of the Membership Committee, or to a Committee com-

prising some or all of the above named officials.

Subject to the provisions outlined in the sequence shown above, Fiesta members will be accepted only after payment of the full dues for Ranch membership in the year for which the member proposes to attend the Ranch meeting plus the Ranch fees.

3) Eligibility for attendance at the Spring Fiesta meeting shall be in accordance with the following sequence:

1. Life members.
2. Ranch members.
3. Honorary members.
4. Fiesta members.
5. Guests of Life and Ranch members.
6. Guests of Fiesta members.

The selectioh of guests in accordance with the above sequence shall be made in the same manner as provided in 2 above.

4) Each member is entitled to nominate one (1) guest for the Ranch meeting. The same person may not attend the Ranch meeting for two (2) consecutive years as a guest. The same person may not attend more than three (3) Ranch meetings as a guest. Each member is entitled to nominate one (1) guest for the Spring Fiesta Meeting.

CONDITIONS

1) Meeting attendance requirements do not apply to Life members.

2) A Ranch member who does not attend Ranch meetings two years in succession must then attend two years in succession or forfeit his membership.

A member who does not attend a Ranch meeting may be excused from attendance by action of the Board of Directors. Absence may be excused for a compelling personal reason such as, but not limited to, accident or illness, inability to travel due to accident or illness, serious accident or illness of a member of the member's immediate family, death of a member of the member's immediate family, confinement to a hospital, compulsory attendance at a judicial or quasi judicial proceeding.

Insofar as possible members seeking to be excused should do so in writing, addressed to the Secretary-Treasurer prior to the meeting of the Board of Directors regularly held at the Ranch Meeting.

3) A Ranch member upon becoming a Fiesta member shall become ineligible to again become a Ranch member.

4) A Fiesta member who does not attend either a Ranch Meeting or a Fiesta Meeting for three (3) consecutive years beginning September 1973 shall forfeit his membership. Failure to attend a meeting, as pro-

vided for above, may be excused in the same manner set forth in (2) above of this article.

5) Members will be notified of the time and place of the Ranch and Fiesta Meetings. The time within which to nominate guests and of any special conditions pertaining thereto, such as guest fees to be paid, accommodations available, the cutoff date for guest selection. Compliance with the notice shall be the responsibility of the member in order to insure proper consideration of a nominated guest.

6) The Directors shall have the power to expel any member of the club by the affirmative vote of at least twelve (12) of their members at a regular or special meeting of the Board, if, in their judgment his conduct has been prejudicial to the interests of the Conquistadores Del Cielo, provided at least one month's previous notice in writing shall have been given to the member, together with a copy of the charges against him and a request that he appear before the Board of Directors at a time fixed in the notice.

7) Ranch members initiated after September 1967 shall continue as Ranch members coincident with their being directly associated with aerospace activites. In the event a Ranch member initiated after that date shall cease to be so directly associated with aerospace activities he shall be automatically transferred to Fiesta membership. This condition shall not apply to a member who retires from direct association with aerospace activities in accordance with a plan of retirement established by his employer or who is on leave of absence from his employment.

DUES

The entrance fees, if any, and annual dues of Ranch and Fiesta members and any dues of Honorary members, shall be fixed by the Board of Directors and are subject to change. The Board may fix rates of annual dues varying as between classes of membership.

Life members are not to be charged dues for the remainder of their life.

No member shall attend a Ranch or Fiesta meeting while delinquent in the payment of dues.

Each year the Secretary-Treasurer shall forward a written notice by registered mail to those members who are delinquent in the payment of dues for a period of three (3) months. The three (3) month period to start running from the time of mailing of the bill for annual dues to each member.

The notice shall advise the member that continued delinquency for a period of thirty (30) days beyond the period of three months shall result in the member being dropped from the rolls.

If payment of dues is not received in accordance with the notice, the Secretary-Treasurer shall so advise the President who shall thereupon cause the name of the delinquent member to be stricken from the rolls.

INCORPORATION BY REFERENCE

These Rules for Membership in Conquistadores Del Cielo and Rules Pertaining to Guests are hereby incorporated into and become a part of the By-Laws of Conquistadores Del Cielo by Reference, as of the date of their adoption by the Board of Directors, and become effective as of that date. They shall have no retroactive effect except as follows:

1) As to the Chairman of and members of the Membership Committee now in office they shall continue under their existing appointment until their term expires.

2) Persons nominated for membership need not be renominated.

3) The prohibition against attendance at a Ranch meeting by a guest for two (2) consecutive years and the prohibition against a guest attending three (3) Ranch meetings is effective retroactively.

4) The provisions applicable to forfeiture of Ranch membership by reason of non-attendance at meetings have been in effect since 1963 and similar provisions applicable to forfeiture of Fiesta membership are effective September 1973.

A member elected or appointed to a high state or federal office (other than appointment to a temporary commission or similar body) shall, for the duration of his term of office, not be obligated to pay dues or attend meetings.

The rights and privileges of such member shall remain in suspense for the duration of his term of office. Upon completion of his term of office he shall automatically revert to his former status as a member, provided his eligibility for continued membership exists in accordance with these rules for membership. (5/11/74)

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APPENDIX II E

ADDITIONAL QUESTIONS

1. How many years has your corporation been a member of the Business Roundtable?

   The Company has been a member since the spring of 1973.

2. Please list any officials or employees who at any time have been members of the Business Roundtable and how many meetings of the Business Roundtable or its committees have been attended by employees of your company.

   Mr. W. F. Rockwell, Jr., Chairman of the Company, is the Company's representative on the Business Roundtable and its Environmental Task Force. Mr. Rockwell attended only one meeting, a meeting of the Business Roundtable which was not one of its annual meetings.

   Mr. C. J. Oles, Vice President - Personnel of the Company, is a member of the Labor/Management Committee of the Business Roundtable and has attended approximately 11 meetings of the Committee. He also attended one annual meeting of the full Roundtable (as an observer but not as a participant) and one meeting of the Policy Committee for the purpose of reporting on Labor/Management Committee activities.

3. What legislative interests has your company pursued through the Business Roundtable? Please indicate specific bills and areas. What other activities and interests has your company pursued through the Business Roundtable or any of its committees?

   The Company has not pursued any of its legislative interests through the Business Roundtable. The Company has used the organization as a source of information concerning the status of various legislative or regulatory matters.

4. How is policy formulated in the Business Roundtable and to what degree has your corporation participated in forming positions of the organization? Are members bound by such policy decisions?

   Roundtable policy is formulated by its Policy Committee and at the organization's annual meetings. Except for the attendance as noted above by Mr. Oles, no Company officials or employees have attended any of these meetings.

Members of the Roundtable are not bound by the organization's policy decisions.

5. Has any other member of the Business Roundtable or any of its officers or employees contacted you or others in your corporation for support of the organization's positions? Have you been asked to contact any Members of Congress or officials in the Executive Branch in connection with matters discussed by the Business Roundtable? Please list the contacts made and the legislative or other interest involved.

From time to time the Company has been contacted by the Roundtable or its members with suggestions for support of specific positions on legislative or regulatory matters, sometimes with the request that the Company contact members of Congress or officials of the Executive Branch in connection with the matters discussed.

The matters covered by the communications from the Roundtable have related to a wide range of subjects including such items as antitrust, federal energy policy, tax reform, foreign investment, capital formation, pension reform, etc.

The Company has from time to time contacted members of Congress or officials of the Executive Branch on matters discussed by the Roundtable in those instances where the Company believed it was in its own corporate interests and not solely because of a request from the Roundtable.

* * * *

There is one additional matter on which I would appreciate the opportunity to supplement the record. As the corrected transcript of my testimony indicates, I undertook to try to determine whether my understanding that the Internal Revenue Service had not allowed deductions for entertainment of Government officials was correct and whether any in fact had been allowed (p. 61). This matter has now been reviewed, and I am advised by our tax people that for the Company's fiscal year 1971 (the most recent year that has been audited) and for several previous years the Internal Revenue Service, while generally taking the position on audit that expenditures for entertainment involving Government employees (and the expenditures for Company employees and other non-Government personnel present on those occasions) were not allowable, has allowed some claimed deductions for certain items such as business lunches for which the average cost per person present did not exceed $5, cost of hospitality suites and some other items.

APPENDIX III A

Northrop's Corporate Policy Directive (CPD) No. 46 is attached at Attachment 2. CPD No. 46 was first issued on January 28, 1963. As of April 1, 1973, the Directive is applicable to all Northrop subsidiaries, as well as the corporate offices and divisions. The procedures for implementing CPD No. 46 are incorporated in Corporate Finance Manual (CFM) 2-642 (Attachment 3) and CFM 2-628 (Attachment 4).

In addition, Frank W. Lynch, Senior Vice President-Administration, issued two related policy memoranda dated August 7, 1975 (Attachment 5) and October 27, 1975 (Attachment 6).

ATTACHMENT 2

NORTHROP — Corporate Policy Directive

Subject: BUSINESS CONFERENCE, ENTERTAINMENT AND HOSPITALITY EXPENSES

No: CPD No. 46

Page: 1 of 2

Date: 26 February 1976

General Revision

I. It is the policy of the company that expenditures for business conferences, entertainment, hospitality and any other related expenses as may be required by protocol, will be held to a minimum consistent with good business practice. It has been, and will continue to be, the policy of the company that no such expenditures will be made where such expenditures are intended to affect, might affect, or might reasonably be interpreted as affecting, the impartiality of government or any other customer personnel with whom we come in contact in the course of doing business.

II. In no case will any reimbursement be made which is not in compliance with the following criteria:

A. Standards of Conduct

Our relationships with our customers, both domestic and foreign, public officials and others with whom we do business, shall be conducted in accordance with the highest ethical standards. Northrop employees or consultants, when acting on behalf of the company, shall maintain a strict adherence to the published standards of conduct, laws, regulations or directives set forth from time to time by those with whom we have relationships. Where DoD personnel are involved, there will be strict adherence to the provisions of DoD Directive 5500.7, and where NASA personnel are involved, there will be strict adherence to the applicable directive (Title 14, Code of Federal Regulations, Chapter V, Part 1207, Subpart B), as amended.

B. Necessary Documentation

Sufficient records will be maintained to insure that all appropriate expenditures under IRS criteria can be claimed as U.S. income tax deductions as ordinary and necessary business expenses, and as reimbursable costs under government contracts, where applicable, to the extent permitted under the Armed Services Procurement Regulations (ASPR), or any other contract terms, rules and regulations.

C. Reasonable Business Expenses

It is recognized that the nature of the company's business with foreign governments may on occasion require business conferences, entertainment or hospitality to be conducted in conformance with standards of official international protocol. Such expenditures, when deemed necessary, must have the prior approval of the responsible corporate officer, division general manager or subsidiary president. Under no circumstances will any other expenditure for business conferences, entertainment or hospitality be reimbursed by the company in amounts greater than would be involved in the extension of courtesies and normal amenities to acquaintances or friends.

III. Corporate officers, division general managers, and subsidiary presidents will fully instruct all employees or consultants having authority to expend company funds for these purposes concerning the necessity for being particularly meticulous in their observance of this policy and all applicable laws, regulations and directives pertaining to such expenditures, whether applicable to the company or to government personnel or to any others with whom we have business relationships. Failure to comply with this policy shall constitute a basis for dismissal in the case of employees, or contract cancellation where consultants are involved.

IV. Detailed instructions implementing this policy will be issued from time to time as part of the Corporate Policy Manual or supplementary publication.

Thomas V. Jones
Chairman and
Chief Executive Officer

Applicable to:
Corporate Offices
All Divisions
All Subsidiaries

Subject: ENTERTAINMENT

No: CFM No. 2-642

Page: Page 1 of 3

Date: 27 February 1976

General Revision

I. POLICY

The policy of the company governing entertainment expense is outlined in Corporate Policy Directive No. 46.

II. DEFINITION

Entertainment for business purposes includes activities normally considered as amusement or recreation. However, entertainment excludes gifts, the giving of which is considered to be inappropriate by the company. Entertainment which is not an allowable cost under Government Contract Cost regulations (see ASPR 15.205.11) should not be confused with business conference expenses which are. (see CFM No. 2-628.)

III. ACCOUNTING TREATMENT

Entertainment expenses shall be expensed as incurred.

IV. REIMBURSEMENT AND ALLOWABILITY

A. Entertainment expense will be approved for reimbursement to employees and consultants when:

1. The expenditures are reasonable and necessary for business purposes, and

2. The expense is fully supported by required documentation, as outlined in Paragraph IV-B, and

3. The request for reimbursement is substantiated by including on Form C-18B (Details of Entertainment Expense), in addition to the other required information (see Paragraph IV-B). If applicable, relative to DoD Directive 5500.7, Section VI-B, as amended, and relative to NASA personnel, such entertainment is consistent with the provisions

of Title 14, Code of Federal Regulations, Part 1207, Subpart B, as amended.

4. The expense report claiming reimbursement is approved as follows:

   a. By the responsible functional Corporate, division or subsidiary officer for all non-officer personnel.

   b. By division general managers or subsidiary presidents for division and subsidiary officers.

   c. By a senior vice president for Corporate Office officers.

   d. By the group vice president, division vice president and general manager, or the President, for subsidiary presidents and division general managers depending on the reporting relationship.

   e. By the President, or in his absence, the Senior Vice President-Operations or Senior Vice President-Finance, for senior vice presidents and group vice presidents.

5. Any entertainment expense which is anticipated to exceed $200 shall receive advance approval from the general manager/subsidiary president, or in the case of Corporate Office personnel, including field offices, from the Senior Vice President-Operations. Where time or circumstances do not permit advance approval, a full report will be made within 24 hours.

B. Entertainment costs are deductible for income tax purposes if they meet all of the requirements of the income tax regulations. These regulations require a detailed substantiation of all elements of expenditures which must be furnished on Form C-18B to support an employee's or consultant's claim for reimbursement, including:

1. Date.

2. Business purpose.

3. Place and description of entertainment.

4. Amount. (All items of $25 or more must be supported by a receipt or other acceptable evidence of payment. Certifications in lieu of lost or stolen receipts in excess of $25 will no longer be accepted.)

5. Identity and business relationship of each person entertained. Identification by name, title, or other designation must be sufficient to establish specific identity of each individual. A title is not adequate if held by more than one person (e.g., "Treasurer of X Company" is adequate, but "X Company Representative" is not adequate). (The use of "Northrop Private" or any similar technique is hereby completely discontinued.)

V. PROCEDURE

A. Each employee and consultant who requests reimbursement will:

1. Summarize reimbursable costs on Form C-18, "Expense Report." Enter the summary of each entertainment expense in the space provided on the reverse side of Form C-18.

2. Report details required in Paragraph IV on Form C-18B.

3. Attach receipts and all other pertinent records to Form C-18.

4. Submit approved Form C-18, with attachments, to Finance in the manner prescribed by each profit center.

5. For accounting control, report all entertainment expenses on Form C-18, whether paid for by the employee/consultant or incurred by the employee/consultant for payment by the company.

VI. COMPLIANCE

There will be strict compliance with the Corporate policy as stated in CPD No. 46 and the procedures established herein. Failure to follow the policy and these procedures, or the absence of any of the required documentation will be sufficient cause to refuse reimbursement. No exceptions will be permitted.

EXPENSE REPORT
FORM C-18 (R8-72)

Northrop Corporation
CFM 2-642
Attachment A

DIVISION

Prepare in INK or TYPEWRITER

NAME (LAST) (1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)

PURPOSE:	CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER	SALES ORDER	WPA NO.
	DATE OF DEPARTURE:	TIME OF DEPARTURE: ☐ A.M ☐ P.M.	
	DATE OF RETURN	TIME OF RETURN: ☐ A.M ☐ P.M.	

ITEM SHOW DATES	SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)								
3. Baggage Handling								
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)								
TOTAL								

(1) Receipt required where customary – attach to this report.
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-18A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
					TOTAL EXPENSES	$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
				$

REMARKS:

– EMPLOYEE TO PREPARE –		– ACCOUNTING USE ONLY –					EMPLOYEE'S SIGNATURE DATE
On Hand Beginning of Week	$	PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA	
Advances Received From Company					$		APPROVALS:
From Others (Explain)							
Accountable Total	$						
Total Expenses Paid by Employee							
Advances to Others or Returned							APPROVED FOR PAYMENT
Amount Due Company	$						AUDITED BY (FINANCE) DATE
Amount Due Employee	$	☐ ISSUE REFUND: $			JV NO.		

(See Reverse Side for Instructions)

INSTRUCTIONS FOR PREPARATION OF EXPENSE REPORT

EXPENSES

A reasonable amount will be allowed for necessary expenses actually incurred by the employee which he would not normally be called upon to pay if living at home, such as:

MEALS/PER DIEM. Actual and reasonable costs of meals consistent with prevailing costs in the area. Division policy shall govern per diem. Justification and receipts are required if costs exceed Division-established guidelines.

LODGING. Actual and reasonable cost. Attach receipt.

BAGGAGE HANDLING. Cost of handling baggage. No receipt required.

CARFARE AND TAXICAB FARES. From plant or home or from hotel to station, and from station to plant or home or hotel, and other necessary business trips at points of travel.

TELEPHONE AND TELEGRAPH EXPENSE. Limited to calls and messages on Company business.

TRANSPORTATION EXPENSES. Tickets for Air, Rail, and Standard Pullman transportation should be obtained through the Company. As a general rule, commercial airline fare for any standard class other than first-class accommodations will be allowable. Receipts are required in all cases except for local or bus fares where it is not customary for the carrier to issue them.

TRAVEL BY OWN AUTOMOBILE. In the event an employee is required by the Company to use his own automobile for traveling for business purposes while in travel status, he will be paid at the approved rate per mile. The mileage will be computed from starting place to destination, and the mileage shown by Rand McNally Standard Highway Mileage Guide will be used as a guide to test mileage shown.

CAR RENTALS. All rentals of automobiles shall be made in the Company's name rather than the employee's name. Also, the employee shall not purchase full collision coverage from the rental agency (rental car insurance is allowable only when in a foreign country). Report all accidents promptly to the Corporate Insurance Office.

BUSINESS CONFERENCES AND ENTERTAINMENT EXPENSES. Such expenses will not be reimbursed unless specifically authorized and approved in accordance with established policies and procedures. Attach C-18A and C-18B forms as applicable.

OTHER NECESSARY EXPENSES. In the event that any other necessary expenses are incurred and included in the Expense Report, an explanation of such expense, together with a receipt, must be attached to the Expense Report.

SIGNATURES ON EXPENSE REPORTS

Each Expense Report must be signed by the employee and approved by:

1. Immediate supervisor.
2. Secondary approval as required by Division Policy.

EXPLANATION OF BUSINESS CONFERENCES AND ENTERTAINMENT					
DATE	NUMBER PERSONS	PURPOSE	DATE	NUMBER PERSONS	PURPOSE

FORM C-13 (R.12-72) BACK

NORTHROP PRIVATE

DETAILS OF ENTERTAINMENT EXPENSE

FORM C-18 (R. 9-71)

CFM 2-642
Attachment B
See Reverse Side for Instructions

NAME (LAST) (FIRST) (INITIAL)	EMPLOYEE NO.	DIVISION
DEPARTMENT NO.	EXTENSION	REPORTED ON FORM C-18 FOR PERIOD: FROM THRU

DATE	BUSINESS PURPOSE	PLACE AND DESCRIPTION OF ENTERTAINMENT	AMOUNT	NUMBER OF GUESTS	NAME, TITLE OR OTHER DESIGNATION	BUSINESS RELATIONSHIP

NORTHROP PRIVATE

INSTRUCTIONS FOR PREPARATION OF FORM C-18B,
DETAILS OF ENTERTAINMENT EXPENSE

Date:
Date of entertainment.

Business Purpose:
Reasons for entertainment.

Place and Description of Entertainment:
Name, if any, address or location, and description of type of entertainment.

Amount:
Itemized and total cost. (All items of $25.00 or more must be supported by a receipt or other acceptable evidence of payment.)

Number of Guests:
Total number of persons entertained whether or not reimbursement is requested for all.

Name, Title or other Designation:
Name, title or other designation sufficient to establish specific identity of each individual. A title is not adequate if held by more than one person.

Business Relationship:
Business relationship to Northrop - i.e., "customer," "vendor," "consultant," etc.

NOTE: Use Northrop Private Cover Sheet or Folder, when necessary.

ATTACHMENT 4

NORTHROP

Corporate Finance Manual

Subject: BUSINESS CONFERENCES

No: CFM No. 2-628

Page: Page 1 of 3

Date: 27 February 1976

General Revision

I. POLICY

The policy of the company governing business conferences is outlined in Corporate Policy Directive No. 46.

II. DEFINITION

Business conference expense includes meals purchased and incidental expenses related to meetings during which specific business matters are discussed. For example, a luncheon or dinner with suppliers or subcontractors and business associates to discuss mutual business problems would qualify. It does not include entertainment expense (see CFM 2-652), expenses recoverable by the employee or consultant through per diem allowances, or gifts, the giving of which is considered to be inappropriate by the company. Reasonable and properly authorized, documented, business conference expense is an allowable cost under government contract cost regulations (see ASPR 15-205.37 and 15-205.43).

III. ACCOUNTING TREATMENT

Business conference expenses shall be expensed as incurred.

IV. REIMBURSEMENT AND ALLOWABILITY

A. Business conference expenses will be approved for reimbursement to employees and consultants when:

1. The expenditures are reasonable and necessary for business purposes.

2. The expense is fully supported by required documentation, as outlined in Paragraph IV-B, and

3. The request for reimbursement is substantiated by a Form C-18A (Details of Business Conference), in addition to the other required information (see Paragraph IV-B). If applicable, relative to DoD

5. Identity and business relationship of each person attending. Identification by name, title, or other designation must be sufficient to establish specific identity of each individual. A title is not adequate if held by more than one person (e.g., "Treasurer of X Company" is adequate, but "X Company Representative" is not adequate). (The use of "Northrop Private" or any similar technique is hereby completely discontinued.)

V. PROCEDURE

A. Each employee and consultant who requests reimbursement will:

1. Summarize reimbursable costs on Form C-18, "Expense Reports." Enter the summary of the essential elements of each business conference in the space provided on the reverse side of Form C-18.

2. Report details required in Paragraph III above on Form C-18A.

3. Attach receipts and all other pertinent records to Form C-18.

4. Submit approved Form C-18, with attachments, to Finance in the manner prescribed by each profit center.

5. For accounting control, report all business conference expenses on Form C-18, whether paid by the employee/consultant or incurred by the employee/consultant for payment by the company.

VI. COMPLIANCE

There will be strict compliance with the Corporate policy as stated in CPD No. 46 and the procedures established herein. Failure to follow the policy and these procedures, or the absence of any of the required documentation, will be sufficient cause to refuse reimbursement. No exceptions are permitted.

EXPENSE REPORT
Form C-18 (R8-73)

Northrop Corporation

CPM No. 2-62
Attachment A

DIVISION

Prepare in INK or TYPEWRITER

NAME: (LAST) (1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)

PURPOSE:	CHARGE TO: ☐BURDEN ☐DIRECT OR ☐SALES ORDER	SALES ORDER	WPA NO.
	DATE OF DEPARTURE:	TIME OF DEPARTURE: ☐A.M. ☐P.M.	
	DATE OF RETURN	TIME OF RETURN: ☐A.M. ☐P.M.	

ITEM — SHOW DATES →	SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)								
3. Baggage Handling								
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)								
TOTAL								

(1) Receipt required where customary — attach to this report. (3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-18A and C-18B as applicable.
(2) For Business Calls only.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
				TOTAL EXPENSES		$

EXPENSES TO BE PAID BY NORTHROP(Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM — TO)	VIA	AMOUNT
				$

REMARKS:

— EMPLOYEE TO PREPARE —		— ACCOUNTING USE ONLY —				
		PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA
On Hand Beginning of Week	$					
Advances Received From Company					$	
From Others (Explain)						
Accountable Total	$					
Total Expenses Paid by Employee						
Advances to Others or Returned						
Amount Due Company	$					
Amount Due Employee	$	☐ ISSUE REFUND: $			JV NO.	

EMPLOYEE'S SIGNATURE DATE

APPROVALS:

APPROVED FOR PAYMENT

AUDITED BY (FINANCE) DAT

(See Reverse Side for Instructions)

INSTRUCTIONS FOR PREPARATION OF EXPENSE REPORT

EXPENSES

A reasonable amount will be allowed for necessary expenses actually incurred by the employee which he would not normally be called upon to pay if living at home, such as:

MEALS/PER DIEM. Actual and reasonable costs of meals consistent with prevailing costs in the area. Division policy shall govern per diem. Justification and receipts are required if costs exceed Division-established guidelines.

LODGING. Actual and reasonable cost. Attach receipt.

BAGGAGE HANDLING. Cost of handling baggage. No receipt required.

CARFARE AND TAXICAB FARES. From plant or home or from hotel to station, and from station to plant or home or hotel, and other necessary business trips at points of travel.

TELEPHONE AND TELEGRAPH EXPENSE. Limited to calls and messages on Company business.

TRANSPORTATION EXPENSES. Tickets for Air, Rail, and Standard Pullman transportation should be obtained through the Company. As a general rule, commercial airline fare for any standard class other than first-class accommodations will be allowable. Receipts are required in all cases except for local or bus fares where it is not customary for the carrier to issue them.

TRAVEL BY OWN AUTOMOBILE. In the event an employee is required by the Company to use his own automobile for traveling for business purposes while in travel status, he will be paid at the approved rate per mile. The mileage will be computed from starting place to destination, and the mileage shown by Rand McNally Standard Highway Mileage Guide will be used as a guide to test mileage shown.

CAR RENTALS. All rentals of automobiles shall be made in the Company's name rather than the employee's name. Also, the employee shall not purchase full collision coverage from the rental agency (rental car insurance is allowable only when in a foreign country). Report all accidents promptly to the Corporate Insurance Office.

BUSINESS CONFERENCES AND ENTERTAINMENT EXPENSES. Such expenses will not be reimbursed unless specifically authorized and approved in accordance with established policies and procedures. Attach C-18A and C-18B forms as applicable.

OTHER NECESSARY EXPENSES. In the event that any other necessary expenses are incurred and included in the Expense Report, an explanation of such expense, together with a receipt, must be attached to the Expense Report.

SIGNATURES ON EXPENSE REPORTS

Each Expense Report must be signed by the employee and approved by:

1. Immediate supervisor.
2. Secondary approval as required by Division Policy.

EXPLANATION OF BUSINESS CONFERENCES AND ENTERTAINMENT					
DATE	NUMBER PERSONS	PURPOSE	DATE	NUMBER PERSONS	PURPOSE

FORM C-18 (R.12-72) BACK

CFM No. 2-62
Attachment B

DETAILS OF BUSINESS CONFERENCES
Form C-18A (R4-74)

See Reverse Side For Instructions

NAME (LAST) (FIRST) (INITIAL)	EMPLOYEE NO.	DIVISION

DEPARTMENT NO.	EXTENSION	REPORTED ON FORM C-18 FOR PERIOD: FROM THRU

DATE AND DURATION	BUSINESS PURPOSE	PLACE AND EXPLANATION OF EXPENDITURES	AMOUNT	NUMBER OF GUESTS	NAME, TITLE OR OTHER DESIGNATION	BUSINESS RELATIONSHIP

INSTRUCTIONS FOR PREPARATION OF FORM C-18A,
DETAILS OF BUSINESS CONFERENCES

Date:
Date and duration of meeting.

Business Purpose:
Nature and business purpose of the discussion.

Place and Explanation of Expenditures:
Place of business conference and description of expenditures.

Amount:
Itemized and total cost. (All items of $25.00 or more must be supported by a receipt or other acceptable evidence of payment.)

Number of Guests:
The total number in attendance at the conference will be shown whether or not a deduction is claimed for all attendees.

Name, Title or other Designation:
Name, title or other designation sufficient to establish specific identity of each individual. A title is not adequate if held by more than one person.

Business Relationship:
Business relationship to Northrop – i.e. "customer," "vendor," "consultant," etc.

Note: Identify as "Northrop Private" and use Northrop Private Cover Sheet or Folder when applicable. In addition, complete the following

The designation Northrop Private shall not be cancelled.
Originator _____ NAME DEPT

ATTACHMENT 5

Memorandum

Northrop Corporation, Corporate Office
1800 Century Park East, Los Angeles, CA [illegible]

In reply refer to:

To: Corporate Officers, General Managers, Subsidiary Presidents

From: F. W. Lynch

Subject: Hospitality of Public Officials

Date: 7 August 1975

Copies:

Ref:

In its report, the Executive Committee recommended that management formulate procedures for Board review designed to correct certain current practices which it felt were improper in the area of corporate hospitality for public officials. A study is currently underway to arrive at such procedures and pending its completion the following corporate policy will be strictly observed:

(1) There will be no action in the form of entertainment or hospitality for public officials taken by any Northrop employee which could cause embarrassment to the company by its public disclosure or which exceeds that generally regarded as accepted practice.

(2) Entertainment or hospitality which is required and permitted under (1) above shall be held to the minimum necessary to the individual situation.

(3) In line with (1) and (2) above any entertainment expense which is anticipated to exceed $100 shall receive advance approval from the General Manager/Subsidiary President or in the case of corporate office personnel, including field offices, from the Senior Vice President, Administration. Where time or circumstances do not permit advance approval, a full report will be made within 24 hours.

The above stated policy is designed to avoid any abuses of accepted practices concerning entertainment of public officials. It is expected that normal personal and business relationships necessary to the effective conduct of company business can be observed within this policy.

Addressees will inform all personnel reporting to them of the provisions of this memorandum and will issue necessary implementing instructions.

F. W. Lynch
Senior Vice President, Administration

WHS:ap

[illegible]

Memorandum

ATTACHMENT 6

Northrop Corporation, Corporate Office
1800 Century Park East, Los Angeles, CA 90067

In reply refer to:

To: Corporate Officers, General Managers, Subsidiary Presidents

From: F. W. Lynch

Subject: Hospitality of DOD Personnel

Date: 27 October 1975

Copies:

Ref: Memorandum dated 7 August 1975, Sub: Hospitality of Pub Officials

Referenced memorandum contained instructions designed to avoid abuses of practices concerning entertainment of public officials. Since its issuance the Department of Defense has indicated it is in the process of revising and clarifying portions of its regulation concerning standards of conduct for its personnel, both military and civilian.

Pending the release of the revised DOD procedure and any changes in Northrop policy which may result therefrom, the following corporate policy will be strictly observed by all Northrop employees:

(1) There will be no entertainment or hospitality of any type extended by a Northrop employee to a DOD official (with exception as outlined in (2) below), nor will there be any action taken by any Northrop employee which would place either the company or a DOD official in a position that might be construed as providing or accepting improper contractor hospitality.

(2) Where there exists a personal relationship between a Northrop employee and a DOD official, any exchange of entertainment and hospitality will be on a strictly personal basis; i.e., there will be no company reimbursement to a Northrop employee for hospitality of any kind extended to a DOD official.

(3) When it is obviously in the interests of both DOD and Northrop to utilize a luncheon or dinner to conduct business affairs, each party will pay its proper share of the expenses involved.

(4) Northrop will not host hospitality suites at functions with a primary DOD orientation.

The policy outlined in this memorandum supersedes the referenced memorandum with respect to DOD personnel and is effective immediately.

Addressees will inform all personnel reporting to them of the provisions of this memorandum and will issue necessary implementing instructions.

F. W. Lynch

FWL/ms

NORTHROP

APPENDIX III B Enclosure (1) ATTACHMENT 8

Detailed Amplification of Job Description

Position: Assistant to the Vice President and Manager, Eastern Regional Office, Northrop Corporation.

Duties: (1) Product and market planning as assigned by the manager.
This requires participation in planning sessions with representatives from divisions and subsidiaries of the Company for the purposes of defining future product requirements, both governmental and commercialy, assessment of company resources and assets in terms of capability to develop and/or manufacture the defined products, and planning appropriate marketing strategy. These determinations are used in the formulation of annual and long range business plans.

(2) Review of Division and Subsidiary business plans.
This requires assistance to the Director of Planning in a detailed review of annual and long range business plans in regard to the accuracy of predicted customer requirements and the related predicted amounts of acquisitions, sales, and costs. An assessment must be made of the effects of changes which have occurred in government budgets and commercial markets since the origin of the plans under review.

(3) Review and research into published customer requirements in relation to company capabilities and product lines.
This requires daily study of commercial and government publications such as the "Commerce Business Daily" and periodic reference to documents made available by the government for industry information and guidance through such activities as "NARDIC". The body of background and specific information developed in this review and research is applied during the planning functions described above or provided in response to specific requests by divisions and subsidiarie

(4) Submit reports and make recommendations to the Manager on (1), (2), and (3) above as directed.
The functions required are self evident from the above description of functions.

(5) Assist the Manager in preparation for and conduct of conferences and business meetings.
This requires coordinating schedules of the individuals and groups involved and assistance in preparation of agenda, statements, and memoranda needed for or resulting from such meetings and conferences in the Eastern Regional Office.

NORTHROP

Enclosure (1)
(con't.)

(6) Provide information assistance and advice to Divisions and Subsidiaries in the formulation of short and long range marketing plans.

This is a day-to-day reactionary function which involves telephone and memorandum replies to requests in specific areas of interest which are often transitory or of recent development. This includ explanation of governmental or DOD organizational framework, description of functions performed by various activities of DOD, and other agencies, and the provision of recommended points of contact to obtain information on customer requirements.

NORTHROP

September 23, 1975

Major General Winston P. Wilson, USAF (Ret.)
4311 Loyola Avenue
Alexandria, Virginia

Dear General Wilson:

Your Consulting Agreement with Northrop Corporation (the "Company") dated July 23, 1971, as amended, expired on August 31, 1975. We would like to continue this consulting arrangement, and therefore, propose the following terms for your consideration.

1. DUTIES:

(a) You are to act as a consultant and advisor to the Company with respect to its relations with the Congress and related units of the Federal Government, and in such other fields within your special competence as may be specified from time to time by the Company. The specifics of the services to be provided by you are set forth in Exhibit 'A' attached hereto and made a part hereof. It is understood, however, that these duties will not involve (i) any negotiations with or the sale of material to the Government of the United States or any of its departments or agencies, or (ii) any transaction that you are prohibited from participating in by virtue of any law, rule or regulation of the United States Government relating to conflicts of interest as may be applicable to former personnel of the United States Government. Further, you agree to comply with all such laws, rules and regulations. In this connection, you will provide evidence periodically to the Company that all filings required by applicable conflict of interest laws and regulations have been made by you.

(b) The times when and places where your services will be performed shall be determined by mutual agreement between yourself and Mr. James V. Holcombe, Northrop's Vice President and Manager, Corporate Eastern Regional Office, or his designee.

(c) In connection with your duties performed under this Agreement, you will provide Mr. Holcombe with a monthly written report in a form satisfactory to him indicating the nature of the services performed in the Company's interest for the previous month.

(d) Your consulting and advisory work may involve access to technical and planning information and data which is considered proprietary to the Company and is of a confidential nature. You will consider all such information or data as the property of the Company, confidential in character and of a proprietary nature, and you agree that you will not disclose such information or data to third parties at any time without prior written consent of the Company.

2. STATUS:

Your relationship to the Company shall be that of an independent contractor rendering professional services. You shall have no authority to execute contracts or make commitments on behalf of the Company. Nothing contained herein shall be deemed to create the relationship of employer and employee, or principal and agent, between you and the Company.

3. TERM:

(a) This Agreement shall be effective as of September 1, 1975, and shall remain in effect for a period of four (4) months to and including December 31, 1975.

(b) Notwithstanding any other provision of this Agreement to the contrary, this Agreement may be terminated by either party upon the giving of thirty (30) days' written notice to the other party in which event this Agreement shall be cancelled.

(c) Neither party shall have any further liability or obligation to the other subsequent to any termination of this Agreement except for those amounts previously due in accordance with the terms of this Agreement, however, you agree not to disclose to third parties any proprietary or confidential information, or other data of the Company, either written or oral, to which you had access or which may have come to your attention.

4. COMPENSATION:

(a) As consideration for the performance of your duties under this Agreement, the Company will pay you a fee of Two Thousand Nine Hundred Sixteen Dollars and Sixty-Seven Cents ($2,916.67) per month, to be paid to you automatically and without the necessity of your submitting invoices for your consulting and advisory services.

(b) As consideration for your performance of this Agreement, the Company will pay you an additional fee, payable monthly on your submission of invoices as provided for hereinafter, in an amount equal to all ordinary business expenses incurred by you directly incident to the performance of your services hereunder during each month, which amount shall not exceed One Thousand Dollars ($1,000.00) per month.

(c) The Company will additionally reimburse you for transportation and hotel costs incurred by you for travel outside of the Washington, D. C. area where such travel is directly incident to the performance of your services under this Agreement, provided that all such travel expenses are approved in advance and in writing by Mr. Holcombe, and such expenses are reasonable in amount and are consistent with the Company's established policies and limitations pertaining to allowable expenses for its executives.

(d) To receive payment of the additional fee as is provided for in Paragraph (b) above, you shall submit invoices monthly, as indicated above, to Mr. Holcombe, or his designee. Each invoice need only show the single total amount of your additional fee representing the amount of your expenses actually incurred by you during the concerned month, but in no event shall this additional fee exceed the monthly limitation that is set forth in Paragraph (b) above. You need not itemize the specific individual expenses which constitute the measure of this additional fee, but each invoice shall contain the following certification:

> "The undersigned certifies that the payment requested herein is correct and just, that the statement of expenses incurred is true, and that payment therefor has not been received.
>
> _____
> Name "

However, if requested by Mr. Holcombe, you agree on such basis and at such times as he may request to furnish him with written itemizations of all such expenses.

(e) To receive payment for any travel expenses you may incur as is provided for in Paragraph (c) above, you shall submit an invoice monthly, as indicated above, to Mr. Holcombe, or his designee. Each invoice submitted for travel expenses must be accompanied by expense receipts and shall set forth in detail the nature of the expenses and the date of its incurrence. Each such invoice shall contain the certification as is set forth in Paragraph (d).

5. PROPERTY RIGHTS:

(a) You agree to relinquish to the Company any claim you may have to any information, ideas, devices, inventions, improvements, advice or data given to the Company by you in the course of the performance of your services hereunder. You shall not be entitled to a copyright in or to use any of the notes, memoranda, reports, findings or other data prepared by you in connection with your work hereunder. The original and all copies of such material shall become the sole and exclusive property of the Company.

(b) You agree not to make any public or private disclosures concerning the work you will be performing under this Agreement, either during or following the term thereof, without the prior written approval of the Company.

6. ADMINISTRATION:

Any notice to be given by either party to the other in connection with this Agreement shall be in writing and, as applicable, addressed to:

Northrop Corporation
1701 North Fort Myer Drive
Suite 1208
Arlington, Virginia 22209
Attention: Mr. James V. Holcombe, Vice President

or

Major General Winston P. Wilson, USAF (Ret.)
4311 Loyola Avenue
Alexandria, Virginia

7. COMPLIANCE WITH LAWS:

(a) In the course of performing services hereunder, you shall comply with all security requirements of the United States Government affecting the Company, and you agree not to engage in any services for which you do not have a proper security clearance. Additionally, you will neither act as a consultant nor as an employee for any other company concerning business matters covered by this Agreement that might give rise to a conflict of interests as determined by the Company in its sole discretion without discussing the proposed undertaking with Mr. Holcombe and first obtaining his written concurrence.

(b) Further, you agree to comply with all applicable laws, rules, regulations and expressed public policies of the territory where your services are to be performed. As a part of this obligation, and without limitation, you agree that you will not take any action in connection with the performance of your services herein that would be illegal with these applicable laws, rules, regulations and policies, and in this regard you agree to indemnify and save the Company harmless from any and all liabilities as may be suffered by it as a consequence of your failure to comply with these undertakings.

8. ASSIGNMENT:

(a) This Agreement and all rights, benefits, duties and performance obligations herein contained shall not be assigned or otherwise transferred in any manner whatsoever to third parties without first obtaining the written approval of the Company.

(b) You further agree not to utilize or employ third parties in connection with your performance under this Agreement without identifying all such persons to the Company in writing and first obtaining its written consent. You also agree that no payments shall be made to any such third parties unless, in each case, such payments are authorized in advance by the Company in writing.

(c) It is further understood and agreed that you will not employ, retain or utilize any public officials, either directly or indirectly, in the performance of your duties under this Agreement, or otherwise.

(d) Your failure to comply with or your breach of any covenant, obligation or condition herein shall give the Company the immediate right to terminate this Agreement without further liability or obligation on its behalf.

9. REPRESENTATION:

You represent and covenant that you have not refunded and will not refund, other than for a proper corporate purpose, either directly or indirectly, any Company funds to any director, officer or other representative of the Company (or any subsidiary controlled by the Company) or to such persons' family. Further, you represent and covenant that you have not and will not make any payments from the funds received under this Agreement that are illegal under the applicable law. If this Agreement is extended for more than one (1) year, you agree that on each anniversary date you will furnish the Company with a written representation and covenant covering the matters specified above.

10. ENTIRE AGREEMENT:

This Agreement supersedes any prior agreements or understandings between the parties with respect to the subject matter hereof and shall not be varied, amended or supplemented except by an instrument in writing of even date hereof or subsequent hereto executed by both parties.

If the foregoing terms are acceptable to you, please sign and return the original and three (3) copies of this letter to the undersigned.

Very truly yours,

NORTHROP CORPORATION

By _____

F. W. Lynch
Senior Vice President - Administration

ACCEPTED:

_____
Winston P. Wilson

Identification No. 546137247

Dated: Aug. 3, 1977

Winston P. Wilson Attachment II

STATEMENT OF WORK

Generally, you will represent Northrop Corporation in its relations with the Congress and related units of the Federal Government.

1) Specifically, by contact with congressional leaders and committee staffs, promote Northrop products and services by providing information on programs and proposals made to the agencies and departments of the U. S. Government.

2) To do this, it will be necessary for you to maintain daily contact with committees having jurisdiction over those deparments and agencies with whicl we do business.

3) To be familiar with Northrop products and programs, you will be required to visit company and customer facilities, participate in planning meetings and maintain a daily working relationship with company staff members located in the Eastern Regional Office.

ATTACHMENT 10

NORTHROP

January 13, 1976

Mr. S. W. Towle, Jr.
2970 University Terrace, N.W.
Washington, D. C. 20016

Dear Mr. Towle:

Your Consulting Agreement with Northrop Corporation (the "Company") expired on January 9, 1976. We would like to continue this arrangement, and therefore, propose the following terms for your consideration.

1. DUTIES:

(a) You are to act as a consultant and advisor to the Company in support of Northrop's marketing activities, particularly with respect to the technical and business potentials of the Company's products and services, and in such other fields within your special competence as may be specified from time to time by the Company. The specifics of the services to be provided by you are set forth in Exhibit "A" attached hereto and made a part hereof. It is understood, however, that these duties will not involve (i) any negotiations with or the sale of material to the Government of the United States or any of its departments or agencies, or (ii) any transaction that you are prohibited from participating in by virtue of any law, rule or regulation of the United States Government relating to conflicts of interest as may be applicable to former personnel of the United States Government. Further, you agree to comply with all such laws, rules and regulations. In this connection, you will provide evidence periodically to the Company that all filings required by applicable conflict of interest laws and regulations have been made by you.

(b) The times when and places where your services will be performed shall be determined by mutual agreement between yourself and Mr. J. V. Holcombe, Northrop's Vice President and Manager, Eastern Regional Office, or his designee. It is understood, however, that you will devote a minimum of at least the equivalent of one (1) day per week in our interest during the term of this Agreement.

(c) In connection with your duties performed under this Agreement, you will provide Mr. Holcombe with a monthly written report in a form satisfactory to him indicating the nature of the services performed in the Company's interest for the previous month.

(d) Your consulting and advisory work may involve access to technical and planning information and data which is considered proprietary to the Company and is of a confidential nature. You will consider all such information or data as the property of the Company, confidential in character and of a proprietary nature, and you agree that you will not disclose such information or data to third parties at any time without prior written consent of the Company.

2. STATUS:

Your relationship to the Company shall be that of an independent contractor rendering professional services. You shall have no authority to execute contracts or make commitments on behalf of the Company. Nothing contained herein shall be deemed to create the relationship of employer and employee, or principal and agent, between you and the Company.

3. TERM:

(a) This Agreement shall be effective as of January 10, 1976 and shall remain in effect for a period of one (1) year to and including January 9, 1977.

(b) Notwithstanding any other provision of this Agreement to the contrary, this Agreement may be terminated by either party upon the giving of thirty (30) days' written notice to the other party in which event this Agreement shall be cancelled.

(c) Neither party shall have any further liability or obligation to the other subsequent to any termination of this Agreement except for those amounts previously due in accordance with the terms of this Agreement, however, you agree not to disclose to third parties any proprietary or confidential information, or other data of the Company, either written or oral, to which you had access or which may have come to your attention.

4. COMPENSATION:

(a) As consideration for the performance of your duties under this Agreement, the Company will pay you a fee of One Thousand Dollars ($1,000) per month, to be paid to you automatically and without necessity of your submitting invoices for your consulting and advisory services.

(b) In addition, the Company will reimburse you for all business expenses, including travel expenses, incurred by you directly

incident to the performance of your services under this Agreement, (i) provided that all such expenses are submitted to and are approved in writing by Mr. Holcombe, or his designee (prior to your incurrence of such expenses if travel is involved); (ii) provided that your claims for such expenses are in accordance with the Company's established policies and limitations pertaining to allowable expenses and are documented pursuant to the procedures applicable to the Company's employees; and (iii) provided further that if a Government official is involved, such expenses shall be in strict compliance with the standards of conduct regulations applicable to that official's organization, department or branch of Government.

(c) To receive reimbursement for authorized business expenses incurred by you in performing under this Agreement, you must render an invoice (in triplicate) for the approval of Mr. Holcombe, or his designee, accompanied by original expense receipts for each item of expense, which invoice must indicate the name of all persons involved and their business relationship, the business purpose of the expense, and date thereof. The names of the persons involved may be omitted from an expense invoice only if the expense constitutes a business conference, a business meal, minor participation in a sporting activity, or minor participation at social, cultural or sporting events; the expense in all cases is in compliance with Paragraph (b) above; and the persons involved are not employees of either the Department of Defense or NASA. Except as specifically authorized by the preceding sentence, no expense shall be reimbursed either with or without the names of the involved persons identified in the expense invoice if the expense represents a gift, gratuity, favor, or entertainment given to any public official, including the providing of discounts, tickets, passes, transportation, accommodations, recreation, hospitality, or any other items of a tangible nature. Each expense invoice that is submitted for reimbursement shall contain a certification worded as follows signed by you:

"The undersigned certifies that the payment requested herein is correct and just, that the statement of expenses incurred is true, that the expenditures comply with the provisions of my consulting agreement, and that payment therefor has not been received.

_____
Name"

5. PROPERTY RIGHTS:

(a) You agree to relinquish to the Company any claim you may have to any information, ideas, devices, inventions, improvements, advice

or data given to the Company by you in the course of the performance of your services hereunder. You shall not be entitled to a copyright in or to use any of the notes, memoranda, reports, findings or other data prepared by you in connection with your work hereunder. The original and all copies of such material shall become the sole and exclusive property of the Company.

(b) You agree not to make any public or private disclosures concerning the work you will be performing under this Agreement, either during or following the term thereof, without the prior written approval of the Company.

6. ADMINISTRATION:

Any notice to be given by either party to the other in connection with this Agreement shall be in writing and, as applicable, addressed to:

Northrop Corporation
1701 N. Fort Myer Drive, Suite 1208
Arlington, Virginia 22209
Attention: Mr. James V. Holcombe
Vice President

or

Mr. S. W. Towle, Jr.
2970 University Terrace, N.W.
Washington, D. C. 20016

7. COMPLIANCE WITH LAWS:

(a) In the course of performing services hereunder, you shall comply with all security requirements of the United States Government affecting the Company, and you agree not to engage in any services for which you do not have a proper security clearance. Additionally, you will neither act as a consultant nor as an employee for any other company concerning business matters covered by this Agreement that might give rise to a conflict of interests as determined by the Company in its sole discretion without discussing the proposed undertaking with Mr. Holcombe and first obtaining his written concurrence.

(b) Further, you agree to comply with all applicable laws, rules, regulations and expressed public policies of the territory where your services are to be performed. As a part of this obligation, and without limitation, you agree that you will not take any action in connection with the performance of your services herein that would be illegal with these applicable laws, rules, regulations and policies, and in this regard you agree to indemnify and save the Company harmless from any and all liabilities as may be suffered by it as a consequence of your failure to comply with these undertakings.

8. ASSIGNMENT:

(a) This Agreement and all rights, benefits, duties and performance obligations herein contained shall not be assigned or otherwise transferred in any manner whatsoever to third parties without first obtaining the written approval of the Company.

(b) You further agree not to utilize or employ third parties in connection with your performance under this Agreement without identifying all such persons to the Company in writing and first obtaining its written consent. You also agree that no payments shall be made to any such third parties unless, in each case, such payments are authorized in advance by the Company in writing.

(c) It is further understood and agreed that you will not employ, retain or utilize any public officials, either directly or indirectly, in the performance of your duties under this Agreement, or otherwise.

(d) Your failure to comply with or your breach of any covenant, obligation or condition herein shall give the Company the immediate right to terminate this Agreement without further liability or obligation on its behalf.

9. REPRESENTATION:

You represent and covenant that you have not refunded and will not refund, other than for a proper corporate purpose, either directly or indirectly, any Company funds to any director, officer or other representative of the Company (or any subsidiary controlled by the Company) or to such persons' family. Further, you represent and covenant that you have not and will not make any payments from the funds received under this Agreement that are illegal under the applicable law. If this Agreement is extended for more than one (1) year, you agree that on each anniversary date you will furnish the Company with a written representation and covenant covering the matters specified above.

10. ENTIRE AGREEMENT:

This Agreement supersedes any prior agreements or understandings between the parties with respect to the subject matter hereof and shall not be varied, amended or supplemented except by an instrument in writing of even date hereof or subsequent hereto executed by both parties.

If the foregoing terms are acceptable to you, please sign and return the original and three (3) copies of this letter to the undersigned.

Very truly yours,

NORTHROP CORPORATION

By _____
F. W. Lynch
Senior Vice President - Operations

ACCEPTED:

_____
S. W. Towle, Jr.

Dated: 1/14/76

Taxpayer Ident. No. 544-36-5861

EXHIBIT "A"

As a consultant, you will advise and consult with Mr. J. V. Holcombe, Northrop's Vice President and Manager, Eastern Regional Office.

You are to keep the Company informed of any significant information you encounter which could affect the successful outcome of marketing the products and services of the Company.

Specifically, you are to maintain contact with the Northrop customers in order to determine requirements or constraints that bear on the products and services customarily furnished by Northrop.

It will also be necessary for you to work closely with the Eastern Regional Office planning staff in order to maintain an overview of Northrop programs. In addition, you should be acquainted with the several divisions and subsidiary representatives located in the Eastern Regional Office and provide these people with specific information you may uncover that may help in marketing their products.

APPENDIX III C

Additional questions for the record and responses by Mr. Thomas Jones, Northrop Corporation.

Question 1. Has the corporation maintained, owned, leased, or used any other facilities at which officials of the Department of Defense or NASA were entertained? If so, please provide a list of such facilities, officials entertained, and expenses associated with such entertainment.

Answer. Other than those to which Mr. Jones referred in his testimony, Northrop has not had any facilities at which officials of the Department of Defense or NASA were entertained.

Question 2. Were Ward Dennis, Dan Darnell, or Welko Gasich reimbursed for any of their expenses incurred in connection with the Aspenosium? If so, please provide a record of all reimbursements to these individuals or other expenses associated with this activity. Was their participation in this organization encouraged as a matter of corporate policy? Did the company pay annual dues for these individual's membership in this organization? Did the company pay for the costs of any guests of this organization? Were these three gentlemen expected to charge their time at this meeting to annual leave?

Answer. The corporation paid the expenses of Mr. Dennis for 1973–75, Mr. Darnell for 1972–75, and Mr. Gasich for 1973. Relevant expense reports are submitted as an attachment. Participation was not encouraged as a matter of corporate policy. The corporation reimbursed Mr. Darnell for his annual dues in 1973 and 1974. The company paid no costs for any guests. There is no record that these individuals charged their time to annual leave.

EXPENSE REPORT
F2403-0-2-8 (85-73)

MAR 1 1975

NORTHROP
Northrop Corporation

Corporate
DIVISION

J. W. WEAR

Prepare in INK or TYPEWRITER

NAME: (LAST)	(1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI) DATE
DENNIS	WARD B.	140	CC	28364	311		21 February 1975

PURPOSE:

Fly from Aspen, Colorado to Los Angeles to give a presentation to the Northrop Board of Directors on 2-19-75 and back to Aspen

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER
SALES ORDER:

DATE OF DEPARTURE: 2-18-75-Aspen
TIME OF DEPARTURE: 4:10 pm ☐A.M. ☐P.M.

DATE OF RETURN: 2-19-75
TIME OF RETURN: 2:30 pm ☐A.M. ☐P.M.

ITEM (SHOW DATES)	SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)								
3. Baggage Handling								
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)								
TOTAL								

(1) Receipt required where customary — attach to this report.
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-18A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
					TOTAL EXPENSES	$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM — TO)	VIA	AMOUNT
2-18	Beverly Hills Travel	ROUND-TRIP Aspen, Colorado-LAX-Aspen		$ 269 74
			#196093	

REMARKS:

No expenditures other than air fare.

— EMPLOYEE TO PREPARE —

On Hand Beginning of Week	$
Advances Received From Company	
From Others (Explain)	
Accountable Total	$
Total Expenses Paid by Employee	
Advances to Others or Returned	
Amount Due Company	$
Amount Due Employee	$

— ACCOUNTING USE ONLY —

PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA
277-01-143	Final		$ 269 74	
144-32			(269 74)	

☐ ISSUE REFUND: $ JV NO. 3-313

EMPLOYEE'S SIGNATURE DATE
2/21/75

APPROVALS:

APPROVED FOR PAYMENT

AUDITED BY (FINANCE) DATE
2/21/75

(See Reverse Side for Instructions)

TRIP No. 11031

Ref: SPP's 2-6.10 and 2-6.12

EMPLOYEE NAME (LAST)	(1ST	(2ND INIT)	EMPLOYEE NO.	DEPT NO.	SHIFT	DATE
Dennis, Ward B.			28364	140		5 February 1975

HOME ADDRESS | SOCIAL SECURITY NO. | CHARGE TO (MUST BE FILLED OUT)

HOME PHONE | CONTRACT NO. | SALES ORDER NO

EMPLOYEE WILL REPRESENT NORTHROP AS (REPRESENTATIVE TITLE OR PRESENT POSITION): Vice President - Forward Planning | ACCOUNT NO. | WPA NO.

EMPLOYEE WILL PERFORM THE FOLLOWING DUTIES | LOCATION

Fly from Aspen, Colorado to Los Angeles in order to give a presentation to the Northrop Board of Directors on 2-19-75 and back to Aspen for the remainder of the Aspenosium.

TRAVEL ITINERARY

☐ ONE WAY ☐ ROUND TRIP | TRAVEL VIA: commercial airlines | TRAVEL DATES: FROM 2-18-75 THRU 2-1975 | DEPARTURE TIME: 8

CITY TO BE VISITED	COMPANY AND PERSON TO BE VISITED	BUSINESS	PERSONAL	MUST ARRIVE BY DATE	MUST ARRIVE BY TIME	CAN LEAVE BY DATE	CAN LEAVE BY TIME	HOTEL OR SPECIAL REQUIREMENTS

TRAVEL EXPENSES

FOR TRAVEL EXPENSES ADVANCE THE EMPLOYEE $ _____

NUMBER OF CHECKS ☐ $50 ☐ $100 ☐ $

PAYROLL CHECKS TO BE ☐ HELD ☐ FORWARDED TO:

DATE CHECKS REQUIRED | CHECKS RECEIVED BY (SIGNATURE & EMPL NO.)

PREPARED BY | EXT. | MANAGER'S SIGNATURE

USE OF PERSONAL AUTOMOBILE

☐ BEST INTEREST OF COMPANY; REIMBURSE AT PREVAILING MILEAGE RATE

☐ ELECTION OF EMPLOYEE; REIMBURSE COST OF AIR COACH JET FARE

NOTE: RENTAL CAR INSURANCE IS NOT REQUIRED AS IT IS PROVIDED BY NORTHROP.

DEPARTMENT MANAGER'S SIGNATURE

I HEREBY ACKNOWLEDGE THAT THE INFORMATION ABOVE IS CORRECT AND THAT I HAVE RECEIVED INSTRUCTIONS AND FORMS FOR PROPERLY REPORTING EXPENSES. I UNDERSTAND THAT ALL EXPENSES MUST BE REPORTED WEEKLY ON FORM C-18, "EXPENSE REPORT." I FURTHER UNDERSTAND THAT NO EXPENSES INCURRED BY ME WILL BE REIMBURSED EXCEPT AS STIPULATED ABOVE.

EMPLOYEE'S SIGNATURE W. B. Dennis DATE _____

COPIES: White - Accounts Payable & Travel, Pink - Customer Relations, Green - Employee, Goldenrod - Originating Dept.
Extra copies required by SPP's to be reproduced by Originator from Original White.

FORM C-18 (R8-70)

Corporate
DIVISION

Prepare in INK or TYPEWRITER

Page 1 of 2

NAME: (LAST) (1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DAT
Dennis Ward B.	140	CC	28364	311		22 February 197

PURPOSE:

Attend Symposium in Aspen, Colorado

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER

SALES ORDER: WPA NO.

DATE OF DEPARTURE: 2-16-74

TIME OF DEPARTURE: ☐ A. ☐ P.

DATE OF RETURN 2-23-74

TIME OF RETURN: 4:31 pm ☐ A. ☐ P.

ITEM / SHOW DATES	SATURDAY 2-16	SUNDAY 2-17	MONDAY 2-18	TUESDAY 2-19	WEDNESDAY 2-20	THURSDAY 2-21	FRIDAY 2-22	TOTAL AMOUN
1. Meals/Per Diem	16 50	17 80	18 50	19 25	16 75	17 95	18 60	125.35
2. Lodging (1)								
3. Baggage Handling	2 00							2.00
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)								
TOTAL	18 50	17 80	18 50	19 25	16 75	17 95	18 60	127.35

(1) Receipt required where customary — attach to this report. (3) Enter purpose of Conference or Entertainment and number of persons in attendanc on reverse side. Attach Forms C-18A and C-18B as applicable.
(2) For Business Calls only.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
				TOTAL EXPENSES		$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
2/16	Beverly Hills Travel	LAX-Denver-Aspen-Grand Junction-LAX		$ 201.27
			CAL#227527	

REMARKS:

– EMPLOYEE TO PREPARE –		– ACCOUNTING USE ONLY –					
On Hand Beginning of Week	$ 300 00	PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA	EMPLOYEE'S SIGNATURE DATE
Advances Received From Company	170 00	[illegible]	[illegible]	[illegible]	$ 50 00		[signature]
From Others (Explain)	35	[illegible]	[illegible]	[illegible]	43 30		APPROVALS:
Accountable Total	$ 470 00		194-31		< 231 80	>	
Total Expenses Paid by Employee	127 35		194-32		< 201 27	>	
Advances to Others or Returned	[illegible]		194-35		< 50 00	>	APPROVED FOR PAYMENT [signature] 3/4/74
Amount Due Company	$ 342 65 carried forward						AUDITED BY (FINANCE) DATE [signature] 3/25/74
Amount Due Employee	$	☐ ISSUE REFUND $			JV NO.		

(See Reverse Side for Instructions)

3/25/74

...GE REPORT
...C-13 (R2-73)

Corporate
DIVISION

Northrop Corpora...

Prepare in INK or TYPEWRITER

Page 2 of 2

NAME: (LAST)	(1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DAT
Dennis	Ward B.	140	CC	28364	311		1 March 1974

PURPOSE:

Attend Symposium in Aspen, Colorado

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER

SALES ORDER | WPA NO

DATE OF DEPARTURE:

TIME OF DEPARTURE: ☐A ☐P

DATE OF RETURN

TIME OF RETURN: ☐A ☐P

ITEM	SHOW DATES	SATURDAY 2-23	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	TOTAL AMOUN
1. Meals/Per Diem		15 45							15.45
2. Lodging (1)									
3. Baggage Handling		2 00							2.00
4. Carfare and Taxi (1)									
5. Telephone and Telegraph (2)									
6. Transportation (1)		37 00	½ fee for shared rental car						37.00
7. Business Conferences (3)									
8. XXXXXXXXXXX		50 00	Membership Dues						50.00
9. Miscellaneous (1)	*	~~120 00~~	~~Initial Registration Fee~~						~~120.00~~
		50 00	Final Assessment						50.00
TOTAL		~~274 45~~ 154 45							~~274.45~~ 154.45

(1) Receipt required where customary — attach to this report.
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendan on reverse side. Attach Forms C-18A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
				TOTAL EXPENSES		$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM — TO)	VIA	AMOUNT
				$

REMARKS:

* Expensed directly to acct #035-05-140-140
Paid check 17547 - 2/11/74

— EMPLOYEE TO PREPARE —		— ACCOUNTING USE ONLY —				
On Hand Beginning of Week	$ ~~342 65~~ 224 65	PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA
Advances Received From Company					$	
From Others (Explain)						
Accountable Total	$ ~~342 65~~					
Total Expenses Paid by Employee	~~274 45~~					
Advances to Others or Returned	154 45					
Amount Due Company	$ 68 20					
Amount Due Employee	$	☐ ISSUE REFUND: $			JV NO.	

EMPLOYEE'S SIGNATURE DAT
W B Dennis

APPROVALS:

APPROVED FOR PAYMENT
[signature] 3/11

AUDITED BY (FINANCE) DAT
[signature] 3/25/74

(See Reverse Side for Instructions)

Corporate
DIVISION

Northrop Corpor.

Please type in INK or TYPEWRITER

TRAVELER (LAST)	(FIRST)	ORGN. NO.	EMPLOYEE NO.	CAT. NO.	TRIP NO.	WEEK ENDED
Dennis	Ward B.	140	28364	311		24 February 1973

PURPOSE: Business conferences in Aspen, Colorado

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER — SALES ORDER/ WBS NO.

DATE OF DEPARTURE: 2-17-73 19 — TIME OF DEPARTURE: 9:10

DATE OF RETURN: 2-25-73 19 — TIME OF RETURN: 4:20 pm

ITEM (SHOW DATES)	SUNDAY 2-18	MONDAY 2-19	TUESDAY 2-20	WEDNESDAY 2-21	THURSDAY 2-22	FRIDAY 2-23	SATURDAY	TOTAL AMOU
1. Meals/Per Diem	15 00	14 00	18 00	12 00	18 00	15 00		92
2. Lodging (1)	35 00	35 00	35 00	35 00	35 00	35 00		210
3. Baggage Handling	1 50					1 50		3
4. Carfare and Taxi (1)	10 00					10 00		20
5. Telephone and Telegraph (2)								
6. Transportation (1) Car Rental	10 00					10 00		20
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)								
TOTAL	71 50	49 00	53 00	47 00	53 00	71 50		$ 345

(1) Receipt required where customar
(2) For Business Calls only

PRIVATE AUTOMOBILE ITINERAR	A/C	SALES ORDER	CASH RQ.	DIST. $ AMOUNT	U.S. CODE	EFA/PROJECT
DENVER	1.94131			345 00 m		
DENVER	1.94132			112 00 m		

R.R. NO. OR APPROVAL — AUDIT BY

C/M — AUDIT DATE 3-15-73

EXPENSES TO BE PAID BY COMPAI
List amounts paid by or charged to

DATE	SUPPLIER	DESCRIPTION (FROM - TO)	VIA	AMOUNT
2-17	Beverly Hills Travel	LAX-Grand Junction-LAX	United Airlines	$ 112
			UA/A#428232	

REMARKS:

Group conference - prorate share of expenses per Deanne 3/15/73 fm

– EMPLOYEE TO PREPARE –		– ACCOUNTING USE ONLY –		
On Hand Beginning of Week	$	CODE	ACCOUNT NO.	AMOUNT
Advances Received From Company	300 00		CHARGES	$
From Others				
Accountable Total	$ 300 00			
Total Expenses Paid by Employee	345 00			
Advances to Others or Returned			CREDITS	$
Amount Due Company	$			
Amount Due Employee	$ 45 00			

EMPLOYEE'S SIGNATURE — DATE

APPROVALS: — DATE

APPROVED FOR PAYMENT — DATE 3/4/73

AUDITED BY (FINANCE) — DATE

(See Reverse Side for Instructions)

EXPENSE REPORT
(Form 4-71)

AIRCRAFT
DIVISION

NORTHROP
Northrop Corporate

Prepare in INK or TYPEWRITER

NAME: LAST (FIRST)	ORGN. NO.	EMPLOYEE NO.	EXT. NO.	TRIP NO.	WEEK ENDED
GASICH, W. E.	1000	80001	1102	1921	24 February 1973

PURPOSE:
Attend Aspenosium.

CHARGE TO: ☐ BUDGET ☐ DIRECT OR SALES ORDER
SALES ORDER, WORK NO.:
DATE OF DEPARTURE: 2/19 1973
TIME OF DEPARTURE: 2:30 p.m. ☐A. ☐P.
DATE OF RETURN 2/22 1973
TIME OF RETURN: 12 noon ☐A. ☐P.

ITEM	SHOW DATES	SUNDAY	MONDAY 2/19	TUESDAY 2/20	WEDNESDAY 2/21	THURSDAY 2/22	FRIDAY	SATURDAY	TOTAL AMOUN
1. Meals Per Diem				16.00	18.00				34.0
2. Lodging (1)			24.00	24.00	24.00				72.0
3. Baggage Handling									
4. Carfare and Taxi (1)									
5. Telephone and Telegraph (2)									
6. Transportation (1)									
7. Business Conferences (3)									
8. Entertainment (3)									
9. Miscellaneous (1)									
TOTAL			24.00	40.00	42.00				$ 106.0

(1) Receipt required where customary - attach to this report.
(2) For business calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE
				TOTAL EXPENSES	$

EXPENSES TO BE PAID BY COMPANY (Use an attachment if additional space is needed)
List amounts paid by or charged to Company by Air Travel Card, Gasoline Credit Card, etc. Attach duplicate receipts.

DATE	SUPPLIER	DESCRIPTION (FROM - TO)	VIA	AMOUNT
				$

REMARKS: No receipt - Room shared - Southern Hotel
per Folsom Ltr 3/1/73.

-- EMPLOYEE TO PREPARE --		-- ACCOUNTING USE ONLY --		
Unused Accountable Advances Received From Company	$	CODE	ACCOUNT NO.	AMOUNT
	50.00	CHARGES		$
From Others			877-01-1000	106.00
Accountable Total	$			
Total Expenses Paid by Employee	106.00			
Expenses to Others - Reimbursed		CREDITS		$
Amount Due Company			194-02	106.00
Amount Due Employee	56.00			

EMPLOYEE'S SIGNATURE: W. E. Gasich DATE: 2/22/73

APPROVALS:

DATE

APPROVED FOR PAYMENT: E. F. Folsom DATE: 2/24/73

AUDITED BY (FINANCE) DATE

,UTHORITY
(R. 8-71)

Ref: SPP's 2.6.10 and 2.6.12

TRIP No. 1921

(LAST)	(1ST INIT)	(2ND INIT)	EMPLOYEE NO.	DEPT NO.	SHIFT	DATE
GASICH,	W.	E.	80001	1000	1	16 February 1973

ADDRESS: 3517 Caribeth Drive, Encino, CA 91316

SOCIAL SECURITY NO.: 549-26-1454

HOME PHONE: (213)783-4805

CHARGE TO (MUST BE FILLED OUT)

CONTRACT NO. | SALES ORDER NO.

EMPLOYEE WILL BE PRESENT NORTHROP AS (OR PRESENTATIVE TITLE OR PRESENT POSITION): Corp VP & Gen Mgr

ACCOUNT NO. | WPA NO.

EMPLOYEE WILL PERFORM THE FOLLOWING DUTIES	LOCATION
Attend Aspenosium.	Aspen, Colorado

TRAVEL ITINERARY

ONE WAY ☒ ROUND TRIP | TRAVEL VIA: via G-I | TRAVEL DATES: FROM 2/19/73 THRU 2/22/73 | DEPARTURE TI: 2:30pm

CITY TO BE VISITED	COMPANY AND PERSON TO BE VISITED	BUSINESS	PERSONAL	MUST ARRIVE BY DATE / TIME	CAN LEAVE BY DATE / TIME	HOTEL OR SPECIAL REQUIREMENT
Aspen				2/19/73 pm	2/22/73 am	Aspen Alps Club
						(reservations have bee made)
	No Tickets					

TRAVEL EXPENSES

FOR TRAVEL EXPENSES ADVANCE THE EMPLOYEE $ ~~200~~ 50

NUMBER OF CHECKS: 41 $50 ☐ $100 ☐ $

PAYROLL CHECKS TO BE: ☐ HELD ☐ FORWARDED TO

DATE CHECKS REQUIRED: 2/19 - a.m.

CHECKS RECEIVED BY (SIGNATURE & EMPL NO.)

PREPARED BY: Pat Boies | EXT.: 1102 | MANAGER'S SIGNATURE

USE OF PERSONAL AUTOMOBILE

☐ BEST INTEREST OF COMPANY, REIMBURSE AT PREVAILING MILEAGE RATE

☐ ELECTION OF EMPLOYEE; REIMBURSE COST OF AIR COACH JET FARE

NOTE: RENTAL CAR INSURANCE IS NOT REQUIRED AS IT IS PROVIDED BY NORTHROP

DEPARTMENT MANAGER'S SIGNATURE

I HEREBY ACKNOWLEDGE THAT THE INFORMATION ABOVE IS CORRECT AND THAT I HAVE RECEIVED INSTRUCTIONS AND FORMS FOR PREPARING EXPENSE REPORTING. I UNDERSTAND THAT ALL EXPENSES MUST BE REPORTED WEEKLY ON FORM C-18, "EXPENSE REPORT." I FURTHER UNDERSTAND THAT NO EXPENSES INCURRED BY ME WILL BE REIMBURSED EXCEPT AS STIPULATED ABOVE.

EMPLOYEE'S SIGNATURE: W E Gasich | DATE: 2/16/73

COPIES: White - Accounts Payable & Travel, Pink - Customer Relations, Green - Employee, Goldenrod - Originating Dept.

...ORT

AIRCRAFT

DIVISION

Northrop Corporation

...K or TYPEWRITER

(LAST) (1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)
DARNELL, JR., Daniel	1000	65	12762	1671	23313	14 February 1975

...OSE:
Miscellaneous expenses incurred during Aspenosium '75, Aspen, Colorado

CHARGE TO ☐BURDEN ☐DIRECT OR ☐SALES ORDER | SALES ORDER NO. | WPA NO.

DATE OF DEPARTURE: 14 February 1975 | TIME OF DEPARTURE: 11:00 ☒A.M. ☐P.M.

DATE OF RETURN: 22 February 1975 | TIME OF RETURN: ☒A.M. ☐P.M.

ITEM (SHOW DATES)	SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY 14 Feb	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)							30.10	30.10
3. Baggage Handling							4.00	4.00
4. Carfare and Taxi Fare							2.50	2.50
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)							34.00	34.00
9. Miscellaneous (1)								
TOTAL							70.60	70.60

(1) Receipt required where customary – attach to this report
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-18A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
					TOTAL EXPENSES	$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
2/13	Bev. Hills Travel	LAX-DEN	Company Charge	$ 77.37

REMARKS:

– EMPLOYEE TO PREPARE –

On Hand Beginning of Week	$
Advances Received From Company	450.00
From Others (Explain)	
Account Due Total	$ 450.00
Total Expenses Paid by Employee	70.60
Advances to Others or Returned	
Amount Due Company	379.40
Amount Due Employee	

– ACCOUNTING USE ONLY –

PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA
			$	

☐ ISSUE REFUND $ | JV NO.

EMPLOYEE'S SIGNATURE DATE

APPROVALS:

WF Braid 3/10/75

APPROVED FOR PAYMENT

AUDITED BY (FINANCE) DAT

(See Reverse Side for Instructions)

ORT

Northrop Corporation

AIRCRAFT
DIVISION

K or TYPEWRITER

AST) (1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO	TRIP NO.	WEEK ENDED (FRI DATE)
ARNELL, JR., Daniel	1000	65	12762	1671	23313	21 February 1975

OSE:
Miscellaneous expenses incurred during Aspenosium '75, Aspen, Colorado

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER
SALES ORDER: WPA NO.
DATE OF DEPARTURE: 14 February 75
TIME OF DEPARTURE: 11:00 ☒ A.M. ☐ P.M.
DATE OF RETURN: 22 February 1975
TIME OF RETURN: ☒ A.M. ☐ P.M.

ITEM / SHOW DATES	SATURDAY 15 Feb	SUNDAY 16 Feb	MONDAY 17 Feb	TUESDAY 18 Feb	WEDNESDAY 19 Feb	THURSDAY 20 Feb	FRIDAY 21 Feb	TOTAL AMOUNT
Meals/Per Diem	8.75	8.75	8.75	8.75	8.75	8.75	8.75	61.25
Lodging (1)	25.00	25.00	25.00	25.00	25.00	25.00	25.00	175.00
Baggage Handling								
Carfare and Taxi (1)								
Telephone and Telegraph (2)								
Transportation (1) car rental							112.02	112.02
Business Conferences (3)								
Entertainment (3)								
Miscellaneous (1)	33.00	33.00	33.00	159.25	33.00	33.00	33.00	357.25
ski lift tickets		10.00	10.00	10.00	10.00		10.00	50.00
TOTAL	66.75	76.75	76.75	203.00	76.75	66.75	188.77	755.52

(1) Receipt required where customary — attach to this report
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-18A and C-18B as applicable.

RECEIVED MAR 13 1975

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
				TOTAL EXPENSES		$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
				$

RECORDED FOR ..... MAR 21 '75

REMARKS:

– EMPLOYEE TO PREPARE –		– ACCOUNTING USE ONLY – 376.12				
On Hand Beginning of Week	$ 379.40	PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA
Advances Received From Company			879.01	1000	$ 384.87	
From Others (Explain)			849.02	1000	357.25	
Accountable Total	$ 379.40		849.01	1000	50.00	
Total Expenses Paid by Employee	753.52		842.00	1000	34.00	
Advances to Others or Returned			194.02		950.00	
Amount Due Company	$					
Amount Due Employee	$ 376.12	☒ ISSUE REFUND. $ 376.12			JV NO.	

EMPLOYEE'S SIGNATURE DATE
Daniel Arnell
APPROVALS:
W E Bosick 3/1
APPROVED FOR PAYMENT
AUDITED BY (FINANCE) DAT

(See Reverse Side for Instructions)

AVEL AUTHORITY
n 25-105 (R. 3-74) Ref: SPP's 2-6.10 and 2-6.12

TRIP No. 23313

(LAST)	(1ST INIT)	(2ND INIT)	EMPLOYEE NO.	DEPT NO.	ZONE	SHIFT	DATE
DARNELL, JR.,	Daniel		12762	1000	65	1	21 January 75

ME ADDRESS	SOCIAL SECURITY NO.	CHARGE TO (MUST BE FILLED OUT)	
3305 Palos Verdes Drive, North Palos Verdes Estates, California 90274	465-18-8278 HOME PHONE (213) 375-4340	CONTRACT NO.	SALES ORDER NO.
PLOYEE WILL REPRESENT NORTHROP AS (REPRESENTATIVE TITLE OR PRESENT POSITION)		ACCOUNT NO.	WPA NO.
Director, Military Liaison			

EMPLOYEE WILL PERFORM THE FOLLOWING DUTIES	LOCATION
Discuss Northrop capabilities and interface with corporation executives and military personnel during '75 Aspenosium.	Aspen, Colorado
2/14 Depart UAL #574 11:45 a.m. 2/23 OPEN Arrive DEN 2/43 p.m.	
PAID BS 79.37 877-01-1000	

TRAVEL ITINERARY

ONE WAY / ROUND TRIP	TRAVEL VIA	TRAVEL DATES	DEPARTURE TIME
	Commercial Air	FROM 14 February THRU 23 February	11:45 AM PM

CITY TO BE VISITED	COMPANY AND PERSON TO BE VISITED	BUSINESS	PERSONAL	MUST ARRIVE BY DATE	MUST ARRIVE BY TIME	CAN LEAVE BY DATE	CAN LEAVE BY TIME	HOTEL OR SPECIAL REQUIREMENTS
Denver	Coordinate above	X		2/14	PM	2/15	AM	(303) 825-3111 Brown Palace
Aspen	Reference above	X		2/15	PM	2/23		Car Required Aspen Alps (303) 925-7833

TRAVEL EXPENSES

FOR TRAVEL EXPENSES ADVANCE THE EMPLOYEE $	NUMBER OF CHECKS	USE OF PERSONAL AUTOMOBILE
450.00	9 $50 ☐ $100 ☐ $	☐ BEST INTEREST OF COMPANY; REIMBURSE AT PREVAILING MILEAGE RATE
PAYROLL CHECKS TO BE ☐ HELD ☐ FORWARDED TO:		☐ ELECTION OF EMPLOYEE; REIMBURSE COST OF AIR COACH JET FARE
DATE CHECKS REQUIRED	CHECKS RECEIVED BY (SIGNATURE & EMPL NO.)	NOTE: RENTAL CAR INSURANCE IS NOT REQUIRED AS IT IS PROVIDED BY NORTHROP.
13 February 1975	25804	
PREPARED BY / EXT.	DEPARTMENT MANAGER'S SIGNATURE	AUTHORIZED MANAGER'S APPROVAL SIGNATURE
Julie / 1671		

I HEREBY ACKNOWLEDGE THAT THE INFORMATION ABOVE IS CORRECT AND THAT I HAVE RECEIVED INSTRUCTIONS AND FORMS FOR PROPERLY REPORTING EXPENSES. I UNDERSTAND THAT ALL EXPENSES MUST BE REPORTED WEEKLY ON FORM 6-18, "EXPENSE REPORT." I FURTHER UNDERSTAND THAT NO EXPENSES INCURRED BY ME WILL BE REIMBURSED EXCEPT AS STIPULATED ABOVE.

EMPLOYEE'S SIGNATURE _____ DATE _____

COPIES: White - Accounts Payable; Yellow - Travel; Pink - Customer Relations; Green - Employee; Goldenrod - Originating Dept.
Extra copies required - SPP's to be reproduced by Originator from Original White.

EXPENSE REPORT
(NAVAER-1 (Rev. 6-73))

AIRCRAFT
DIVISION

Northrop Corporation

Type in INK or TYPEWRITER

NAME: (LAST)	(1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)
DARNELL, JR.,	Daniel	1000	65	12762	1671	15282	1 March 1974

PURPOSE:

Miscellaneous Expenses Incurred During
Aspenosium '74, Aspen, Colorado

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER
SALES ORDER (WBS NO.)
DATE OF DEPARTURE:
TIME OF DEPARTURE ☐ A.M. ☐ P.M.
DATE OF RETURN
TIME OF RETURN: ☐ A.M. ☐ P.M.

ITEM (SHOW DATES)	SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)								
3. Baggage Handling								
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)								
TOTAL								

(1) Receipt required where customary – attach to this report (2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-184 and C-138 as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
				TOTAL EXPENSES		$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
2/24	Hertz Car Rental	DEN-ASPEN-DEN	Company charge	$ 60.74

REMARKS:

– EMPLOYEE TO PREPARE –

On Hand Beginning of Week	$
Advances Received From Company	
From Others (Explain)	
Accountable Total	$
Total Expenses Paid by Employee	
Advances to Others or Returned	
Amount Due Company	$
Amount Due Employee	$

– ACCOUNTING USE ONLY –

PRE CODE	ACCT'L CHARGE	SALES ORDER	AMOUNT	WPA
			$	

☐ ISSUE REFUND $ JV NO.

(See Reverse Side for Instructions)

EMPLOYEE'S SIGNATURE DATE
[signature] 3/4/74

APPROVALS:

[signature]
APPROVED FOR PAYMENT

AUDITED BY (FINANCE) DATE

REPORT
(8-73)
INK or TYPEWRITER

NORTHROP
Northrop Corporation

AIRCRAFT
DIVISION

(LAST)	(1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO	TRIP NO.	WEEK ENDED (FRI DATE)
DARNELL, JR.,	Daniel	1000	65	12762	1671		1 March 1974

PURPOSE:

Miscellaneous Expenses Incurred

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER

SALES ORDER: WPA NO

DATE OF DEPARTURE:

TIME OF DEPARTURE: ☐ A.M. ☐ P.M.

DATE OF RETURN

TIME OF RETURN: ☐ A.M. ☐ P.M.

ITEM / SHOW DATES	SATURDAY 2/23	SUNDAY 2/24	MONDAY 2/25	TUESDAY 2/26	WEDNESDAY 2/27	THURSDAY 2/28	FRIDAY 3/1	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)								
3. Baggage Handling								
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)					5.60			5.60
TOTAL					5.60			5.60

(1) Receipt required where customary - attach to this report
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-12A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
				TOTAL EXPENSES		$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
				$

REMARKS:

RECEIVED MAR 27

– EMPLOYEE TO PREPARE –	
On Hand Beginning of Week	$
Advances Received From Company	
From Others (Explain)	
Accountable Total	$
Total Expenses Paid by Employee	5.60
Advances to Others or (Direct)	
Amount Due Company	$
Amount Due Employee	$ 5.60

– ACCOUNTING USE ONLY –

PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA
847-02-1			$ 5.60	

☐ ISSUE REFUND $

JV NO MAR 29 1974

EMPLOYEE'S SIGNATURE DATE: Frank Darnell

APPROVALS:

W E Gosick

APPROVED FOR PAYMENT

AUDITED BY (FINANCE) DATE

(See Reverse Side for Instructions)

REPORT
(RR-73)

AIRCRAFT
DIVISION

Northrop Corporation

in INK or TYPEWRITER

(LAST)	(1ST INIT) (2ND INIT)	DEPT NO	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)
DARNELL, JR.,	Daniel	1000	65	12762	1671		1 March 1974

PURPOSE

Miscellaneous Expenses Incurred

CHARGE TO ☐ BURDEN ☐ DIRECT OR SALES ORDER

DATE OF DEPARTURE:

DATE OF RETURN

TIME OF DEPARTURE: ☐ A.M. ☐ P.M.

TIME OF RETURN: ☐ A.M. ☐ P.M.

ITEM / SHOW DATES	SATURDAY 2/23	SUNDAY 2/24	MONDAY 2/25	TUESDAY 2/26	WEDNESDAY 2/27	THURSDAY 2/28	FRIDAY 3/1	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)								
3. Baggage Handling								
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)					5.60			5.60 ✓
TOTAL					5.60			5.60

(1) Receipt required where customary – attach to this report
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Form C-18A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
					TOTAL EXPENSES	$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM TO)	VIA	AMOUNT
Paid	from Cashier's	Petty Cash Fund	3/21/74	$

REMARKS:

ACCOUNTS PAYABLE LIABILITY AND DISTRIBUTION FORM 39-69 (R3-67)

DUE DATE

VENDOR NO. 912762

INVOICE DATE 3-1

INVOICE NO

P.O. NO.

DISCOUNT AMOUNT $

CASH DISCOUNT $

DISC. CODE

DISC. TERMS

EXT. CHK'D

– EMPLOYEE

Beginning of Week

Advances Received From Company

	A/C	DIV.	SALES ORDER	DASH NO.	DIST. $ AMOUNT	C/C	EFA/PROJECT
From Others (Explai	19752				5.60		
Accountable Total							
Total Expenses Paid by Employee							

Advances to Other or Returned

Amount Due Compa

Amount Due Employee $ 5.60 ☐ ISSUE REFUND $

R.R. NO. OR APPROVAL

C/M

AUDIT BY

AUDIT DATE

JV NO. 20 1974

YEE'S SIGNATURE DAT

VALS:

ED FOR PAYMENT

ED BY (FINANCE) DA

REPORT
(48-131)
in INK or TYPEWRITER

Northrop Corporation

AIRCRAFT
DIVISION

(LAST) (1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)
DARNELL. JR.. Daniel	1000	65	12762	1671	15282	15 Feb. 1974

PURPOSE:
Miscellaneous Expenses Incurred During Aspenosium '74, Aspen, Colorado

CHARGE TO ☐BUILDIN ☐DIRECT OR ☐SALES ORDER
SALES ORDER
WPA NO.
DATE OF DEPARTURE: 15 Feb. 1974
TIME OF DEPARTURE ☐A.M. ☒P.M. 1:00
DATE OF RETURN 23 Feb. 1974
TIME OF RETURN: ☐A.M. ☐P.M.

ITEM (SHOW DATES)	SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY 2/15	TOTAL AMOUNT
a. Meals/Per Diem							✓	
b. Lodging (1)							✓59 13	59.13
c. Baggage Handling							✓5 00	5.00
d. Carfare and Taxi (1)								
e. Telephone and Telegraph (2)							✓2 24	2.24
f. Transportation (1)								
g. Business Conferences (3)								
h. Entertainment (3)								
i. Miscellaneous (1)							44 50	44.50
TOTAL							110 87	110.87

(1) Receipt required where customary – attach to this report
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-1EA and C-1BB as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE

TOTAL EXPENSES $

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
Any amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
2/14	Beverly Hills Travel	LAX-DEN-LAX	Company Charge	$ 145 91*
2/22	Universal Credit Co	DEN-LAX	Company Charge	22 00**

REMARKS:
*Unused portion (Aspen-DEN - $29.00) attached and new amount due listed.
**Upgraded to first class -- only seat available.

– EMPLOYEE TO PREPARE –

On Hand Beginning of Week	$
Advances Received From Company	300 00
From Others (Explain)	
Accountable Total	$ 300 00
Total Expenses Paid by Employee	110 87
Advances to Others or Returned	
Amount Due Company	$ 189 13
Amount Due Employee	$

– ACCOUNTING USE ONLY –

PRE CODE	ACCT CHARGE	SALES ORDER	AMOUNT	WPA
			$	

☐ ISSUE REFUND $ JV NO.

(See Reverse Side for Instructions)

EMPLOYEE'S SIGNATURE DATE
APPROVALS:
APPROVED FOR PAYMENT
AUDITED BY (FINANCE) DATE

REPORT
(8-73)
INK or TYPEWRITER

ISSUE CHECK
~~AIRCRAFT~~
DIVISION

(LAST)	(1ST INIT) (2ND INIT)	DEPT NO.	ZONE	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)
ARNELL, JR..	Daniel	1000	65	12762	1671	15282	22 Feb. 1974

PURPOSE:
Miscellaneous Expenses Incurred During Aspenosium '74, Aspen, Colorado

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER
SALES ORDER: WPA NO.
DATE OF DEPARTURE: 15 Feb. 1974
TIME OF DEPARTURE: 1:00 ☐ A.M. ☒ P.M.
DATE OF RETURN: 23 Feb. 1974
TIME OF RETURN: ☒ A.M. ☐ P.M.

ITEM / SHOW DATES	SATURDAY 2/16	SUNDAY 2/17	MONDAY 2/18	TUESDAY 2/19	WEDNESDAY 2/20	THURSDAY 2/21	FRIDAY 2/22	TOTAL AMOUNT
1. Meals/Per Diem	7 50	7 50	7 50	7 50	7 50	7 50	10 00	55.00
2. Lodging (1)	21 43	21 43	21 43	21 43	21 43	21 43	21 42	150.00
3. Baggage Handling							4 00	4.00
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)		10 00			30 00	10 00	10 00	60.00
Ski lift charges		10 00	10 00	10 00	10 00	10 00	10 00	60.00
TOTAL	28 93	48 93	38 93	38 93	68 93	48 93	55 42	329.00

(1) Receipt required where customary – attach to this report
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-18A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
						$
				TOTAL EXPENSES		$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
				$

REMARKS:

RECORDED MAR 28 74

– EMPLOYEE TO PREPARE –	
On Hand Beginning of Week	$ 189 13
Advances Received From Company	
From Others (Explain)	
Accountable Total	$ 189 13
Total Expenses Paid by Employee	329 00
Advances to Others or Returned	
Amount Due Company	$
Amount Due Employee	$ 139 87

– ACCOUNTING USE ONLY – 43789

PRE CODE	ACCT/ CHARGE	SALES ORDER	AMOUNT	WPA
	877-01-1000		$ 335 37	
	849-02-1000		104 50	

☐ ISSUE REFUND $
JV NO. MAR 19 1974

EMPLOYEE'S SIGNATURE DATE
[signature]

APPROVALS:
[signature]

APPROVED FOR PAYMENT

AUDITED BY (FINANCE) DA
[signature]

(See Reverse Side for Instructions)

EPORT

ISSUE CHECK

DIVISION

INK or TYPEWRITER

(LAST)	(1ST INIT)	(SOC SEC NO)	DEPT NO	ZONE	STATION	E. NO.	DIST NO.	SHIP NO.	WEEK ENDING
ARNELL, JR.,	Daniel		1000	66	127		1671	15282	24 Feb. 1974

URPOSE

Miscellaneous Expenses Incurred During Aspenosium '74, Aspen, Colorado

REASON FOR DIRECT P.O. (SUBORDINATE) ADVANCE

DATE OF DEPARTURE: 16 Feb. 1974

TIME OF DEPARTURE: 1:00

DATE OF RETURN: 23 Feb. 1974

TIME OF RETURN:

ITEM	SHOW DATES	SATURDAY 2/16	SUNDAY 2/17	MONDAY 2/18	TUESDAY 2/19	WEDNESDAY 2/20	THURSDAY 2/21	FRIDAY 2/22	AMOUNT
1. Meals/Per Diem		7 50	7 50	7 50	7 50	7 50	7 50	10 00	55 00
2. Lodging (1)		21 43	21 43	21 43	21 43	21 43	21 43	21 42	150 00
3. Baggage Handling								4 00	4 00
4. Carfare and Taxi (1)									
5. Telephone and Telegraph (2)									
6. Transportation (1)									
7. Business Conferences (3)									
8. Entertainment (3)									
9. Miscellaneous (1)			10 00			30 00	10 00	10 00	60.00
Ski lift charges			10 00	10 00	10 00	10 00	10 00	10 00	60.00
TOTAL		28 93	48 93	38 93	38 93	68 93	48 93	55 42	329.00

(1) Receipt required where customary – attach to this report (3) Enter purpose of Conference or Entertainment and number of persons entertained on reverse side. Attach Forms G-17A and G-17B where applicable.
(2) For Business Calls only.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	PRIVATE AUTO MILEAGE	TOTAL MILEAGE
				TOTAL MILEAGE	

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	AMOUNT

REMARKS

ACCOUNTS PAYABLE LIABILITY AND DISTRIBUTION
FORM 3149 (3-67)

DUE DATE

GROSS AMOUNT $

CASH DISCOUNT $

DISC. CODE

DISC. TERMS

EXT. CHK'R

EMPLOYEE TO ACCOUNT – VOUCHER NO. 712753

INVOICE DATE 2-22

On Hand Beginning of Week 189

INVOICE NO. 15282

Advances Received From Company

P.O. NO.

From Others (E. and M.)

	A/C	DIV.	SALES ORDER	WASH NO.	DIST. $ AMOUNT	C/G	EFFECTIVE
Accountable Total	189				139 87		
Total Expense	329						
Total Expense (Not Tax Deductible)							
Advances Returned							
Amount Due Company			W.R. NO. OR ACCT. NO.		AGENT BY		
Amount Due Employee	140		C/N		AGENT DATE		

AUTHORITY

Ref: SPP's 2-6.10 and 2-6.12

TRIP No. 15282

NAME (LAST)	(1ST INIT)	(2ND INIT)	EMPLOYEE NO.	DEPT NO.	SHIFT	DATE
NELL, JR.,	Daniel		12762	1000	1	16 January 1974

ADDRESS: 305 Palos Verdes Drive, North, Palos Verdes Estates, California 90274

SOCIAL SECURITY NO.: 465-18-8278

HOME PHONE: 375-4340

CHARGE TO (MUST BE FILLED OUT)

CONTRACT NO.

SALES ORDER NO.

EMPLOYEE WILL REPRESENT NORTHROP AS (REPRESENTATIVE TITLE OR PRESENT POSITION): Director, Military Liajson

ACCOUNT NO.: 174-02

WPA NO.

EMPLOYEE WILL PERFORM THE FOLLOWING DUTIES

Discuss Northrop capabilities and interface with corporation executives and military personnel during '74 Aspenosium.

LOCATION: Aspen, Colorado

2/15 Depart LAX via CO # 48 10:10 am.
Arrive Denver 1:08 pm

2/23 Depart Aspen via Aspen#410 8:20
Arrive DEN 8:55
Depart DEN via CO#921 10:45
Arrive LAX 1:55

AIRLINE 877-01-1000

TRAVEL ITINERARY

☐ ONE WAY ☒ ROUND TRIP | TRAVEL VIA: air | TRAVEL DATES: FROM 2/15/74 THRU 2/23/74 | DEPARTURE TIME: 10:10 A P

CITY TO BE VISITED	COMPANY AND PERSON TO BE VISITED	BUSINESS	PERSONAL	MUST ARRIVE BY DATE	MUST ARRIVE BY TIME	CAN LEAVE BY DATE	CAN LEAVE BY TIME	HOTEL OR SPECIAL REQUIREMENTS
Denver	to coordinate above	x		2/15	p.m.	2/16		Brown Palace 825-311 (303)
Aspen	re above	x		2/16		2/23		Aspen Alps Club 925-7 (303) car req'd

TRAVEL EXPENSES

FOR TRAVEL EXPENSES ADVANCE THE EMPLOYEE $ _____

NUMBER OF CHECKS: ☐ $50 ☐ $100 ☐ $

PAYROLL CHECKS TO BE: ☐ HELD ☐ FORWARDED TO:

DATE CHECKS REQUIRED: 14 February 1974

CHECKS RECEIVED BY (SIGNATURE & EMPL NO.)

PREPARED BY: Carol Ann EXT. 1671

MANAGER'S SIGNATURE

USE OF PERSONAL AUTOMOBILE

☐ BEST INTEREST OF COMPANY; REIMBURSE AT PREVAILING MILEAGE RATE

☐ ELECTION OF EMPLOYEE; REIMBURSE COST OF AIR COACH JET FARE

NOTE: RENTAL CAR INSURANCE IS NOT REQUIR AS IT IS PROVIDED BY NORTHROP.

DEPARTMENT MANAGER'S SIGNATURE: W E Bassett

I HEREBY ACKNOWLEDGE THAT THE INFORMATION ABOVE IS CORRECT AND THAT I HAVE RECEIVED INSTRUCTIONS AND FORMS FOR PROPERLY REPORTING EXPENSES. I UNDERSTAND THAT ALL EXPENSES MUST BE REPORTED WEEKLY ON FORM C-18, "EXPENSE REPORT." I FURTHER UNDERSTAND THAT NO EXPENSES INCURRED BY ME WILL BE REIMBURSED EXCEPT AS STIPULATED ABOVE.

EMPLOYEE'S SIGNATURE: [signature] DATE 1/16/74

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THORITY
8-71)

Revised 15282

TRIP No. [illegible]

Ref: SPP's 2-6.10 and 2-6.12

NAME (LAST)	(1ST INIT)	(2ND INIT)	EMPLOYEE NO.	DEPT NO.	SHIFT	DATE
NELL, JR.,	Daniel		12762	1000	1	11 February 1974

ADDRESS	SOCIAL SECURITY NO.	CHARGE TO (MUST BE FILLED OUT)	
305 Palos Verdes Drive, North	465-18-8278		
Palos Verdes Estates, California 90274	HOME PHONE 375-4340	CONTRACT NO.	SALES ORDER NO.

PLOYEE WILL REPRESENT NORTHROP AS (REPRESENTATIVE TITLE OR PRESENT POSITION)	ACCOUNT NO.	WPA NO.
Director, Military Liaison	194-02	

EMPLOYEE WILL PERFORM THE FOLLOWING DUTIES	LOCATION
Discuss Northrop capabilities and interface with corporation executives and military personnel during '74 Aspenosium.	Aspen, Colorado

2/15	Depart LAX via CO#48	10:10 a.m.	2/23	Depart Aspen#410	8:20 a.m.
	Arrive DEN	1:08 p.m.		Arrive DEN	8:55 a.m.
				Depart CO #921	10:45 a.m.
				Arrive LAX	1:55 p.m.

Airline 877-01-1000

TRAVEL ITINERARY

ONE WAY [X] ROUND TRIP	TRAVEL VIA	BUSINESS / PERSONAL	TRAVEL DATES	DEPARTURE TIME
	air		FROM 2/15/74 TO 2/23/74	10:10 AM PM

Y TO BE VISITED	COMPANY AND PERSON TO B
Denver	to coordinate above
Aspen	re above

ACCOUNTS PAYABLE LIABILITY AND DISTRIBUTION FORM 20-69 (R3-67)

DUE DATE 2-20		GROSS AMOUNT $	
VENDOR NO. 12762		CASH DISCOUNT $	
INVOICE DATE 2-11		DISC. CODE	DISC. TERMS
INVOICE NO. 15282			EXT. CHK'D
P.O. NO.			

A/C	DIV.	SALES ORDER	CASH NO.	DIST. $ AMOUNT	C/C	EFA/PROJEC
199.57				300.00		

R.R. NO. OR APPROVAL	AUDIT BY
D/M	C/M	AUDIT DATE

OR TRAVEL EXPENSES OVANCE THE EMPLOYEE $ 300	NUMBER OF CHECKS [6] $50 [ ] $100 [ ] $	USE OF PERSONAL AUTOMOBILE
ROLL CHECKS TO BE [ ] HELD [ ] FORWARDED TO:		[ ] BEST INTEREST OF COMPANY; REIMBURSE AT PREVAILING MILEAGE RATE
		[ ] ELECTION OF EMPLOYEE; REIMBURSE COST OF AIR COACH JET FARE
TE CHECKS REQUIRED 14 February 1974	CHECKS RECEIVED BY (SIGNATURE & EMPL NO.) [signature] 25285	NOTE: RENTAL CAR INSURANCE IS NOT REQUIRED AS IT IS PROVIDED BY NORTHROP.

EPARED BY	EXT.	MANAGER'S SIGNATURE	DEPARTMENT MANAGER'S SIGNATURE
Carol Ann	1671		[signature]

I HEREBY ACKNOWLEDGE THAT THE INFORMATION ABOVE IS CORRECT AND THAT I HAVE RECEIVED INSTRUCTIONS AND FORMS FOR PROPERLY REPORTING EXPENSES. I UNDERSTAND THAT ALL EXPENSES MUST BE REPORTED WEEKLY ON FORM C-10, "EXPENSE REPORT." I FURTHER UNDERSTAND THAT NO EXPENSES INCURRED BY ME WILL BE REIMBURSED EXCEPT AS STIPULATED ABOVE.

EMPLOYEE'S SIGNATURE [signature] DATE 2/11/74

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...NITY ... U ... TRIP No. 9807

Ref: SPP's 2-6.10 and 2-6.12

NAME (LAST)	(1ST INIT)	(2ND INIT)	EMPLOYEE NO.	DEPT NO.	SHIFT	DATE
...ELL, JR.,	Daniel		12762	1000	1	12 February 1973

ADDRESS	SOCIAL SECURITY NO.	CHARGE TO (MUST BE FILLED OUT)	
...05 Palos Verdes Drive, North ...alos Verdes Estates, California 90274	465-18-8278 HOME PHONE 375-4340	CONTRACT NO.	SALES ORDER NO.
		ACCOUNT NO.	WPA NO.

EMPLOYEE WILL REPRESENT NORTHROP AS (REPRESENTATIVE TITLE OR PRESENT POSITION)
Director of Military Liaison

EMPLOYEE WILL PERFORM THE FOLLOWING DUTIES	LOCATION
Discuss Northrop capabilities and interface with corporation executives and military personnel during '73 Aspenosium.	Aspen, Colorado

RECEIVED
FEB 13 1973
FINANCE
TRAVEL EXPENSE

TRAVEL ITINERARY

ONE WAY [x] ROUND TRIP | TRAVEL VIA: Air | BUSINESS | PERSONAL | TRAVEL DATES: FROM 2/17/73 THRU 2/24/73 | DEPARTURE TIME: 12:15 AM PM

CITY TO BE VISITED	COMPANY AND PERSON TO BE VISITED	BUSINESS	PERSONAL	MUST ARRIVE BY DATE	MUST ARRIVE BY TIME	CAN LEAVE BY DATE	CAN LEAVE BY TIME	HOTEL OR SPECIAL REQUIREMENT
Aspen	Above mentioned group	x		2/17	3:00p.	2/24	7:00p	Aspen Alps Club 303) 925-7820 car requested

TRAVEL EXPENSES

FOR TRAVEL EXPENSES ADVANCE THE EMPLOYEE $ 300.00 | NUMBER OF CHECKS: 6 $50 ... $100 ... $ ...

PAYROLL CHECKS TO BE [ ] HELD [ ] FORWARDED TO:

DATE CHECKS REQUIRED: 2/16/73

CHECKS RECEIVED BY (SIGNATURE & EMPL NO.)

PREPARED BY: Carol Ann Wilson | EXT.: 1671 | MANAGER'S SIGNATURE

USE OF PERSONAL AUTOMOBILE

[ ] BEST INTEREST OF COMPANY; REIMBURSE AT PREVAILING MILEAGE RATE

[ ] ELECTION OF EMPLOYEE; REIMBURSE COST OF AIR COACH JET FARE

NOTE: RENTAL CAR INSURANCE IS NOT REQUIRED AS IT IS PROVIDED BY NORTHROP

DEPARTMENT MANAGER'S SIGNATURE

I HEREBY ACKNOWLEDGE THAT THE INFORMATION ABOVE IS CORRECT AND THAT I HAVE RECEIVED INSTRUCTIONS AND FORMS FOR PROPERLY REPORTING EXPENSES. I UNDERSTAND THAT ALL EXPENSES MUST BE REPORTED WEEKLY ON FORM C-18, "EXPENSE REPORT." I FURTHER UNDERSTAND THAT NO EXPENSES INCURRED BY ME WILL BE REIMBURSED EXCEPT AS STIPULATED ABOVE.

EMPLOYEE'S SIGNATURE ... DATE 2/2/73

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...ENSE REPORT
...rm C-18 (R. 1-73)

AIRCRAFT
DIVISION

...pare in INK or TYPEWRITER

NAME: (LAST)	(1ST INIT)	(2ND INIT)	DEPT NO.	EMPLOYEE NO.	EXT NO.	TRIP NO.	WEEK ENDED (FRI DATE)
DARNELL, JR.,	Daniel		1000	12762	1671	9807	23 February '73

PURPOSE:

Miscellaneous expenses incurred

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER

SALES ORDER | WPA NO.

DATE OF DEPARTURE: 17 Feb. 1973

TIME OF DEPARTURE: 10:15 ☒ A.M. ☐ P.M.

DATE OF RETURN: 24 Feb. 1973

TIME OF RETURN: 12:15 ☐ A.M. ☒ P.M.

ITEM / SHOW DATES	SATURDAY 2/17	SUNDAY 2/18	MONDAY 2/19	TUESDAY 2/20	WEDNESDAY 2/21	THURSDAY 2/22	FRIDAY 2/23	TOTAL AMOUNT
1. Meals/Per Diem								
2. Lodging (1)	35.00	35.00	35.00	35.00	35.00	35.00	35.00	245.00
3. Baggage Handling								
4. Carfare and Taxi (1)								
5. Telephone and Telegraph (2)								
6. Transportation (1)								
7. Business Conferences (3)								
8. Entertainment (3)								
9. Miscellaneous (1)		9.00	9.00	9.00	9.00	9.00	9.00	54.00
TOTAL	35.00	44.00	44.00	44.00	44.00	44.00	44.00	299.00

(1) Receipt required where customary – attach to this report.
(2) For Business Calls only.
(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side. Attach Forms C-18A and C-18B as applicable.

PRIVATE AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE
					$
				TOTAL EXPENSES	$

EXPENSES TO BE PAID BY NORTHROP (Use an attachment if additional space is needed)
List amounts charged to Northrop by Air Travel Card, Gasoline Credit Card, etc. Attach original receipts.

DATE	SUPPLIER	DESCRIPTION (FROM – TO)	VIA	AMOUNT
2/16	Continental Airlines	LAX-DEN	Co. charge	$ 69
~~2/23~~	~~United Airlines~~	~~Gr. Junction-LAX~~ BNYR	Co. charge	73
2/25	Avis Rental	DEN-Aspen-DEN area	Co. charge	75

REMARKS: *DEN-LAX portion (shown on receipt) returned unused -- departed from Gr. Juncti

**1st class only available class of service from Grand Junction.

– EMPLOYEE TO PREPARE –	
On Hand Beginning of Week	$
Advances Received From Company	300.00
From Others (Explain)	
Accountable Total	$ 300.00
Total Expenses Paid by Employee	299.00
Advances to Others or Returned	
Amount Due Company	$ 1.00
Amount Due Employee	$

EMPLOYEE'S SIGNATURE: [signature] DATE

APPROVED FOR PAYMENT: [signature] 3/

– ACCOUNTING USE ONLY –

DUE DATE	A/C	SALES ORDER	DIST $ AMOUNT	WPA
EMPL NO.	849.02	1000	54.00	
	877.01	1000	245.00	
W/E DATE				
TRIP NO.	194.02		299.00	

JV NO. 3-4 ☐ ISSUE REFUND: $ AUDITED BY: [signature] 3/2

(See Reverse Side for Instructions)

NORTHROP
Northrop Corporation

AIRCRAFT
DIVISION

...PEWRITER

(FIRST)	ORGN. NO.	EMPLOYEE NO.	EXT. NO.	TRIP NO.	WEEK ENDED
Daniel Jr.	1920	12762	1671		18&25 Feb. & 3 March 1972

CHARGE TO: ☐ BURDEN ☐ DIRECT OR SALES ORDER — SALES ORDER — WPA NO.

Customer Relations Trip
Aspenosium

DATE OF DEPARTURE: 18 February 1972 — TIME OF DEPARTURE: 11:30 ☒ A.M. ☐ P.M.

DATE OF RETURN: 26 February 1972 — TIME OF RETURN: 3:30 ☐ A.M. ☒ P.M.

ITEM	SHOW DATES	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY 2-18	SATURDAY 2-19	TOTAL AMOUNT
...ts, Per Diem							5 14		5 14
...ing (1)							14 98	25 00	39 98
...age Handling & tips							2 00		2 00
...re and Taxi (1)									
...one and Telegraph (2)									
...portation (1)									
...ness Conferences (3)									
...rtainment (3)									
...ellaneous (1)									
TOTAL							22 12	25 00	$ 47 12

...ipt required where customary - attach to this report. ...E... Calls only.

(3) Enter purpose of Conference or Entertainment and number of persons in attendance on reverse side.

...E AUTOMOBILE ITINERARY AND MILEAGE WHILE IN TRAVEL STATUS (Use an attachment if additional space is needed)

FROM	DATE	TO	DATE	TRIP MILEAGE	TOTAL MILEAGE	
	2-18	LAX	2-18	6.2		
	"	A/C	"	6.3	12.5	$
				TOTAL EXPENSES		$ 1 25

...SES TO BE PAID BY COMPANY (Use an attachment if additional space is needed)
...ounts paid by or charged to Company by Air Travel Card, Gasoline Credit Card, etc. Attach duplicate receipts.

48.37 pr

SUPPLIER	DESCRIPTION (FROM - TO)	VIA	AMOUNT
Continental Airlines	LAX - DEN - LAX	Co Chg	$ 134 00
~~Aspen Airways~~	~~ASPEN - DEN~~	~~ATC~~	~~$ 27 00~~
	DEN to ASPEN (1/2 car rental)	Chg*	75 23

...KS: *Car Rental bill to be forwarded upon receipt

— EMPLOYEE TO PREPARE —		— ACCOUNTING USE ONLY —		
...ing of Week	$ 160 44	CODE	ACCOUNT NO.	AMOUNT
...es Received ...m Company	500 00		CHARGES	$
...m Others				
...table Total	$ 660 44			
...xpenses ...by Employee	48 37			
...ences to Others ...Returned			CREDITS	$
...Due Company	$ 612 07			
...Due Employee	$			

EMPLOYEE'S SIGNATURE: Daniel Darnell — DATE: 2-3

APPROVALS: Daniel Darnell, Jr.

[signature] 4/9/72 — DATE

MAR 2 ... 1972

APPROVED FOR PAYMENT — DATE

[signature] 3-4

AUDITED BY (FINANCE) — DATE

(See Reverse Side for Instructions)

Question 3. Please provide for the record any correspondence between the Department of Defense and the company regarding the placement of Bobby Dale Patterson in the Executive Interchange position with the company. Did the company request an individual from this program? If so, did the company specify what type of individual it would desire? Were there any precautions taken to guard against any conflicts of interest?

Answer. There was no correspondence between the Department of Defense and the corporation regarding the placement of Bobby Dale Patterson. The corporation did not request an individual from the Executive Interchange Program. Rather, the President's Commission on Personnel Interchange initiated Mr. Patterson's hiring by submitting to the corporation the biographical forms of the individuals nominated for participation in the Program, including Mr. Patterson. Subsequently, the Assistant Executive Director of the Commission arranged for the corporation to interview Mr. Patterson. While at Northrop, precautions were taken by Mr. Patterson and the corporation to avoid conflicts of interest.

APPENDIX IV A

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

JAN 22 1970

Honorable William Proxmire
United States Senate
Washington, D. C. 20510

Dear Senator Proxmire:

This letter is in response to yours of December 10th which requested certain information concerning the Department of Defense inquiry into the acceptance of gratuities by DoD personnel from the Northrop Corporation at its Eastern Shore hunting facility.

The criteria used by the Department of Defense and the military Services for deciding the officials to whom admonitions would be sent was that military personnel who attended the facility while on active duty and civilian personnel who attended the facility while permanently employed and are still employed by the Department of Defense would be admonished. The determinations to send letters of admonition to the personnel of each Department of Defense component were made respectively by the Deputy Secretary of Defense, the Secretary of the Air Force and the Chief of Naval Operations.

I am enclosing a list of those individuals who were sent letters of admonition. The list indicates the DoD component and position of the personnel at the time of their attendance at the facility with the exception of one ongoing Army case. The Army Inspector General has conducted a full investigation of the one individual alleged to have attended the Northrop hunting facility and the report is nearly complete. We will inform you of the Army's determination as soon as the investigation and review are concluded.

In addition, I am enclosing a letter illustrative of those sent by

the Services and the Office of the Secretary of Defense to those individuals who attended the Northrop hunting facility.

Sincerely yours,

Enclosure

DEPARTMENT OF THE AIR FORCE

Attended (Cont.)

Lt. General Austin J. Russell - reimbursed Northrop for lodging and food
Assistant Vice Chief of Staff, HQ USAF

Lt. General Dale S. Sweat
Vice Commander, Tactical Air Command, Langley AFB, Va.

General Horace M. Wade - reimbursed Northrop for lodging and food
Chief of Staff, SHAPE
Vice Chief of Staff, HQ USAF

DEPARTMENT OF THE AIR FORCE

Attended (cont.)

Major General Clyde Box (Ret.)
Deputy Inspector General, HQ USAF

General David A. Burchinal (Ret.)
Deputy Commander in Chief, European Command

Major General Ernest T. Cragg (Ret.)
Director of Programs, Deputy Chief of Staff/Programs & Resources, HQ USAF

Lt. General Duward L. Crow (Ret.) - reimbursed Northrop for lodging and food
Comptroller of the Air Force

Major General Homer K. Hansen (Ret.)
Vice Commander, Aeronautical Systems Division, Air Force Systems Command, Wright-Patterson AFB

Colonel Edward J. Kohlmeier (Ret.)
Office of the Deputy Chief of Staff/Plans & Operations, HQ USAF

Colonel James W. Mathews
12th Missile Warning Squadron, APO New York 09023

Lt. General John B. McPherson
Commandant, National War College, Fort McNair

Major General Nils O. Ohman
Commander, Headquarters Command, Bolling AFB

Lt. General Robert A. Patterson
Surgeon General

Major General Harold L. Price
Director, Military Assistance & Sales, Deputy Chief of Staff/ Systems & Logistics, HQ USAF

DEPARTMENT OF THE AIR FORCE

Attended

John G. Tutko
Chief, Headquarters Recreation Service
Directorate of Administration, Headquarters, USAF

Richard J. Borda - reimbursed Northrop for lodging and food
Assistant Secretary of the Air Force
(Manpower and Reserve Affairs)

David R. S. McColl
Deputy for Research, Office of the Assistant Secretary of
the Air Force (Research and Development)

General Robert J. Dixon - reimbursed Northrop for lodging and food
Deputy Chief of Staff/Personnel, HQ, USAF
Commander, Tactical Air Command, Langley AFB, Va.

Colonel Delbert H. Jacobs
Office of the Deputy Chief of Staff/Research and Development
HQ USAF

Brigadier General Thomas M. Knoles
Commander, 354th TFW, Myrtle Beach AFB, SC

Colonel J. D. Moore
Office of the Deputy Chief of Staff/Research and Development
HQ USAF

Major General Charles C. Pattillo
Assistant Deputy Chief of Staff/Systems & Logistics,
HQ USAF

Major General John J. Pesch
Deputy Director, Air National Guard, Pentagon

Brigadier General Kermit Q. Vandenbos
Commander, Malcolm Grow USAF Medical Center,
Andrews AFB, Maryland

OFFICE OF THE SECRETARY OF DEFENSE

Attended

Eric von Marbod
Comptroller, Defense Security Assistance Agency

DEPARTMENT OF THE NAVY

Attended (Cont.)

Captain Macon S. Snowden, USN (Ret.)
Head Aircraft and Weapons Requirements Branch
Office of the Chief of Naval Operations, Washington, D. C.

Commander Geoffrey G. Strange, USN
Naval Supply System Command
Member, Inspector General's Team

Admiral John P. Weinel, USN
Director J-5, Plans and Policy
Office of the Joint Chiefs of Staff, Washington, D. C.

Captain Wynn V. Whidden, USN (Ret.)
Deputy Director Aviation Plans and Requirements Division
Office of the Chief of Naval Operations, Washington, D. C.

DEPARTMENT OF THE NAVY

Attended

Vice Admiral Frederic A. Bardshar, USN (Ret.)
Director, Tactical Electromagnetic Programs Division
Office of Chief of Naval Operations, Washington, D. C.

Rear Admiral George G. Halvorson, USN (Ret.)
Deputy Commander for Systems Acquisitions
Ordnance Systems Command, Washington, D. C.

Vice Admiral William D. Houser, USN
Deputy Chief of Naval Operations for Air Warfare
Washington, D. C.

Admiral Means Johnston, Jr., USN (Ret.)
Naval Inspector General
Office of the Chief of Naval Operations, Washington, D. C.

Captain Humphrey B. Lansden, USN
Assistant Head, Aircraft and Weapons Requirements Branch
Office of the Chief of Naval Operations, Washington, D. C.

Rear Admiral Thomas R. McClellan, USN (Ret.)
Commander, Naval Air Systems Command
Washington, D. C.
(Reimbursed Northrop for lodging and food)

Vice Admiral Joseph P. Moorer, USN
Director, Strategic Plans and Policy Division
Office of the Chief of Naval Operations, Washington, D. C.
Commander, Carrier Group SIX

Rear Admiral William H. Shawcross, USN (Ret.)
Assistant Deputy Chief of Naval Operations for Logistics
Washington, D. C.

Admiral Harold E. Shear, USN
Director, Anti-Submarine Warfare and Tactical Electromagnetic
Programs Division, Office of the Chief of Naval Operations
Washington, D. C.

MARINE CORPS

Major General Marion E. Carl, USMC (Ret.)
Inspector General, U.S. Marine Corps

Major General Arthur H. Adams, USMC (Ret.)
Deputy Commanding General, Fleet Marine Force, Pacific;
Deputy Chief of Staff, Commander in Chief, Atlantic

Dear :

It has been determined that you accepted several invitations to go hunting at a Northrop-sponsored facility. Such actions are contrary to well-publicized Department of Defense regulations prohibiting acceptance of gratuities from Defense contractors. Even in cases in which a technical violation of the regulations does not exist, such practices create the appearance of a conflict of interest which tends to undermine public confidence in the very high standards all Department of Defense personnel are expected to uphold.

All Defense Department personnel, as guardians of the public trust, must conduct themselves in such a manner that will insure that the public has confidence in the integrity of the Government. All personnel are required to refrain from any activity which directly or indirectly places or even appears to place them in a position of conflict between their private interests and the public interests of the United States.

To maintain the public trust, our relationships with Defense contractors must be above reproach, and we must demonstrate impartiality and objectivity in all dealings with contractors. In particular, acceptance of gratuities creates an image which is inconsistent with this standard.

While I understand that there is no evidence of any improper influence as a result of your attendance at the Northrop facility, nevertheless, I must admonish you for your lack of judgment involved in accepting several invitations which reflect adversely on the Department of Defense and caution you against a recurrence of this situation in the future.

Sincerely,

APPENDIX IV B

DEPARTMENT OF DEFENSE

FINAL REPORT

of the

TASK FORCE TO ENHANCE THE AUDIT OF CONTRACTORS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

COMPTROLLER

January 5, 1976

MEMORANDUM FOR DEPUTY SECRETARY OF DEFENSE

SUBJECT: Task Force to Enhance the Audit of Contractors - ACTION MEMORANDUM

As a result of disclosures concerning the activities of certain Defense contractors, the Secretary of Defense directed the establishment of a Task Force to develop recommendations which would enhance the effectiveness of DoD safeguards against reimbursement for improper expenditures.

Enclosed is the final report of this Task Force which sets forth the conclusions of its review and recommendations for improved procedures. Your approval of implementing action is requested.

Terence E. McClary
Assistant Secretary of Defense

Enclosure

APPROVED:

_____
William P. Clements, Jr.
Deputy Secretary of Defense

FINAL REPORT

TASK FORCE TO ENHANCE EFFECTIVENESS OF DOD SAFEGUARDS
AGAINST REIMBURSING DEFENSE CONTRACTORS FOR IMPROPER EXPENDITURES

I. BACKGROUND

As a result of disclosures publicized in the press and elsewhere concerning the activities of the Northrop Corporation and other Defense contractors relating to payment of consultant fees, agents' commissions, entertainment of Government personnel, etc., the Secretary of Defense requested the Assistant Secretary of Defense (Comptroller) to head a task force. The task force was to develop recommendations which would enhance the effectiveness of DoD safeguards against reimbursing Defense contractors for improper expenditures.

The task force held its first meeting on 7 October 1975. It also met on six other occasions, during which it reviewed a wide spectrum of actions which might be taken to accomplish its purpose.

II. MEMBERSHIP

Terence E. McClary, Assistant Secretary of Defense(C), Chairman, appointed the following members to the task force:

H. A. Hull, Assistant Secretary of the Army(FM)
G. D. Penisten, Assistant Secretary of the Navy(FM)
A. Bueter, Acting Assistant Secretary of the Air Force(FM)
B. B. Lynn, Director, DCAA
F. S. Sato, DASD(Audit), OASD(C)
D. R. Babione, DASD(Procurement), OASD(I&L)

III. CONCLUSIONS AND RECOMMENDATIONS

Our conclusions and recommendations are set forth below and in the accompanying attachments. The recommendations will be implemented upon approval by the Deputy Secretary of Defense. More detailed implementing instructions for items B, E, G, and I are required after the Deputy Secretary's approval; these will be submitted to the task force for final approval prior to formalization.

A. VISIBILITY ON FINAL COST DETERMINATIONS - The task force considered ways of increasing the visibility, at the OSD level, of final cost decisions made in connection with Defense procurement and recommends a procedure similar to that in effect in DoD some years ago stemming from a General Accounting Office suggestion. This procedure required DCAA to report instances where significant amounts questioned or considered unallowable by auditors were reinstated or allowed by contracting officers. It was designed to afford high-level departmental officials an opportunity to consider auditor-contracting officer differences involving large dollar amounts or important principles.

The previous procedure resulted in approximately 12 significant reports per year submitted to departmental levels. Therefore, it is not anticipated that a large administrative effort will be required. The task force recommends the procedure set forth in TAB A be published as a Department of Defense Instruction.

B. ASPR PROVISIONS CONCERNING CONSULTANTS' COSTS - DASD(Procurement) advised the task force he had requested the ASPR Committee to review all ASPR Section XV cost principles in light of the recent disclosures and effect appropriate changes. The preliminary views of the task force concerning professional and consultant service costs were communicated to the ASPR Committee by DASD(P). (See TAB B.) The task force later concluded that the following changes should be made:

1. Except for certain retainers, consultants' fees will be allowable only when there is evidence that services were actually rendered.

2. Payments for retainers will be allowed on a showing that the services were necessary, customary, and the level of past services justifies the retainer. In addition, there should be a showing that the retainer is cost effective compared with the cost of maintaining an in-house capability.

3. The present CWAS designation of the cost principle will be changed to CWAS-NA.

DASD(P) will notify the Chairman of the ASPR Subcommittee to develop the implementing language and submit the proposed ASPR revision to the task force for final approval.

C. CONTRACTOR CERTIFICATION REGARDING UNALLOWABLE COSTS - The task force extensively discussed the need and desirability of obtaining a one-time certification from contractors that they did not claim reimbursement for costs of entertaining Government employees. We concluded such an action would be desirable and recommend the letter contained in TAB C, requiring such certification, be signed by the Deputy Secretary of Defense and sent to all major Defense contractors with significant negotiated procurement.

D. AUDITOR AND ADMINISTRATIVE CONTRACTING OFFICER ROTATION - The task force reviewed the policy and practices on the rotation of auditors and other personnel in residence at contractor plants. It ascertained that the DCAA has a policy of rotating its resident auditors every 5 years; any exceptions to this policy must be personally approved by the Director of DCAA, and only four such exceptions have been allowed. The task force also learned that DCAA had initiated action to extend this rotation policy to levels below the resident auditor. It concluded DCAA efforts in this area were completely adequate.

The policy and practices regarding the rotation of administrative contracting officer personnel in contract administrative organizations were mixed and past efforts to enforce mandatory rotation of these people have not been very successful. The task force, therefore, recommended the Assistant Secretary of Defense(I&L) emphasize the importance of an effective rotation policy to all DoD contract administrative organizations and urge positive action to initiate and maintain such a policy. The ASD(I&L) implementing memorandum is in TAB D.

E. CONTRACTOR WEIGHTED AVERAGE SHARE (CWAS) IN COST RISK - The task force reexamined the CWAS concept and procedures and concluded certain changes should be made:

1. The DASD(P) will take immediate steps to change and simplify the procedure by making the sole criteria for CWAS qualification the ratio of commercial work and Government competitive firm fixed price work to total work. A threshold of 75 percent will be established as the CWAS qualification level.

2. Guidelines will be developed covering the use of CWAS at corporate and intermediate groups and the relationship of CWAS to Public Law 87-653 (Truth in Negotiation) and Public Law 91-379 (Cost Accounting Standards).

3. Consideration will be given to excluding special purpose groups, such as "Washington offices," from CWAS coverage.

The CWAS evaluation group will evaluate the effectiveness of the revised CWAS procedure. Before the end of 1976, it will recommend to the task force whether the modified concept should be continued, further changed, or completely eliminated. (See TAB E.)

F. AUDIT RESPONSIBILITY TO REVIEW UNCLAIMED COSTS - The task force reviewed the present DCAA policy concerning the audit responsibility for unallowable costs incurred by contractors but not claimed or charged to Government contracts. DCAA considers it is responsible for reviewing only those costs charged against Government contracts but would report any significant irregularities disclosed during the normal course of its reviews.

The task force concluded the present DCAA policy seemed appropriate. (See TAB F.) However, this policy is being carefully reviewed by DCAA during the current audits of contractor Washington offices discussed in item H. below. Contractors generally do not voluntarily exclude corollary costs such as employees' salaries, occupancy and other costs associated with unallowable activities (entertaining, lobbying, etc.). Previous audits performed by DCAA indicate it is difficult to identify such corollary costs without some knowledge of the unallowable functions performed. DCAA will submit a recommendation to the task force for a continuation or modification of its present policy upon completion of the special reviews of contractor Washington offices.

G. ASPR PROVISIONS TO IDENTIFY UNALLOWABLE COSTS - The task force considered the desirability of incorporating Cost Accounting Standard 405, Accounting for Unallowable Costs, into Part 2 of ASPR XV. This standard requires contractors to exclude from CAS covered contracts costs which are expressly unallowable or mutually agreed to be unallowable (including corollary costs) from any billing, claim, or proposal applicable to a Government contract. Incorporating CAS 405 as an ASPR requirement would emphasize the contractor's responsibility, provide a consistent policy for all contracts, and probably increase contractor identification and exclusion of unallowable costs of the type discussed in recent disclosures concerning activities of some Defense contractors.

The task force recommends that CAS 405 be incorporated into the ASPR as suggested in the proposal set forth in TAB G. In addition, the detail and depth of access to records (pertaining to unclaimed cost) required under CAS 405 will be pursued during the review of contractor Washington offices. (See items F and H.)

H. REVIEW OF CONTRACTOR WASHINGTON OFFICES - In the past, Washington office expenses of major Defense contractors were screened by DCAA incident to its audits of those companies' corporate office expenses, and tested to the extent commensurate with the amounts allocated to Government contracts. Under this policy, DCAA generally did not perform detailed audits of Washington office expenses in the light of cost/benefit and materiality considerations.

In view of recent disclosures relating to entertainment and lobbying activities at some of the Washington offices, DCAA initiated special reviews at the Washington offices of eight major contractors. The results of these reviews will be studied by DCAA and conclusions reached regarding the desirability of expanding its audit effort in this area after considering its total audit responsibilities and manpower resources. The task force considered whether increased audit resources should be expended on audits of Washington offices of Defense contractors. We concluded we could best reach a decision after DCAA completed its current special reviews and presented its recommendations.

I. SETTLEMENT OF OVERHEAD COSTS - The task force reviewed DoD's present methods of establishing final overhead reimbursements and considered ways of improving DoD posture on cost allowability by devising methods which would increase the visibility of specific cost determinations. Extensive discussions were held on the pros and cons of overhead settlement by centralized and decentralized negotiation and audit determination. The task force concluded that criteria should be developed and used as guides in determining the most suitable overhead settlement methods. Inasmuch as considerable study at Washington and field levels would be required to accomplish this job, the task force requested DASD(P) and DASD(Audit) to assume this task and report their findings and suggestions. Upon receipt of their report, the task force will submit its final recommendation to the Deputy Secretary of Defense.

Until a final decision is reached by the Department of Defense, the task force recommends that no further changes be made and existing methods of overhead settlement be retained at contractor sites.

The Pentagon

January 5, 1976

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B. ASPR PROVISIONS CONCERNING CONSULTANTS' COSTS - TAB B

C. CONTRACTOR CERTIFICATION REGARDING UNALLOWABLE COSTS -TAB C

D. AUDITOR AND ADMINISTATIVE CONTRACTING OFFICER ROTATION TAB D

E. CONTRACTOR WEIGHTED AVERAGE SHARE (CWAS) IN COST RISK - TAB E

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G. ASPR PROVISIONS TO IDENTIFY UNALLOWABLE COSTS - TAB G

PROCEDURE FOR PROVIDING VISIBILITY TO OSD
ON SIGNIFICANT AUDIT FINDINGS NOT SUSTAINED

I. BACKGROUND

The task force was requested to develop a procedure which would provide visibility to OSD on significant cost decisions involving disagreements between contract auditors and contracting officers.

II. PURPOSE

The procedure set forth below is designed to enhance audit effectiveness, provide appropriate internal controls within DoD, and insure that OSD and the appropriate offices in the military departments are knowledgeable of significant costs questioned by auditors but allowed by contracting officers. The procedure provides for reporting on an after-the-fact basis so that contracting officer decisions and related procurement actions will not be delayed.

III. PROCEDURE

A. Defense Contract Audit Agency

This procedure requires special reports on significant problem areas or controversial situations arising from contract audits. Significant problem areas or controversial situations are defined as costs questioned exceeding $100,000 or costs allocable to Government contracts exceeding $50,000 which are questioned by auditors but reinstated by contracting officers without mutual agreement on the principles involved or the underlying rationale. These dollar thresholds are to be used as a guide and are not intended to preclude the reporting of lesser amounts of reinstatements involving significant cost principles or procurement policy. Prior to submission of an item under this procedure, the field audit office should make an attempt to resolve differences with the cognizant contract administration or procurement office before they become matters requiring reporting to higher levels.

DCAA regional offices will review reports submitted by field audit offices, discuss and resolve differences with its procurement counterpart, where possible, and where the regional manager considers further reporting by DCAA Headquarters is appropriate, such recommendation will be included in the forwarding report.

Headquarters DCAA will maintain a complete listing of all submissions and determine whether the report justifies submission to the OSD level. This determination will be based on the significance of the principle involved, the dollar amount involved, and the sensitivity of the subject. Prior to submitting an item to OSD, DCAA Headquarters will discuss and resolve, if possible, the matter with its procurement level counterpart.

In those cases where DCAA Headquarters refers an audit finding to Office of the Assistant Secretary of Defense (Comptroller), a copy of the referral will be provided to the Assistant Secretary of Defense (Installations and Logistics) and to the appropriate office of the military department involved in the report.

B. Office of the Assistant Secretary of Defense (Comptroller)

Audit findings referred under this procedure will be reviewed to determine if the matter is of such significance that it should be brought to the attention of the Secretary of Defense. Periodically, as merited by the volume of activity under this procedure, DCAA will prepare a report to the Assistant Secretary of Defense (Comptroller) summarizing the number, type, cost element(s) involved and final disposition of all reports received by DCAA Headquarters under this procedure. A copy will be provided to the Assistant Secretary of Defense (I&L).

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

INSTALLATIONS AND LOGISTICS

10 NOV 1975

MEMORANDUM FOR Chairman, ASPR Committee

SUBJECT: Retainer Fees for Professionals and Consultants

Discussion by the "Task Force to Enhance the Audit of Contractors", chaired by Assistant Secretary McClary, indicates that it is the view of the group that fees paid to professionals and consultants must represent actual services provided, and that fees paid in the form of retainers for potential services or for stand-by in anticipation of possible services should be unallowable. In addition, they believe this should be considered a "CWAS-NA" item in all cases. As a cost item, such a fee is specifically covered in 15-205.31(c), but other cost principles to which such a fee might be allocated may be involved.

It is requested that the ASPR Committee consider the views of the Task Force and the necessary action to accomplish them unless there are compelling reasons for not doing so. If there are strong reasons for not designating retainer fees as unallowable, I should be advised promptly and provided with the specific reasons or rationale. It will be necessary for me to discuss this matter further with the Task Force if action is not taken to make the cost unallowable.

Please make this a high priority matter, and advise me as soon as possible of the time schedule for accomplishment, if that course of action is feasible. It would appear that a DPC item would be appropriate to publish the results, if action is taken.

Dale R. Babione

DALE R. BABIONE
Deputy Assistant Secretary
of Defense (Procurement)

Chief Executive Officer
XYZ Corporation

Dear Mr. _____:

Recent disclosures and reports concerning Government contractor expenditures for entertainment have prompted the Department of Defense to take a closer look at these areas. In addition, the Defense Contract Audit Agency is emphasizing these areas in its reviews. In this light we are requesting Defense contractors to review their own procedures to assure that such unallowable costs have not been charged against DoD contracts.

Enclosed with this letter is a certificate which lists the location(s) at which your company has significant Department of Defense (DoD) business. Please complete the certificate and return it to my attention at the Pentagon, Washington, D.C. 20301. Your cooperation in this matter will be greatly appreciated.

The certification covers all years of indirect costs that have not been settled at the location(s) listed. Should you have any questions concerning the types of costs of concern to DoD, please contact your cognizant DCAA auditor.

Your response is requested by _____.

Sincerely,

WILLIAM P. CLEMENTS, Jr.
Deputy Secretary of Defense

Encl

CERTIFICATION

1. This certification applies to all costs, at the locations listed below which have not been settled as of this date and which have been charged against any contracts (except price competitive firm fixed-price contracts) between [insert name of company] and the Department of Defense (DoD).

2. I certify that, to the best of my knowledge and belief [insert name of company] has not claimed as costs against contracts (described in paragraph 1 above) costs of amusements, diversions, social activities and incidental costs relating thereto (such as meals, lodging, rentals, transportation, and gratuities) for DoD employees.

_____
(Signature)
(Chief Executive Officer)

_____
(Date

26 November 1975

MEMORANDUM FOR The Assistant Secretary of the Army (I&L)
The Assistant Secretary of the Navy (I&L)
The Assistant Secretary of the Air Force (I&L)
The Director, Defense Supply Agency

SUBJECT: Mobility of Field Contract Administration Personnel

There are several advantages associated with increased mobility of key contract administration personnel. Knowledge gained at multiple locations provides the depth and breadth of experience necessary for career progression and executive development, while familiarity with several contractors systems and procedures will enhance professionalism, objectivity and perspective. In addition, rotation of key personnel helps remove any concern which may exist that representatives of the government in sensitive and demanding positions may be influenced by events or circumstances resulting from a continuing association with a defense contractor.

In the past, attempts to implement rotational programs have met with varying degrees of success. The purpose of this memorandum is to reaffirm this concept. Accordingly, I have tasked the Deputy Assistant Secretary of Defense (Installations & Logistics) Procurement, with coordinating an overall Defense Department effort to increase the mobility of key contract administration personnel. Request you provide a plan of action by February 1, 1976, for accomplishing this objective within your component. The point of contract here is LCOL Howard D. Solomon within the Office of the Deputy Assistant Secretary of Defense (I&L) Procurement, OX6-2400.

"Signed"

JOHN J. BENNETT
Acting Assistant Secretary of Defense
(Installations and Logistics)

BRIEF DESCRIPTION OF REVISED CWAS

The real merits of CWAS are to provide the Government a means for easing requirements for recurring reviews when a contractor is motivated to control his cost by competitive constraints under which he must operate. In the past, the formulas used to compute ratings have not always operated to give the needed assurance that a contractor is fully motivated to control costs. Therefore, it has been decided to raise the basic threshold to where if 75% of the costs incurred are performed on commercial and competitively awarded Firm Fixed Price Work the contractor will be CWAS qualified. It is felt that the cost risks of Commercial and Competitive Firm Fixed Price Government work is sufficiently high to assure a high degree of cost control. To ease the administrative burden a single threshold will be used instead of the present multi-thresholds and the staggered weightings will be eliminated. Also, contrary to past policy, FMS contracts will carry the same designation as other DoD contracts.

Qualified CWAS contractors will not be questioned as to reasonableness on selected Section XV cost items and will be relieved of routine reviews designed to assure cost reasonableness. In this regard, fees for consultants, professionals and sales agents will be made "CWAS-NA" and retainers not allowable in certain circumstances. Periodically a list will be prepared of CWAS locations and published to provide the PCO with an indication of reliance he can place in the contractors cost control motivation.

Corporate and Intermediate Groups that have policy flow down that is covered by CWAS, will negotiate advance agreements as to what is covered. In addition, they will agree to verification that in fact the policies are uniformly applied.

The coverage will be changed to clearly identify the interrelationship of CWAS with the requirements of PL 87-653 (Truth in Negotiation) and PL 91-379 (Cost Accounting Standards). In this regard it will clearly show that necessary reviews connected with these laws will in no way be affected by CWAS. However, it will indicate that some pre-award reviews can be eliminated when adequate cost or pricing data are submitted, Cost Accounting Standards are applicable or can be relied upon, and price analysis is otherwise adequate to assure a fair and reasonable price.

The CWAS Coordinating Committee, composed of a representative from ASD (Comptroller) and ASD (I&L), augmented as needed by Service/DSA/DCAA representatives, will continue to evaluate the effectiveness of the CWAS concept and implementation.

CONTRACT AUDIT RESPONSIBILITY FOR
EXAMINING AND REPORTING UNCLAIMED CONTRACT COSTS

The Defense Contract Audit Agency has the responsibility (DoD Directive 5105.36) for ensuring that improper and inappropriate costs are not reimbursed by DoD or other Federal departments or agencies served by DCAA.

The DCAA auditor's review is performed in accordance with generally accepted auditing standards. If the auditor finds or becomes aware of any irregular activity of contractor and/or Government representatives, reports containing all available pertinent information (including names, dates, locations, and monetary amounts) are submitted through DCAA Headquarters to the appropriate military department or agency. This procedure is followed whether or not the activities affect the costs of Government contracts.

However, DCAA has no investigative responsibility. For example, if a contractor does not include unallowable entertainment costs in proposed prices nor submit these costs for reimbursement under Government contracts, DCAA has no responsibility to pursue the matter further solely to ascertain if inappropriate conduct was involved.

COPY

PCD 14 NOV 1975

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE (PROCUREMENT)

SUBJECT: Application of Cost Accounting Standard (CAS) 405, Accounting for Unallowable Costs

Recent disclosure of situations where contractors may have billed significant improper or illegal costs to Government contracts has increased the need for detailed surveillance. Since these costs are expressly unallowable, attention has been directed to the applicability of CAS 405.

CAS 405, which became effective 1 April 1974, requires contractors to exclude from covered contracts costs which are expressly unallowable or mutually agreed to be unallowable from any billing, claim, or proposal applicable to a Government contract. Other costs which have been designated as unallowable as a result of a contracting officer's written decision pursuant to contract disputes procedures must be identified if included in the computation of any billing, claim, or proposal applicable to a Government contract. CAS 405 is part of the contractual obligation of negotiated CAS-covered contracts. Its provisions do not apply to other contracts. The purpose of CAS 405 is to facilitate the negotiation, audit, administration, and settlement of contracts.

The Armed Services Procurement Regulation (ASPR) Section XV has criteria for determining unallowable costs. It applies to all contracts, whether CAS-covered or not. We therefore recommend that ASPR be revised to make CAS 405 applicable to all contracts. Incorporating CAS 405 as an ASPR requirement would emphasize the contractor's responsibility, provide a consistent policy for all contracts, and probably increase contractor identification and exclusion of unallowable costs.

Some contractors and Government representatives have taken a perfunctory attitude toward the term "expressly unallowable." If the contractor disagrees with classifying certain costs as unallowable, the application of Part 2 of ASPR XV is often dismissed as being "subjective." This occurs despite regular incidents of significant unallowable costs reported by auditors and sustained in contract and overhead negotiations. Contractor noncompliance with CAS 405 is a failure to satisfy a contractual obligation to perform specific cost accounting tasks.

PCD 14 NOV 1975

SUBJECT: Application of Cost Accounting Standard (CAS) 405, Accounting for Unallowable Costs

To effectively implement CAS 405 and the recommended ASPR revision, if enacted, we suggest a policy statement be published emphasizing the importance of the requirements.

/s/ C. O. STARRETT, JR.

FOR: B. B. Lynn
Director

APPENDIX IV C

August 8, 1967#
NUMBER 5500.7

GC, DoD

Department of Defense Directive

SUBJECT Standards of Conduct

References (a) DoD Directive 5500.7, subject as above, March 22, 1966 (hereby cancelled)
(b) DoD Directive 1005.3, "Decorations and Gifts from Foreign Governments," September 16, 1967
(c) DoD Directive 1215.8, "Policies Relating to Senior Reserve Officers' Training Corps (ROTC) Programs," May 1, 1974 *
(d) Title 5, United States Code, Subchapter II of Chapter 53, and section 5332 *

I. REISSUANCE

This Directive reissues reference (a) to incorporate changes to VI.B.14.; VII.; XV.A., B., I., M.; XVII.; and Enclosure 3-D. Reference(a) is hereby superseded and cancelled.

II. PURPOSE AND OBJECTIVES

A. This Directive prescribes the standards of conduct, relating to possible conflict between private interests and official duties, required of all Department of Defense personnel,1/ regardless of assignment. Close adherence to these principles will insure compliance with the high

1/DoD Personnel, as used in this Directive, unless the context indicates otherwise, means all civilian officers and employees, including special Government employees, of all the offices, agencies, and departments in the Department of Defense (including nonappropriated fund activities) and all active duty officers and enlisted members of the Army, Navy, Air Force, and Marine Corps (officers includes commissioned and warrant)

#Third amendment (Ch 8, 11/21/75)

continuation of II. A.

ethical standards demanded of all public servants. Violations of this Directive may be cause for appropriate disciplinary action which may be in addition to any penalty provided by law.

B. This Directive is in implementation of (1) Executive Order 11222 of May 8, 1965, prescribing Standards of Ethical Conduct for Government Officers and Employees (Inclosure 1), and (2) The Civil Service Commission Regulation of October 1, 1965, as amended August 9, 1967. It is in consonance with the Code of Ethics for Government Service contained in House Concurrent Resolution 175, 85th Congress, which applies to all Government personnel (See Inclosure 2).

C. This Directive includes standards of conduct based on the revisions of the conflict of interest laws enacted in 1962 (P. L. 87-777 and P. L. 87-849). (See Inclosure 3).

III. APPLICABILITY

This Directive applies to all components of the DoD.

IV. ETHICAL STANDARDS OF CONDUCT

A. General

DoD personnel are bound to refrain from any private business or professional activity or from having any direct or indirect financial interest which would place them in a position where there is a conflict between their private interests and the public interests of the United States, particularly those related to their duties and responsibilities as DoD personnel. Even though a technical conflict, as set forth in the statutes cited in this Directive, may not exist, DoD personnel must avoid the appearance of such a conflict from a public confidence point of view. DoD personnel will not engage in any private business or professional activity or enter into any financial transaction which involves the direct or indirect use, or the appearance of use, of inside information gained through a DoD position to further a private interest or for private gain for themselves or another person or entity, particularly one with whom they have family, business, or financial ties. DoD personnel must not use their DoD positions in any way to induce or coerce, or give the appearance of inducing or

continuation of IV.A.

coercing, any person (including subordinates) or entity to provide any financial benefit to themselves or another person or entity, particularly one with whom they have family, business, or financial ties. For the purpose of this paragraph, "inside information" means information obtained under Government authority which has not become part of the body of public information. This paragraph does not preclude DoD personnel from teaching, lecturing, and writing as authorized by Section X.D., nor does it preclude DoD personnel from having financial interests or engaging in financial transactions to the same extent as private citizens not employed by the Government so long as they are not prohibited by law or the regulations in this part.

B. Dealing with Present and Former Military and Civilian Personnel

DoD personnel will not knowingly deal with military or civilian personnel, or former military or civilian personnel, of the Government, if such action will result in a violation of a statute or policy set forth in this Directive.

C. Membership in Associations

All DoD personnel who are members or officers of non-governmental associations or organizations must avoid activities on behalf of the association or organization that are incompatible with their official government positions.

D. Commercial Soliciting by Active Duty Members of the Military

Military personnel on active duty are prohibited from personal commercial solicitation and sale to military personnel junior in rank or grade, at any time, on or off duty, in or out of uniform. This limitation includes, but is not limited to, the personal solicitation and sale of life and automobile insurance, stocks, mutual funds, real estate or any other commodities, goods, or services.

As used in this subparagraph, "personal commercial solicitation" refers to those situations where a military member is employed as a sales agent on commission or salary, and contacts prospective purchasers suggesting they buy the commodity, real or intangible, that he is offering for sale.

continuation of IV.D.

This prohibition is not applicable to the one-time sale by an individual of his own personal property or privately owned dwelling. It is not the intent of this subparagraph to discourage the off-duty employment of military personnel, but it is the intent to eliminate any and all instances where it would appear that coercion, intimidation, or pressure was used based on rank, grade, or position.

E. Assignment of Reserves for Training

DoD personnel who are responsible for assigning Reserves for training should make an effort to assign them when they are on active duty for training to duties in which they will not obtain information that could be used by them or their employers to give them an unfair advantage over their civilian competitors.

F. Conduct Prejudicial to the Government

DoD personnel shall not engage in criminal, infamous, dishonest, immoral, or notoriously disgraceful conduct, or other conduct prejudicial to the Government. Moreover, DoD personnel shall avoid any action whether or not specifically prohibited by this part, which might result in, or create the appearance of:

1. Using public office for private gain;

2. Giving preferential treatment to any person;

3. Impeding Government efficiency or economy;

4. Losing complete independence or impartiality;

5. Making a Government decision outside official channels; or

6. Affecting adversely the confidence of the public in the integrity of the Government.

V. BRIBERY AND GRAFT

In general, DoD personnel may be subject to criminal penalties if they solicit, accept, or agree to accept anything of value in return for performing or refraining from performing an official act (See 18 U.S.C. 201).

VI. GRATUITIES

A. Except as provided in paragraph B of this section, DoD personnel will not solicit or accept any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value either directly or indirectly from any person, firm, corporation, or other entity which:

1. Is engaged or is endeavoring to engage in procurement activities or business or financial transactions of any sort with any agency of the DoD;

2. Conducts operations or activities that are regulated by any agency of the DoD; or

3. Has interests that may be substantially affected by the performance or nonperformance of the official duty of the DoD personnel concerned.

Gifts, gratuities, favors, entertainment, etc., bestowed upon members of the immediate families of DoD personnel are viewed in the same light as those bestowed upon DoD personnel. Acceptance of gifts, gratuities, favors, entertainment, etc., no matter how innocently tendered and received, from those who have or seek business with the Department of Defense may be a source of embarrassment to the department and the personnel involved, may affect the objective judgment of the recipient and impair public confidence in the integrity of the business relations between the department and industry.

B. For the purpose of this section, a gift, gratuity, favor, entertainment, etc., includes any tangible item, intangible benefits, discounts, tickets, passes, transportation, and accommodations or hospitality given or extended to or on behalf of the recipient. However, the restrictions in paragraph A of this section do not apply to the following:

continuation of VI.B.

1. Instances in which the interests of the Government are served by participation of DoD personnel in widely attended luncheons, dinners, and similar gatherings sponsored by industrial, technical, and professional associations for the discussion of matters of mutual interest to Government and industry. Participation by DoD personnel is appropriate when the host is the association and not an individual contractor. Acceptance of gratuities, or hospitality from private companies in connection with such association's activities is prohibited.

2. Situations in which the interests of the Government are served by participation of DoD personnel in activities at the expense of individual defense contractors when the invitation is addressed to and approved by the employing agency of DoD. These activities include public ceremonies of mutual interest to industry, local communities, and the department, such as the launching of ships or the unveiling of new weapons systems, industrial activities which are sponsored by or encouraged by the Government as a matter of United States defense or economic policy, such as sales meetings to promote off-shore sales involving foreign industrial groups or governments.

3. Luncheons or dinners at a contractor's plant on an infrequent basis, when the conduct of official business within the plant will be facilitated and when no provision can be made for individual payment.

4. Situations in which, in the judgment of the individual concerned, the Government's interest will be served by participation by DoD personnel in activities at the expense of a defense contractor. In any such case in which DoD personnel accepts any gratuity, favor, entertainment, etc., either directly or indirectly from any person, firm, corporation, or any other entity which is engaged

or is endeavoring to engage in business transactions of any sort with the department, a report of the circumstances will be made within 48 hours by the individual to the designee of the Secretary of the military department concerned or the designee of the Secretary of Defense in the case of DoD personnel not within one of the military departments.

5. Speciality advertising items of trivial intrinsic value.

~~6. Customary exchange of social amenities between personal friends and relatives when motivated by such relationship and extended on a personal basis.~~

7. Things available impersonally to the general public or classes of the general public such as a free exhibition by a defense contractor at a world's fair.

8. Trophies, entertainment, rewards, prizes, given to competitors in contests which are open to the public generally or which are officially approved for participation in by DoD personnel.

~~9. Transactions between and among relatives which are personal and consistent with the relationship.~~

10. The acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities of employees such as home mortgage loans.

11. Social activities engaged in by officials of the department and officers in command or their representatives with local civilian leaders as part of community relations programs.

#First amendment (Ch 8, 11/21/75)

continuation of VI. B.

12. Contractor-provided local transportation while on official business and when alternative arrangements are clearly impracticable.

13. Participation in civic and community activities by DoD personnel when the relationship with the defense contractor can reasonably be characterized as remote, for example, participation in a little league or Combined Federal Campaign luncheon which is subsidized by a concern doing business with a defense activity.

* 14. The acceptance of accommodations, subsistence, or services furnished in kind in connection with official travel, from other than Defense contractors, when authorized by the order-issuing authority as in the overall Government interest. When accommodations, subsistence, or services in kind are furnished to DoD personnel by private sources, appropriate deductions shall be made in the travel, per diem, and other allowances otherwise payable to the personnel. DoD personnel may not accept personal reimbursement from a private source for expenses incident to official travel, unless authorized pursuant to 5 U.S.C. 4111 or other express statutory authority. Rather, any reimbursement must be made to the Government by check payable to the Treasurer of the United States; personnel will be reimbursed by the Government in accordance with regulations relating to reimbursement. In no case shall DoD personnel accept--either in kind or on a reimbursable basis--benefits which are under prudent standards extravagant or excessive in nature. *

C. Except as provided in paragraph 12, above, personnel on official business may not accept contractor-provided transportation, meals or overnight accommodations in connection with such official business so long as Government or commercial transportation or quarters are reasonably available. Where, however, the over-all Government interest would be served by acceptance by DoD members of such transportation or accommodations in specific cases, the order issuing authority may authorize it.

D. Procedures with respect to gifts from foreign governments are set forth in DoD Directive 1005.3, reference (b).

#First amendment (Ch 4, 11/28/72), effective December 15, 1972

continuation of VI.

E. Procedures with respect to ROTC Staff Members are set forth in DoD Directive ~~5500.12~~ 1215.8, reference (c).

VII. PROHIBITION OF CONTRIBUTIONS OR PRESENTS TO SUPERIORS

DoD personnel shall not solicit a contribution from other officers or employees for a gift to an official superior, make a donation as a gift to an official superior, or accept a gift from an officer or employee receiving less pay than themselves (5 U.S.C. 7351). However, this section does not prohibit a voluntary gift of nominal value or donation in nominal amount made on a special occasion such as marriage, illness or retirement.

VIII. USE OF GOVERNMENT FACILITIES, PROPERTY, AND MANPOWER

DoD personnel will not directly or indirectly use, or allow the use of, government property of any kind, including property leased to the government, for other than officially approved activities. Government facilities, property, and manpower, such as stenographic and typing assistance, mimeograph and chauffeur services, may be used only for official government business. DoD personnel have a positive duty to protect and conserve government property, including equipment, supplies, and other property entrusted to them. This section is not intended to preclude the use of government facilities for activities which would further military-community relations provided they do not interfere with military missions.

IX. USE OF CIVILIAN AND MILITARY TITLES IN CONNECTION WITH COMMERCIAL ENTERPRISES

A. All civilian personnel, and military personnel on active duty, are prohibited from using their civilian and military titles or positions in connection with any commercial

continuation of IX. A.

enterprises or in endorsing any commercial product. The foregoing shall not be deemed to preclude publication by such personnel of books or articles which identify them as author by reference to their military or civilian title or position, provided that publication of such material is permitted under Section X. D. and has been cleared under existing DoD procedures. (See DoD Directive 5230.9).

B. All retired military personnel and all members of reserve components, not on active duty, are permitted to use their military titles in connection with commercial enterprises. Such use of military titles shall in no way cast discredit on the military services or the DoD. Such use is prohibited in connection with commercial enterprises when such use, with or without the intent to mislead, gives rise to any appearance of sponsorship, sanction, endorsement, or approval by the military services or the DoD. The military department may restrict retired personnel and members of reserve components not on active duty, from using their military titles in connection with public appearance in overseas areas.

X. OUTSIDE EMPLOYMENT OF DOD PERSONNEL

A. DoD personnel shall not engage in outside employment or other outside activity, with or without compensation, which:

1. Interfers with, or is not compatible with, the performance of their Government duties;

2. May reasonably be expected to bring discredit on the Government or the DoD agency concerned or;

3. Is inconsistent with Section IV. A., including such inconsistent acts as the acceptance of a fee, compensation, gift, payment of expense, or any other thing of monetary value in circumstances in which that acceptance may result in, or create the appearance of, conflicts of interest.

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B. No enlisted member of the armed forces on active duty may be ordered or permitted to leave his post to engage in a civilian pursuit or business, or a performance in civil life, for emolument, hire, or otherwise, if the pursuit, business, or performance interferes with the customary or regular employment of local civilians in their art, trade or profession.

C. An active duty officer of the regular Navy or Marine Corps may not be employed by any person furnishing Naval supplies or war materials to the United States and continue to receive his service pay.

D. DoD personnel are encouraged to engage in teaching, lecturing, and writing. However, an employee shall not, either for or without compensation, engage in teaching, lecturing, or writing, including teaching, lecturing, or writing for the purpose of the special preparation of a person or class of persons for an examination of the Commission or Board of Examiners for the Foreign Service, that is dependent on information obtained as a result of his Government employment, except when that information has been published or is available to the general public or will be made available on request, or when the agency head gives written authorization for the use of nonpublic information on the basis that the use is in the public interest. In addition, an employee who is a civilian Presidential appointee shall not receive compensation or anything of monetary value for any consultation, lecture, discussion, writing, or appearance, the subject matter of which is devoted substantially to the responsibilities, programs or operations of his agency or which draws substantially on official data or ideas which have not become part of the body of public information.

E. This section does not preclude DoD personnel from:

1. Participation in the activities of national or State political parties not proscribed by law or regulation.

2. Participation in the affairs or acceptance of an award for a meritorious public contribution or achievement given by a charitable, religious, professional, social, fraternal, nonprofit educational, nonprofit recreational, public service, or civic organization.

* F. Off-duty employment of military personnel by an organization involved in a strike is permissible if the member was on the payroll of such organization prior to the commencement of the strike and if the employment is otherwise in conformance with the provisions of DoD Directive 5500.7. No military member may accept employment by an organization at a location where that organization is involved in a strike after commencement and during the course of such a strike. Members who are engaged in off-duty civilian employment which does not meet the above policy will be required to terminate such employment. *

#Second amendment (Ch 6, 9/27/74)

XI. GAMBLING, BETTING, AND LOTTERIES

DoD personnel shall not participate, while on Government-owned or leased property or while on duty for the Government, in any gambling activity including the operation of a gambling device, in conducting a lottery or pool, in a game for money or property, or in selling or purchasing a numbers slip or ticket. However, this section does not preclude activities:

1. Necessitated by an employee's law enforcement duties; or

2. Under section 3 of Executive Order 10927 and similar agency-approved activities.

XII. INDEBTEDNESS

DoD personnel shall pay each just financial obligation in a proper and timely manner, especially one imposed by law such as Federal, State, or local taxes. For the purpose of this section, a "just financial obligation" means one acknowledged by the employee or reduced to judgment by a court, and "in a proper and timely manner" means in a manner which the agency determines does not, under the circumstances, reflect adversely on the Government as his employer. In the event of dispute between an employee and an alleged creditor, this section does not require an agency to determine the validity or amount of the disputed debt.

XIII. INFORMATION TO PERSONNEL

A. New DoD personnel will be informed of the standards of conduct specified in this Directive upon employment or entry on duty. These standards of conduct will also be brought to the attention of all DoD personnel by appropriate means upon promulgation and at least semi-annually thereafter.

B. The attention of DoD personnel is directed to each statute relating to ethical and other conduct that is referred to in this Directive and in Inclosure 3. DoD personnel will be advised how to obtain additional clarification of the standards of conduct set forth in this part and related statutes, rules, and regulations. For this purpose each of the military departments and Defense agencies shall designate one or more legal officers as deputy counselors who shall

be responsible for providing advice and assistance on all matters relating to conduct and conflicts of interest covered by this part and for reviewing statements of employment and financial interest.

C. 1. Appropriate officials in the office of the Secretary of each military department and Head of each Defense agency shall be designated as the counselor for such department or agency and shall be responsible for proper coordination and final disposition of all problems relating to conflicts of interest and for the review of statements of employment and financial interest in accordance with regulations to be prescribed by the respective Secretaries or Agency Heads in accordance with subparagraph 2 of this paragraph. In the Office of the Secretary of Defense, the General Counsel of the DoD or his designee will be responsible for these matters.

2. Regulations governing the review of statements of employment and financial interests shall provide that:

a. Whenever such review discloses a conflict or apparent conflict of interests, the employee concerned is entitled to an opportunity to explain the conflict or appearance of conflict.

b. If the conflict or appearance of conflict is not resolved on review by the explanation made by the employee, the information concerning the matter shall be submitted to the appropriate Secretary or Agency Head, or his designee, after review by the counselor designated under subparagraph 1 of this paragraph.

c. The resolution of a conflict or apparent conflict of interest either on review or after referral to the appropriate Secretary or Agency Head, or his designee, shall be effected promptly so that the conflict or appearance of conflict is ended. The resolution of the conflict or appearance of conflict may be accomplished by one or more means, such as changes in assigned duties, divestment of the

conflicting interest, disqualification for a particular assignment, or disciplinary action. The resolution, whether by disciplinary action or otherwise, shall be effected in accordance with applicable laws, Executive Orders, and regulations.

XIV. REPORTING SUSPECTED VIOLATIONS

DoD personnel who have information which causes them to believe that there has been a violation of a statute or policy set forth in this Directive will promptly report such incidents to their immediate superiors. If the superior believes there has been a violation, he will report the matter for further action in accordance with existing procedures. Any question or doubt on the part of the immediate superior will be resolved in favor of reporting the matter.

XV. STATEMENTS OF EMPLOYMENT AND FINANCIAL INTERESTS

A. DoD personnel required to submit statements:

1. All civilian officers and employees paid at the level of grades GS-16 to 18 and at a level of the Executive Schedule in subchapter II of chapter 53 of title 5, United States Code (reference (d)).

2. All officers of flag or general rank.

3. Commanders and Deputy Commanders of major installations, activities and operations as determined by the respective Secretaries of the military departments and the Directors of the Defense Agencies.

4. Board members of the Armed Service Boards of Contract Appeals.

5. DoD personnel classified at GS-13 or above under section 5332 of title 5, United States Code (reference (d)), or at a comparable pay level under another authority, or members of the military in the rank of Lieutenant Colonel, Commander or above whose basic duties and responsibilities require the incumbent to exercise judgment in making a Government decision or in taking Government action in regard to administering or monitoring grants or subsidies.

#First amendment (Ch 8, 11/21/75)

* 6. DoD personnel classified at GS-13 or above under section 5332 of title 5, United States Code, or at a comparable pay level under another authority, or members of the military in the rank of Lieutenant Colonel, Commander or above whose basic duties and responsibilities require the incumbent to exercise judgment in making a Government decision or in taking Government action in regard to: *

a. Contracting or procurement. For the purpose of this section "contracting or procurement" is defined as executing or approving the award of contracts.

b. Auditing. Auditing private or other non-Federal enterprise including the supervision of auditors engaged in audit activities or the participating in the development of policies and procedures for performing such audits, including the authorization and monitoring of grants to institutions or other non-Federal enterprise.

c. Other. Activities in which the final decision or action has a significant economic impact on the interests of any non-Federal enterprise.

B. Review of Positions. Each DoD component shall review its positions in Category 3 and 4 above, both military and civilian, and include in each military and civilian position description, or similar documents describing the duties and responsibilities of the position, a statement as to whether the incumbent of the position must file a statement of employment and financial interests as required by this section. This determination will be reviewed at least annually. The review may be accomplished at the time performance,

#First amendment (Ch 8, 11/21/75)

continuation of XV. B.

efficiency or effectiveness ratings are given; or incident to other currently prescribed annual reviews. Incumbents of positions identified as involving any of the functions described in either Category 3 and 4 above shall be required to comply with the filing requirements of this section. Any individual who believes that his position has been improperly included in Category 3 or 4 may request a review of the decision requiring him to file a statement through the established grievance or complaint procedures of the department or agency.

C. Positions in the above categories may be excluded when it is determined by the secretary of the military department concerned or head of the DoD agency concerned, or the designee of either, that the duties are at such a level of responsibility that the submission of a statement of employment and financial interests is not necessary because of the degree of supervision and review of the incumbent and the remote and inconsequential effect on the integrity of the Government.

D. The statements of employment and financial interests shall be submitted on DD forms furnished by the DoD agency concerned. DD Form 1555, "Confidential Statement of Employment and Financial Interests - DoD Personnel," (Incl 4), is for use by all DoD personnel except special Government employees. DD Form 1555-1, "Confidential Statement of Employment and Financial Interests", (Incl 5), is for use by special Government employees.

E. Manner of Submission - Statements of Employment.

1. The Secretary of Defense, as the head of the agency, is required to submit his statement of employment and financial interest to the Chairman of the Civil Service Commission under the provisions of Section 401(a) of Executive Order 11222.

2. All civilian Presidential appointees of the Department of Defense shall submit statements of employment and financial interest to the General Counsel of the Department of Defense.

3. Officers or employees of the Office of the Secretary of Defense and Directors of the Defense Agencies shall submit statements of employment and financial interest through their supervisors to the General Counsel of the Department of Defense.

4. Officers and employees of the military departments or Defense agencies shall submit statements of employment and financial interest to officials of the military departments or Defense agencies to be designated by the Secretaries of the military departments or the heads of Defense agencies in the regulations of those departments and agencies.

* 5. Commanders of unified commands shall submit a DD Form 1555 directly to the DoD General Counsel. Other officers and employees of unified commands shall submit their statements of employment and financial interest through their supervisors to the Deputy Command Counselor in the Office of the Legal Advisor to the unified command. *

6. Statements of employment and financial interest shall be submitted by each officer or employee required by this Directive to file such a statement, not later than June 30, 1966, and periodically thereafter as prescribed in section I below. Employees who enter Government service after the effective date of this Directive, who are required to file a statement of employment and financial interest, shall file such statements within 30 days from the date of commencement of such service. Designees to positions requiring the approval of the Secretary of Defense or the Secretary of a military department shall execute the statement in advance of nomination so that it may be reviewed prior to appointment.

F. Excusable Delay

If by reason of his duty assignment it is impracticable for an individual to submit a statement within the period required by this section, his immediate superior may grant an extension of time therefor. Any extension in excess of 30 days requires the concurrence of the head of the military department or Defense agency concerned, or his designee. Statements submitted pursuant to an extension of time granted hereunder shall include appropriate notation to that effect.

G. Special Government Employees - Statement of Employment and Financial Interest.

#Third amendment (Ch 8, 11/21/75)

continuation of XV.G.

1. For the purpose of this paragraph, "Special Government Employee" has the meaning given that term by Section XVI.B.1.

2. Each special Government employee who is an adviser or consultant shall, prior to appointment, file with a designated official of the military department or Defense agency where he is employed a statement (Inclosure 5) setting forth his Government employment, his private employment, and his financial interests. An appointee must list all of his investments and other financial interests such as a pension; retirement; group life, health, or accident insurance; and profit-sharing, stock bonus, or other employee welfare or benefit plan maintained by a former employer. He is not required to list precise amounts of investments.

   The following categories of special Government employees are not considered advisers or consultants within the meaning of this section when performing the specific services listed below and are not required to file the statement referred to above.

   a. Physicians, dentists, and allied medical specialists performing care and service to patients.

   b. Veterinarians providing veterinary service to animals.

   c. Lecturers participating in educational activities.

   d. Chaplains performing religious services.

   e. Individuals of national prominence in the motion picture and television fields who are utilized as narrators or actors in motion picture or television productions produced by the DoD.

   f. Members of selection panels for NROTC candidates.

continuation of XV. G. 2.

g. A special Government employee who is not a "consultant" or "expert" as those terms are defined in Chapter 304 of the Federal Personnel Manual.

H. Exceptions to Specific Appointees.

The Secretary or the Deputy Secretary of Defense, or the Secretary of a military department may grant an exception to a specific appointee from completing that part of the statement relating to his investments and other financial interests referred to in Section G., this section, upon the making of a determination that this information is not relevant in the light of the duties the appointee is to perform.

I. Supplementary Statements.

Changes in or additions to the information contained in an employee's statement of employment and financial interests shall be reported in a supplementary statement as of June 30th each year. Even though no changes or additions occur a negative report is required. Notwithstanding the filing of the annual report, DoD personnel shall at all times avoid acquiring a financial interest that could result, or taking action that would result, in a violation of the conflict-of-interest provisions of 18 U.S. Code 208 or this Directive.

J. Interests of Employee's Relatives.

The interest of a spouse, minor child, or other member of an employee's immediate household is considered to be an interest of the employee. For the purpose of this section, "member of an employee's immediate household" means those blood relations who are residents of the employee's household.

K. Information Not Known by Employees.

If any information required to be included on a statement of employment and financial interests or supplementary statement, including holdings placed in trust, is not known to the

continuation of XV. K.

employee but is known to another person, the employee shall request that other person to submit information in his behalf.

L. Information Not Required to be Submitted.

An employee is not required to submit on a statement of employment and financial interests or supplementary statement any information relating to the employee's connection with, or interest in, a professional society or a charitable, religious, social, fraternal, recreational, public service, civic, or political organization or a similar organization not conducted as a business enterprise. For the purpose of this section, educational and other institutions doing research and development or related work involving grants of money from or contracts with the Government are deemed "business enterprises" and are required to be included in an employee's statement of employment and financial interests.

M. Confidentiality of Employees' Statements.

An agency shall hold each statement of employement and financial interests, and each supplementary statement, in confidence. An agency may not disclose information from a statement except as the agency head or the Civil Service Commission may determine for good cause. Persons designated to review the statements are responsible for maintaining the statements in confidence and shall not allow access to, or allow information to be disclosed from the statement except to carry out the purpose of this Directive.

N. Effect of Employees' Statements on Other Requirements.

The statements of employment and financial interests and supplementary statements required of employees are in addition to, and not in substitution for, or in derogation of, any similar requirement imposed by law, order, or regulation. The submission of a statement or supplementary statement by an employee does not permit him or any other person to participate in a matter in which his or the other person's participation is prohibited by law, order, or regulation.

XVI. CONFLICT OF INTEREST LAWS

A. Full-time Officers and Employees.

1. Definition. The term "full-time officer or employee" includes all civilian officers and employees, and all military officers on active duty, except those who are "special Government employees" (See Section XVI. B.). It does not include enlisted personnel.

2. Prohibitions. Inclosure 3-A contains a discussion of criminal laws relating to conflict of interest and exemptions therefrom. In general, a full-time officer or employee is subject to the following major prohibitions.

   a. He may not, except in the discharge of his official duties, represent anyone else before a court or Government agency in a matter in which the United States is a party or has an interest. This prohibition applies both to paid and unpaid representation of another (See 18 U.S.C. 203 and 205).

   b. He may not receive any salary, or supplementation of his Government salary, from a private source as compensation for his services to the Government (See 18 U.S.C. 209).

   c. He may not participate in his Governmental capacity in any matter in which he, his spouse, minor child, outside business associate or person with whom he is negotiating for employment, has a financial interest (See 18 U.S.C. 208). Instead of participating in such a matter, he must promptly disqualify himself in accordance with paragraph 4, below, except as provided in paragraph 3, below.

3. Nondisqualifying financial interest. A full-time officer or employee need not disqualify himself under paragraph 2c, above, if his financial holdings are in shares of a widely-held diversified mutual fund or regulated investment company.

   The indirect interests in business entities which the holder of shares in a widely-held diversified mutual fund or regulated investment company derives from ownership by the fund or investment company of stocks in business entities is hereby exempted from the

provisions of 18 U.S.C. 208a, in accordance with the provisions of 18 U.S.C. 208b(2) as being too remote or inconsequential to affect the integrity of the Government officers' or employees' services.

4. Disqualification procedure.

a. In any case where a full-time officer or employee must disqualify himself under paragraph 2c, he will promptly notify his superior thereof and make a full disclosure of the financial interest. The superior will thereupon relieve him from his duty and responsibility in the matter, unless the Government official responsible for his appointment makes a written advance determination that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from the officer or employee. Such written determination shall be retained in the agency records.

b. In the case of a military officer or a civilian employee, the "official responsible for his appointment" shall, for purposes of this paragraph, be his immediate superior or an official designated to perform this function.

c. In addition, where a superior thinks anyone responsible to him may have a disqualifying interest, he will discuss the matter with that person, and, if he finds such an interest does exist, he will relieve the person of duty and responsibility in the particular matter.

d. In cases of disqualification under this paragraph, the matter will be reassigned for decision and action to someone else who is not subordinate to the disqualified person.

B. Special Government Employees

1. Definition. The term "special Government employee" includes an officer or employee who is retained,

designated, appointed, or employed to perform, with or without compensation, for not to exceed 130 days during any period of 365 consecutive days, temporary duties either on a full-time or intermittent basis. (See 18 U.S.C. 202). The term also includes a Reserve officer while on active duty solely for training for any length of time, one who is serving on active duty involuntarily for any length of time, and one who is serving voluntarily on extended active duty for 130 days or less. It does not include enlisted personnel.

2. Prohibitions. Inclosure 3 contains a detailed discussion of criminal laws relating to conflict of interest. In general, a special Government employee is subject to the following major prohibitions:

a. He may not, except in the discharge of his official duties, represent anyone else:

(1) Before a court or Government agency in a matter in which the United States is a party or has an interest and in which he has at any time participated personally and substantially for the Government (See 18 U.S.C. 203 and 205).

(2) In a matter pending before the agency he serves unless he has served there no more than 60 days during the past 365 (See 18 U.S.C. 203 and 205). He is bound by this restraint despite the fact that the matter is not one in which he has ever participated personally and substantially.

The restrictions described in subparagraphs 1 and 2 apply to both paid and unpaid representation of another.

b. He may not participate in his governmental capacity in any matter in which he, his spouse, minor child, outside business associate or person with whom he is negotiating for employment, has a financial interest (See 18 U.S.C. 208). Instead of participating in such a matter,

continuation of XVI.B.2.b.

he must promptly disqualify himself in accordance with Section XVI.A.4, except as provided in Section XVI.A.3.

c. After his Government employment has ended, he is subject to the prohibitions in XVI.C.2 as a "former employee." (See 18 U.S.C. 207).

C. Former Officers or Employees

1. Definition. The term "former officer or employee" includes those full-time civilian officers or employees who have left Government service, special Government employees who have left Government service, retired regular officers and reserve officers released from active duty. It does not include enlisted personnel.

2. Prohibited activities. Inclosure 3B contains a more detailed discussion of the criminal law. In general, a former officer or employee is subject to the following major prohibitions:

a. He may not, at any time after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and in which he participated personally and substantially for the Government (See 18 U.S.C. 207(a)).

b. He may not, for one year after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and which was within the boundaries of his official responsibility during the last year of his Government service (See 18 U.S.C. 202(b) and 207(b)). This temporary restraint, of course, gives way to the permanent restriction described in paragraph a., if the matter is one in which he participated personally and substantially.

D. Retired Regular Officers

1. Prohibitions. Inclosure 3C contains a summary of the laws applicable to retired regular officers. In general, a retired regular officer is subject to the following major prohibitions:

   a. An an officer whose "employment has ceased," he may not engage in the prohibited activities listed in paragraph C, this section, (See 18 U.S.C. 207).

   b. He may not, at any time, assist in prosecuting a claim against the United States if he worked on that claim while on active duty (See 18 U.S.C. 283).

   c. He may not, within two years after his retirement, assist in prosecuting a claim which involves the department in whose services he holds a retired status (See 18 U.S.C. 283).

   d. He may not, at any time, sell anything to the department in whose service he holds a retired status (See 18 U.S.C. 281).

   e. He may not, within three years after retirement, sell supplies or war materials to any agency of the DoD, the Coast Guard, the Coast and Geodetic Survey, or the Public Health Service (See 37 U.S.C. 801(c), as amended October 9, 1962, P.L. 87-777, formerly 5 U.S.C. 59(c)). (See definition of "Selling", page 7, Inclosure 3).

2. Required Statement of Employment

   a. Each regular retired officer of the armed forces shall file with the military department in which he holds a retired status a Statement of Employment (DD Form 1357). Each regular officer retiring hereafter shall file this Statement within thirty days after retirement. Whenever the information in the statement is no longer accurate, each such officer shall file a new DD Form 1357, (Incls 6).

Continuation of XVI. D. 2.

b. The military departments shall appropriately review the Statements of Employment to assure compliance with applicable statutes and regulations.

E. Officers of the Reserve Components

1. A Reserve officer who is voluntarily serving a period of extended active duty in excess of 130 days is a full-time Government officer, and Section XVI. A., applies to him.

Exception. Any Reserve who, before being ordered to active duty, was receiving compensation from any person may, while he is on that duty, receive compensation from that person (See 10 U. S. C. 1033).

2. A Reserve officer who is serving on active duty involuntarily for any length of time, and a Reserve officer who is voluntarily serving on extended active duty for 130 days or less, is a "special Government employee," and Section XVI. B., applies to him.

3. A Reserve officer (unless otherwise a full-time officer or employee of the United States) who is on active duty solely for training for any length of time is a "special Government employee," and Section XVI. B., applies to him.

4. When he is released from active duty, a Reserve officer described in 1., 2., or 3., above, is a "former officer", and Section XVI. C., applies to him.

5. Membership in a Reserve component of the armed forces or in the National Guard does not, in itself, prevent a person from practicing his civilian profession or occupation before or in connection with any department (See 5 U. S. C. 30r(c), (d)).

6. An officer of a Reserve component, whether in a Ready, Standby or Retired Reserve status, who is not on active duty is not, solely because of his status as a Reserve, considered to be an officer or employee of the United States for the purpose of bringing him within the prohibitions summarized in Section XVI. A., B., or C. (see 5 U. S. C. 30r(c), (d)).

7. Receipt of retired pay by a Reserve or a former Reserve does not, in itself, make him an officer or employee or a former officer or employee for the purpose of bringing him within the prohibitions summarized in Section XVI. A. B., or C. Section XVI. D. does not apply to a retired Reserve.

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*XVII. MILITARY ASSISTANCE PROGRAM

A. Any retired member of the Armed Forces of the United States whose last active duty assignment was in a Military Assistance Advisory Group (as that term is defined in reference (d)) shall not accept employment for a three-year period after the termination of such duty with the foreign government of the country where such duty was performed, except with the approval of the Secretary of the appropriate Military Department. This prohibition shall also apply to employment by a United States or foreign firm under contract with that foreign government if such employment involves the furnishing of personal services by such retiree directly to that foreign government.

B. Procedures applicable to the above-listed retired members with respect to gifts and decorations from foreign governments are set forth in DoD Directive 1005.3, reference (b).

XVII ~~XVIII.~~ EFFECTIVE DATE AND IMPLEMENTATION

This amended directive shall become effective on August 9, 1967. Two copies of implementing regulations of the military departments and Defense agencies will be submitted to the General Counsel, DoD, for approval prior to promulgation, and no later than 60 days from the date this amended directive is published.

Paul H. Nitze
Deputy Secretary of Defense

Enclosures - 7

1. Executive Order 11222
2. House Concurrent Resolution 175, 85th Cong. 2d Session
   Code of Ethics for Government Service
3. Digest of Conflict of Interest Laws
   A. Applicable to Full-time Officers
   B. Applicable to Former Officers and Employees
   C. Applicable to Retired Regular Officers
   D. Applicable to all DoD Personnel
4. Confidential Statement of Employment & Financial Interests
   (for use by DoD Personnel, DD Form 1555)
5. Confidential Statement of Employment & Financial Interests
   (for use by Special DoD Personnel, DD Form 1555-1)
6. Statement of Employment - DD Form 1357
7. Extract from Appendix C. of Civil Service Federal Personnel
   Manual System on Special Government Employees.

#First amendment (Ch 3, 9/27/71)

5500.7 (Incl 1)
Aug 8, 67

FOR RELEASE TO MONDAY A.M. PAPERS, MAY 10, 1965

Office of the White House Press Secretary

THE WHITE HOUSE

EXECUTIVE ORDER

11222

PRESCRIBING STANDARDS OF ETHICAL CONDUCT
FOR GOVERNMENT OFFICERS AND EMPLOYEES

By virtue of the authority vested in me by Section 301 of Title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows:

Part I - Policy

Sec. 101. Where government is based on the consent of the governed, every citizen is entitled to have complete confidence in the integrity of his government. Each individual officer, employee, or adviser of government must help to earn and must honor that trust by his own integrity and conduct in all official actions.

Part II - Standards of Conduct

Sec. 201. (a) Except in accordance with regulations issued pursuant to subsection (b) of this section, no employee shall solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, from any person, corporation, or group which --

(1) has, or is seeking to obtain, contractual or other business or financial relationships with his agency;

(2) conducts operations or activities which are regulated by his agency; or

(3) has interests which may be substantially affected by the performance or nonperformance of his official duty.

(b) Agency heads are authorized to issue regulations, coordinated and approved by the Civil Service Commission, implementing the provisions of subsection (a) of this section and to provide for such exceptions therein as may be necessary and appropriate in view of the nature of their agency's work and the duties and responsibilities of their employees. For example, it may be appropriate to provide exceptions (1) governing obvious family or personal relationships where the circumstances make it clear that it is those relationships rather than the business of the persons concerned which are the motivating factors -- the clearest illustration being the parents, children or spouses of federal employees; (2) permitting acceptance of food and refreshments available in the ordinary course of a luncheon or dinner or other meeting or on inspection tours where an employee may properly be in attendance; or (3) permitting acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities of employees, such as home mortgage loans. This section shall be effective upon issuance of such regulations.

more

(OVER)

(c) It is the intent of this section that employees avoid any action, whether or not specifically prohibited by subsection (a), which might result in, or create the appearance of --

(1) using public office for private gain;

(2) giving preferential treatment to any organization or person;

(3) impeding government efficiency or economy;

(4) losing complete independence or impartiality of action;

(5) making a government decision outside official channels; or

(6) affecting adversely the confidence of the public in the integrity of the Government.

Sec. 202. An employee shall not engage in any outside employment, including teaching, lecturing, or writing, which might result in a conflict, or an apparent conflict, between the private interests of the employee and his official government duties and responsibilities, although such teaching, lecturing, and writing by employees are generally to be encouraged so long as the laws, the provisions of this order, and Civil Service Commission and agency regulations covering conflict of interest and outside employment are observed.

Sec. 203. Employees may not (a) have direct or indirect financial interests that conflict substantially, or appear to conflict substantially, with their responsibilities and duties as Federal employees, or (b) engage in, directly or indirectly, financial transactions as a result of, or primarily relying upon, information obtained through their employment. Aside from these restrictions, employees are free to engage in lawful financial transactions to the same extent as private citizens. Agencies may, however, further restrict such transactions in the light of the special circumstances of their individual missions.

Sec. 204. An employee shall not use Federal property of any kind for other than officially approved activities. He must protect and conserve all Federal property, including equipment and supplies, entrusted or issued to him.

Sec. 205. An employee shall not directly or indirectly make use of, or permit others to make use of, for the purpose of furthering a private interest, official information not made available to the general public.

Sec. 206. An employee is expected to meet all just financial obligations, especially those -- such as Federal, State, or local taxes -- which are imposed by law.

Part III - Standards of Ethical Conduct
for Special Government Employees

Sec. 301. This part applies to all "special Government employees" as defined in Section 202 of Title 18 of the United States Code, who are employed in the Executive Branch.

Sec. 302. A consultant, adviser or other special Government employee must refrain from any use of his public office which is motivated by, or gives the appearance of being motivated by, the desire for private gain for him self or other persons, including particularly those with whom he has family, business, or financial ties.

Sec. 303. A consultant, adviser, or other special Government employee shall not use any inside information obtained as a result of his government service for private personal gain, either by direct action on his part or by counsel, recommendations or suggestions to others, including particularly those with whom he has family, business, or financial ties.

Sec. 304. An adviser, consultant, or other special Government employee shall not use his position in any way to coerce, or give the appearance of coercing, another person to provide any financial benefit to him or persons with whom he has family, business, or financial ties.

Sec. 305. An adviser, consultant, or other special Government employee shall not receive or solicit from persons having business with his agency anything of value as a gift, gratuity, loan or favor for him self or persons with whom he has family, business, or financial ties while employed by the government or in connection with his work with the government.

Sec. 306. Each agency shall, at the time of employment of a consultant, adviser, or other special Government employee require him to supply it with a statement of all other employment. The statement shall list the names of all the corporations, companies, firms, State or local government organizations, research organizations and educational or other institutions in which he is serving as employee, officer, member, owner, director, trustee, adviser, or consultant. In addition, it shall list such other financial information as the appointing department or agency shall decide is relevant in the light of the duties the appointee is to perform. The appointee may, but need not, be required to reveal precise amounts of investments. The statement shall be kept current throughout the period during which the employee is on the Government rolls.

Part IV Reporting of Financial Interests

Sec. 401. (a) Not later than ninety days after the date of this order, the head of each agency, each Presidential appointee in the Executive Office of the President who is not subordinate to the head of an agency in that Office, and each full time member of a committee, board, or commission appointed by the President, shall submit to the Chairman of the Civil Service Commission a statement containing the following:

(1) A list of the names of all corporations, companies, firms, or other business enterprises, partnerships, nonprofit organizations, and educational or other institutions --

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(OVER)

(A) with which he is connected as an employee, officer, owner, director, trustee, partner, adviser, or consultant; or

(B) in which he has any continuing financial interests, through a pension or retirement plan, shared income, or otherwise, as a result of any current or prior employment or business or professional association; or

(C) in which he has any financial interest through the ownership of stocks, bonds, or other securities.

(2) A list of the names of his creditors, other than those to whom he may be indebted by reason of a mortgage on property which he occupies as a personal residence or to whom he may be indebted for current and ordinary household and living expenses.

(3) A list of his interests in real property or rights in lands, other than property which he occupies as a personal residence.

(b) Each person who enters upon duty after the date of this order in an office or position as to which a statement is required by this section shall submit such statement not later than thirty days after the date of his entrance on duty.

(c) Each statement required by this section shall be kept up to date by submission of amended statements of any changes in, or additions to, the information required to be included in the original statement, on a quarterly basis.

Sec. 402. The Civil Service Commission shall prescribe regulations, not inconsistent with this part, to require the submission of statements of financial interests by such employees, subordinate to the heads of agencies, as the Commission may designate. The Commission shall prescribe the form and content of such statements and the time or times and places for such submission.

Sec. 403. (a) The interest of a spouse, minor child, or other member of his immediate household shall be considered to be an interest of a person required to submit a statement by or pursuant to this part.

(b) In the event any information required to be included in a statement required by or pursuant to this part is not known to the person required to submit such statement but is known to other persons, the person concerned shall request such other persons to submit the required information on his behalf.

(c) This part shall not be construed to require the submission of any information relating to any person's connection with, or interest in, any professional society or any charitable, religious, social, fraternal, educational, recreational, public service, civic, or political organization or any similar organization not conducted as a business enterprise and which is not engaged in the ownership or conduct of a business enterprise.

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Sec. 404. The Chairman of the Civil Service Commission shall report to the President any information contained in statements required by Section 401 of this part which may indicate a conflict between the financial interests of the official concerned and the performance of his services for the Government. The Commission shall report, or by regulation require reporting, to the head of the agency concerned any information contained in statements submitted pursuant to regulations issued under Section 402 of this part which may indicate a conflict between the financial interests of the officer or employee concerned and the performance of his services for the Government.

Sec. 405. The statements and amended statements required by or pursuant to this part shall be held in confidence, and no information as to the contents thereof shall be disclosed except as the Chairman of the Civil Service Commission or the head of the agency concerned may determine for good cause shown.

Sec. 406. The statements and amended statements required by or pursuant to this part shall be in addition to, and not in substitution for, or in derogation of, any similar requirement imposed by law, regulation, or order. The submission of a statement or amended statements required by or pursuant to this part shall not be deemed to permit any person to participate in any matter in which his participation is prohibited by law, regulation, or order.

Part V - Delegating Authority of the President Under Sections 205 and 208 of Title 18 of the United States Code Relating to Conflicts of Interest

Sec. 501. As used in this part, "department" means an executive department, "agency" means an independent agency or establishment or a Government corporation, and "head of an agency" means, in the case of an agency headed by more than one person, the chairman or comparable member of such agency.

Sec. 502. There is delegated, in accordance with and to the extent prescribed in Sections 503 and 504 of this part, the authority of the President under Sections 205 and 208 (b) of Title 18, United States Code, to permit certain actions by an officer or employee of the Government, including a special Government employee, for appointment to whose position the President is responsible.

Sec. 503. Insofar as the authority of the President referred to in Section 502 extends to any appointee of the President subordinate to or subject to the chairmanship of the head of a department or agency, it is delegated to such department or agency head.

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(DYER)

Sec. 504. Insofar as the authority of the President referred to in Section 502 extends to an appointee of the President who is within or attached to a department or agency for purposes of administration, it is delegated to the head of such department or agency.

Sec. 505. Notwithstanding any provision of the preceding sections of this part to the contrary, this part does not include a delegation of the authority of the President referred to in Section 502 insofar as it extends to:

(a) The head of any department or agency in the Executive Branch;

(b) Presidential appointees in the Executive Office of the President who are not subordinate to the head of an agency in that Office; and

(c) Presidential appointees to committees, boards, commissions, or similar groups established by the President.

Part VI - Providing for the Performance by the Civil Service Commission of Certain Authority Vested in the President by Section 1753 of the Revised Statutes

Sec. 601. The Civil Service Commission is designated and empowered to perform, without the approval, ratification, or other action of the President, so much of the authority vested in the President by Section 1753 of the Revised Statutes of the United States (5 U.S.C. 631) as relates to establishing regulations for the conduct of persons in the civil service.

Sec. 602. Regulations issued under the authority of Section 601 shall be consistent with the standards of ethical conduct provided elsewhere in this order.

Part VII - General Provisions

Sec. 701. The Civil Service Commission is authorized and directed, in addition to responsibilities assigned elsewhere in this order:

(a) To issue appropriate regulations and instructions implementing Parts II, III, and IV of this order;

(b) To review agency regulations from time to time for conformance with this order; and

(c) To recommend to the President from time to time such revisions in this order as may appear necessary to ensure the maintenance of high ethical standards within the Executive Branch.

Sec. 702. Each agency head is hereby directed to supplement the standards provided by law, by this order, and by regulations of the Civil Service Commission with regulations of special applicability to the particular functions and activities of his agency. Each agency head is also directed to assure (1) the widest possible distribution of regulations issued pursuant to this section, and (2) the availability of counseling for those employees who request advice or interpretation.

Sec. 703. The following are hereby revoked:

(a) Executive Order No. 10939 of May 5, 1961.

(b) Executive Order No. 11125 of October 29, 1963.

(c) Section 2(a) of Executive Order No. 10530 of May 10, 1954.

(d) White House memorandum of July 20, 1961, on "Standards of Conduct for Civilian Employees."

(e) The President's Memorandum of May 2, 1963, " Preventing Conflicts of Interest on the Part of Special Government Employees." The effective date of this revocation shall be the date of issuance by the Civil Service Commission of regulations under Section 701(a) of this order.

Sec. 704. All actions heretofore taken by the President or by his delegates in respect of the matters affected by this order and in force at the time of the issuance of this order, including any regulations prescribed or approved by the President or by his delegates in respect of such matters, shall, except as they may be inconsistent with the provisions of this order or terminate by operation of law, remain in effect until amended, modified, or revoked pursuant to the authority conferred by this order.

Sec. 705. As used in this order, and except as otherwise specifically provided herein, the term "agency" means any executive department, or any independent agency or any Government corporation; and the term "employee" means any officer or employee of an agency.

LYNDON B. JOHNSON

THE WHITE HOUSE,

May 8, 1965.

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5500.7 (Incl 2)
Aug 8, 67

HOUSE CONCURRENT RESOLUTION 175
85TH CONGRESS, 2D SESSION

Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress that the following Code of Ethics should be adhered to by all Government employees, including officeholders:

CODE OF ETHICS FOR GOVERNMENT SERVICE

Any person in Government service should:

1. Put loyalty to the highest moral principles and to country above loyalty to persons, party, or Government department.

2. Uphold the Constitution, laws, and legal regulations of the United States and of all governments therein and never be a party to their evasion.

3. Give a full day's labor for a full day's pay; giving to the performance of his duties his earnest effort and best thought.

4. Seek to find and employ more efficient and economical ways of getting tasks accomplished.

5. Never discriminate unfairly by the dispensing of special favors or privileges to anyone, whether for remuneration or not; and never accept, for himself or his family, favors or benefits under circumstances which might be construed by reasonable persons as influencing the performance of his governmental duties.

6. Make no private promises of any kind binding upon the duties of office, since a Government employee has no private word which can be binding on public duty.

7. Engage in no business with the Government, either directly or indirectly, which is inconsistent with the conscientious performance of his governmental duties.

8. Never use any information coming to him confidentially in the performance of governmental duties as a means for making private profit.

9. Expose corruption wherever discovered.

10. Uphold these principles, ever conscious that public office is a public trust.

5500.7 (Incl 3-A)
Aug 8, 67

DIGEST OF CONFLICT OF INTEREST LAWS

LAWS APPLICABLE TO FULL-TIME OFFICERS AND EMPLOYEES

I. 18 U.S.C. 203

Subsection (a) of this section in general prohibits an officer or employee of the United States in any branch or agency of the Government from soliciting or receiving compensation for services rendered on behalf of another person before a Government department or agency in relation to any particular matter in which the United States is a party or has a direct and substantial interest. The subsection does not preclude compensation for services rendered on behalf of another in court.

Subsection (b) makes it unlawful for anyone to offer or pay compensation, the solicitation or receipt of which is barred by subsection (a).

II. 18 U.S.C. 205

This section contains two major prohibitions. The first prevents an officer or employee of the United States in any branch or agency of the Government from acting as agent or attorney for prosecuting any claim against the United States, including a claim in court, whether for compensation or not. It also prevents him from receiving a gratuity, or a share or interest in any such claim, for assistance in the prosecution thereof.

The second main prohibition of section 205 is concerned with more than claims. It precludes an officer or employee of the Government from acting as agent or attorney for anyone else before a department, agency or court in connection with any particular matter in which the United States is a party or has a direct and substantial interest.

18 U.S.C. 203 and 205 overlap. The following are the few important differences between sections 203 and 205 as they apply to officers and employees of the Government:

1. Section 203 bars services rendered for compensation solicited or received, but not those rendered without such compensation; section 205 bars both kinds of services.

2. Section 203 bars services rendered before the departments and agencies but not services rendered in court; section 205 bars both.

It should be noted, however, that for all practical purposes section 205 completely overshadows section 203.

Exemptions:

Section 205 permits a Government officer or employee to represent another person, without compensation, in a disciplinary, loyalty or other personnel matter. Another provision declares that the section does not prevent an officer or employee from giving testimony under oath or making statements required to be made under penalty for perjury or contempt.

Section 205 also authorizes a limited waiver of its restrictions and those of section 203 for the benefit of an officer or employee, including a special Government employee, who represents his own parents, spouse or child, or a person or estate he serves as a fiduciary. The waiver is available to the officer or employee, whether acting for any such person with or without compensation, but only if approved by the official making appointments to his position. In no event does the waiver extend to his representation of any such person in matters in which he has participated personally and substantially or which, even in the absence of such participation, are the subject of his official responsibility.

Finally, section 205 gives the head of a department or agency the power, notwithstanding any applicable restrictions in its provisions or those of section 203, to allow a special Government employee to represent his regular employer or other outside organization in the performance of work under a Government grant or contract. However, this action is open to the department or agency head only upon his certification, published in the FEDERAL REGISTER, that the national interest requires it.

III. 18 U.S.C. 208

This section forbids certain actions by an officer or employee of the Government in his role as a servant or representative of the Government. Its thrust is therefore to be distinguished from that of 18 U.S.C. 203 and 205 which forbid certain actions in his capacity as a representative of persons outside the Government.

Subsection (a) in substance requires an officer or employee of the executive branch, including a special Government employee, to refrain from participating as such in any matter in which, to his knowledge, he, his spouse, minor child or partner has a financial interest. He must also remove himself from a matter in which a business or non-profit organization with which he is connected or is seeking employment has a financial interest. Under this section, a "particular matter" may be a matter less concrete than an actual contract, because the concept of a "particular matter involving a specific party or parties" is not used here as in other sections. However, a "particular matter" is something more specific than rule making or abstract scientific principles. The test for determining whether the action of the

individual involves a particular matter in which he (or the other enumerated parties) has a financial interest is whether he might reasonably anticipate that his action or the decision in which he participates or with respect to which he advises, will have a direct and predictable effect upon a financial interest of himself, his spouse, minor child, partner or organization with which he is connected or seeking employment.

Subsection (b) permits the agency of an officer or employee to grant him an ad hoc exemption from subsection (a) if the outside financial interest in a matter is deemed not substantial enough to have an effect on the integrity of his services. Financial interests of this kind may also be made nondisqualifying by a general regulation published in the FEDERAL REGISTER.

IV. 18 U.S.C. 209

Subsection (a) prevents an officer or employee of the executive branch, an independent agency or the District of Columbia from receiving, and anyone from paying him, any salary or supplementation of salary from a private source as compensation for his services to the Government.

Subsection (b) specifically authorizes an officer or employee covered by subsection (a) to continue his participation in a bona fide pension plan or other employee welfare or benefit plan maintained by a former employer.

Subsection (c) provides that section 209 does not apply to a special Government employee or to anyone serving the Government without compensation, whether or not he is a special Government employee.

Subsection (d) provides that the section does not prohibit the payment or acceptance of contributions, awards or other expenses under the terms of the Government Employees Training Act.

V. APPLICABLE TO REGULAR NAVY AND MARINE OFFICERS, 37 U.S.C. 801 (a) Formerly 10 U.S.C. 6112 (a)

An officer of the Regular Navy or the Regular Marine Corps, other than a retired officer, may not be employed by any person furnishing Naval supplies or war materials to the United States. If such an officer is so employed, he is not entitled to any payment from the United States during that employment.

LAW APPLICABLE TO FORMER OFFICERS AND EMPLOYEES

I. 18 U.S.C. 207

Subsections (a) and (b) of this section contain post-employment prohibitions applicable to persons who have ended service as officers or employees of the executive branch. The prohibitions for persons who have served as special Government employees are the same as for persons who have performed regular duties.

The restraint of subsection (a) is against a former officer or employee's acting as agent or attorney for anyone other than the United States in connection with certain matters, whether pending in the courts or elsewhere. The matters are those involving a specific party or parties in which the United States is one of the parties or has a direct and substantial interest and in which the former officer or employee participated personally and substantially while holding a Government position.

Subsection (b) sets forth a one-year post-employment prohibition in respect of those matters which were within the area of official responsibility of a former officer or employee at any time during the last year of his service but which do not come within subsection (a) because he did not participate in them personally and substantially. More particularly, the prohibition of subsection (b) prevents his personal appearance in such matters before a court or a department or agency of the Government as agent or attorney for anyone other than the United States. Where, in the year prior to the end of his service, a former officer or employee has changed areas of responsibility by transferring from one agency to another, the period of his post-employment ineligibility as to matters in a particular area ends one year after his responsibility for that area ends. For example, if an individual transfers from a supervisory position in the Internal Revenue Service to a supervisory position in the DoD and leaves DoD for private employment nine months later, he will be free of the restriction of subsection (b) in three months insofar as Internal Revenue matters are concerned. He will of course be bound by it for a year in respect of DoD matters.

The proviso following subsections (a) and (b) authorizes a department head, notwithstanding anything to the contrary in their provisions, to permit a former officer or employee with outstanding scientific qualifications to act as attorney or agent or appear personally before the department for another in a matter in a scientific field. This authority may be exercised by the department head upon a "national interest" certification published in the FEDERAL REGISTER.

Subsection (a) describes the activities it forbids as being in connection with "particular matters involving a specific party or parties" in which the former officer or employee had participated. Subsection (b) relates to matters which were under his official responsibility. The language of both does not include general rulemaking, the formulation of general policy or standards, or other similar matters. Thus, past participation in or official responsibility for a matter of this kind on behalf of the Government does not disqualify a former employee from representing another person in a proceeding which is governed by the rule or other result of such matter. Similarly, in the scientific field past participation in discussion of scientific or engineering concepts, the feasibility of scientific or technical accomplishments or proposed Government programs in early stages prior to the formulation of contract or a contract proposal where specific parties become involved in a matter, does not disqualify the former employee from representing his company with respect to a contract entered into at a later time even though the same general scientific matters may be involved in such a contract.

Subsection (a) bars permanently a greater variety of actions than subsection (b) bars temporarily. The conduct made unlawful by the former is any action as agent or attorney, while that made unlawful by the latter is a personal appearance as agent or attorney. However, neither subsection precludes post-employment activities which may fairly be characterized as no more than aiding or assisting another. An individual who has left the department to accept private employment may, for example, immediately perform technical work in his company's plant in relation to a contract for which he had official responsibility - - or, for that matter, in relation to one he helped the agency negotiate. On the other hand, he is forbidden for a year, in the first case, to appear personally before the department as the agent or attorney of his company in connection with a dispute over the terms of the contract. He may at no time appear personally before the department or otherwise act as agent or attorney for his company in such dispute if he helped negotiate the contract. Under both sections the disability is personal, and neither section would prevent the former officer or employee from becoming the president or other officer of a corporation which has contracts with the Government, so long as such former officer or employee does not personally act as the agent or attorney of the company in dealing with the matters covered under Sections a and b.

5500.7 (Incl 3-C)
Aug 8, 67

SUMMARY OF LAWS APPLICABLE TO RETIRED REGULAR OFFICERS NOT ON ACTIVE DUTY

I. PROHIBITED ACTIVITIES.

A. Matters Connected With Former Duties or Official Responsibilities. A retired regular officer not on active duty is considered to be a "former officer" for the purposes of 18 U.S.C. 207 and therefore, the prohibitions discussed in paragraph XVI. C and Inclosure 3 B apply to him.

B. Claims. A retired regular officer of the armed forces may not, within two years of his retirement, act as agent or attorney for prosecuting any claim against the Government, or assist in the prosecution of such a claim or receive any gratuity or any share of or interest in such claim in consideration for having assisted in the prosecution of such a claim, if such claim involves the department in whose service he holds a retired status. Nor may a regular retired officer at any time act as an agent or attorney for prosecuting any claim against the Government or assist in prosecution of such claim, or receive any gratuity or any share of or interest in such a claim in consideration for having assisted in the prosecution of such claim, if such claim involves any subject matter with which he was directly connected while on active duty (See 18 U.S.C. 283).

C. Selling.

1. A retired regular officer is prohibited, at all times, from receiving or agreeing to receive any compensation for representing any person in the sale of anything to the Government through the department in whose service he holds a retired status (See 18 U.S.C. 281).

2. 37 U.S.C. 801(c) as amended October 9, 1962, P. L. 87-777, formerly 5 U.S.C. 59(c) provides:

> "No payment shall be made from appropriations in any Act to any officer on the retired lists of the Regular Army, Regular Navy, Regular Marine Corps, Regular Air Force, Regular Coast Guard, Coast and Geodetic Survey, and Public Health Service for a period of three years after retirement who for himself or

for others is engaged in the selling of or contracting for the sale of or negotiating for the sale of to any agency of the Department of Defense, the Coast Guard, the Coast and Geodetic Survey, and the Public Health Service any supplies or war materials."

For the purpose of this statute, "selling" means:

a. Signing a bid, proposal, or contract;
b. Negotiating a contract;
c. Contacting an officer or employee of any of the foregoing departments or agencies for the purpose of:

(1) Obtaining or negotiating contracts,
(2) Negotiating or discussing changes in specifications, price, cost allowances, or other terms of a contract, or
(3) Settling disputes concerning performance of a contract, or

d. Any other liaison activity with a view toward the ultimate consummation of a sale although the actual contract therefor is subsequently negotiated by another person.

However, it is not the intent of this Directive to preclude a retired regular officer from accepting employment with private industry solely because his employer is a contractor with the Government.

II. EXEMPTIONS FROM LAW APPLYING TO OFFICERS ON ACTIVE DUTY

A regular officer who has been retired continues to be an "officer" of the United States for purposes of many statutes. However, the laws applying to officers on active duty listed in paragraph XVI A of this Directive do not normally apply to retired regular officers not on active duty. The law specifically provides that 18 U.S.C. 203 and 205 do not apply to a retired officer while not on active duty who is not otherwise an officer or employee of the United States (See 18 U.S.C. 206). In addition, as a practical matter, 18 U.S.C. 208 and 209 do not apply to a retired officer not on active duty who is not performing services for the Government, solely because of his status as a retired regular officer.

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OTHER RELATED LAWS APPLICABLE TO ALL DEPARTMENT OF DEFENSE PERSONNEL

The following activities may subject present and former DoD personnel to penalties:

A. Aiding, abetting, counseling, commanding, inducing, or procuring another to commit a crime under any criminal statute (See 18 U.S.C. 201).

B. Concealing or failing to report to proper authorities the commission of a felony under any criminal statute if such personnel knew of the actual commission of the crime (See 18 U.S.C. 4).

C. Conspiring with one or more other persons to commit a crime under any criminal statute or to defraud the United States, if any party to the conspiracy does any act to effect the object of the conspiracy (See 18 U.S.C. 371).

D. The prohibition against lobbying with appropriated funds (See 18 U.S.C. 1913).

E. The prohibitions against disloyalty and striking (See 5 U.S.C. 7311, 18 U.S.C. 1918).

F. The prohibition against the employment of a member of a Communist organization (See 50 U.S.C. 784).

G. The prohibition against (1) the disclosure of classified information (See 18 U.S.C. 798, 50 U.S.C. 783); and (2) the disclosure of confidential information (See 18 U.S.C. 1905).

H. The provision relating to the habitual use of intoxicants to excess (See 5 U.S.C. 7352).

I. The prohibition against the misuse of a Government vehicle (See 31 U.S.C. 638a(c)).

J. The prohibition against the misuse of the franking privilege (See 18 U.S.C. 1719).

K. The prohibition against the use of deceit in an examination or personnel action in connection with Government employment (See 18 U.S.C. 1917).

L. The prohibition against fraud or false statements in a Government matter (See 18 U.S.C. 1001).

M. The prohibition against mutilating or destroying a public record (See 18 U.S.C. 2071).

N. The prohibition against counterfeiting and forging transportation requests (See 18 U.S.C. 508).

O. The prohibitions against (1) embezzlement of Government money or property (18 U.S.C. 641); (2) failing to account for public money (18 U.S.C. 643); and (3) embezzlement of the money or property of another person in the possession of an employee by reason of his employment (18 U.S.C. 654).

P. The prohibition against unauthorized use of documents relating to claims from or by the Government (18 U.S.C. 285).

Q. The prohibitions against political activities in subchapter III of chapter 73 of title 5, United States Code (5 U.S.C. 7321-7327) and 18 U.S.C. 602, 603, 607 and 608. (Civilian employees).

R. The prohibitions against an employee (including a special Government employee) who is required to register under the Foreign Agents Registration Act of 1938 (18 U.S.C. 219) serving the Government. The criminal penalties of this section do not apply to a special Government employee in any case in which the department head sends a certificate to the Attorney General that his employment by the United States Government is in the national interest. The section does not apply to retired regular officers or to reserves who are not on active duty or who are on active duty for training.

5500.7 (Incl 4)
Aug 8, 67

CONFIDENTIAL STATEMENT OF EMPLOYMENT AND FINANCIAL INTERESTS - DEPARTMENT OF DEFENSE PERSONNEL

(Special Department of Defense Employees Use DD Form 1555-1)

1. NAME *(Last, first, middle initial)*	2. TITLE OF POSITION

3. DATE OF APPOINTMENT IN PRESENT POSITION	4. AGENCY AND MAJOR ORGANIZATIONAL SEGMENT

PART I. EMPLOYMENT AND FINANCIAL INTERESTS. List the names of all corporations, companies, firms, or other business enterprises, partnerships, nonprofit organizations, and educational, or other institutions: (a) with which you are connected as an employee, officer, owner, director, member, trustee, partner, adviser, or consultant; or (b) in which you have any continuing financial interests, through a pension or retirement plan, shared income, or other arrangement as a result of any current or prior employment or business or professional association; or (c) in which you have any financial interest through the ownership of stock, stock options, bonds, securities, or other arrangements including trusts. If none, write NONE.

NAME AND KIND OF ORGANIZATION *(Use Part I designations where applicable)*	ADDRESS	POSITION IN ORGANIZATION *(Use Part I(a) designations, if applicable)*	NATURE OF FINANCIAL INTEREST, *e.g.*, STOCK, PRIOR BUSINESS INCOME *(Use Part I(b) and (c) designations, if applicable)*

PART II. CREDITORS. List the names of your creditors other than those to whom you may be indebted by reason of a mortgage on property which you occupy as a personal residence or to whom you may be indebted for current and ordinary household and living expenses such as household furnishings, automobile, education, vacation, and similar expenses. If none, write NONE.

NAME AND ADDRESS OF CREDITOR	CHARACTER OF INDEBTEDNESS, *e.g.*, PERSONAL LOAN, NOTE, SECURITY

PART III. INTERESTS IN REAL PROPERTY. List your interest in real property or rights in lands, other than property which you occupy as a personal residence. If none, write NONE.

NATURE OF INTEREST, *e.g.*, OWNERSHIP, MORTGAGE, LIEN, INVESTMENT TRUST	TYPE OF PROPERTY, *e.g.*, RESIDENCE, HOTEL, APARTMENT, FARM, UNDEVELOPED LAND	ADDRESS *(If rural, give RFD, or county, state, and Zip Code)*

PART IV. INFORMATION REQUESTED OF OTHER PERSONS. If any information is to be supplied by other persons, e.g., trustee, attorney, accountant, relative, please indicate the name and address of such persons, the date upon which you requested that the information be supplied, and the nature of subject matter involved. If none, write NONE.

NAME AND ADDRESS	DATE OF REQUEST	NATURE OF SUBJECT MATTER

REMARKS

I CERTIFY THAT THE STATEMENTS I HAVE MADE ARE TRUE, COMPLETE, AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

DATE	SIGNATURE

DD FORM 1 MAR 66 1555

INSTRUCTIONS

The information to be furnished in this statement is required by DoD Directive 5500.7, Section XV.B. and may not be disclosed except as the agency head or the Civil Service Commission may determine for good cause shown.

The submission of any information relating to an employee's connection with, or interest in, a professional society or a charitable, religious, social, fraternal, recreational, public service, civic, or political organization or any similar organization not conducted as a business enterprise and which is not engaged in the ownership or conduct of a business enterprise is not required. Educational and other institutions doing research and development or related work involving grants of money from or contracts with the Government are deemed to be "business enterprises" for purposes of this report and should be included.

The information to be listed does not require a showing of the amount of financial interest, indebtedness, or the value of real property.

In the event any of the required information, including holdings placed in trust, is not known to you but is known to another person, you should request that other person to submit the information on your behalf and should report such request in Part IV of your statement.

The interest, if any, of a spouse, minor child, or other member of your immediate household shall be reported in this statement as your interest. If that information is to be supplied by others, it should be so indicated in Part IV. "Member of your immediate household" includes only those blood relations who are full-time residents of your household.

5500.7 (Incl 5)
Aug 8, 67

CONFIDENTIAL STATEMENT OF EMPLOYMENT AND FINANCIAL INTERESTS

(For Use By Special Department of Defense Employees)

PART I. TO BE COMPLETED BY AGENCY

1. NAME *(Last, first, middle initial)*	2. AGENCY AND MAJOR ORGANIZATIONAL SEGMENT
3. BIRTH DATE *(Month, day, year)*	4. PERIOD OF APPOINTMENT, THIS AGENCY FROM: TO:

5. ESTIMATED NUMBER OF DAYS ON WHICH SERVICES ARE EXPECTED TO BE PERFORMED

a. WITH THIS AGENCY	b. WITH OTHER FEDERAL AGENCIES	c. SUM OF a AND b
d. NUMBER OF DAYS ALREADY WORKED FOR THIS AND OTHER FEDERAL AGENCIES DURING APPLICABLE 365-DAY PERIOD		e. TOTAL NUMBER OF DAYS *(Sum of a, b, c, and d)*

PART II. TO BE COMPLETED BY APPOINTEE

6. FEDERAL GOVERNMENT EMPLOYMENT - List all other Federal agencies and other organizational segments of this Agency in which you are presently employed. If none, write NONE.

AGENCY AND LOCATION	TITLE OR KIND OF POSITION	APPOINTMENT PERIOD FROM	APPOINTMENT PERIOD TO	ESTIMATED NUMBER OF DAYS

7. NON-FEDERAL EMPLOYMENT - Name all corporations, companies, firms, State or local Governmental organizations, research organizations, and educational or other institutions in which you are serving as employee, officer, member, owner, trustee, director, expert, adviser, or consultant, with or without compensation. If none, write NONE.

NAME AND KIND OF ORGANIZATION *(e.g., manufacturing, research, insurance)*	LOCATION *(City, State)*	TITLE OR KIND OF POSITION

8. FINANCIAL INTERESTS. *(See DoD Directive 5500.7 Sec XV E)*

NAME OF ORGANIZATION	KIND OF ORGANIZATION *(manufacturing, storage, public utilities, etc.)*	NATURE OF INTEREST AND IN WHOSE NAME HELD

I CERTIFY THAT THE STATEMENTS I HAVE MADE ARE TRUE, COMPLETE, AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. I UNDERSTAND THAT IF, DURING THE PERIOD OF MY APPOINTMENT, I UNDERTAKE A NEW EMPLOYMENT, I MUST PROMPTLY FILE AN AMENDED STATEMENT, AND I MUST ALSO REPORT ANY NEW FINANCIAL INTERESTS ACQUIRED DURING THIS PERIOD IF REQUIRED BY THE AGENCY.

DATE	SIGNATURE

DD FORM 1 MAR 66 1555-1

INSTRUCTIONS

The information to be furnished in this statement is required by DoD Directive 5500.7, Section XV.B. and may not be disclosed except as the agency head or the Civil Service Commission may determine for good cause shown.

The submission of any information relating to an employee's connection with, or interest in, a professional society or a charitable, religious, social, fraternal, recreational, public service, civic, or political organization or any similar organization not conducted as a business enterprise and which is not engaged in the ownership or conduct of a business enterprise is not required. Educational and other institutions doing research and development or related work involving grants of money from or contracts with the Government are deemed to be "business enterprises" for purposes of this report and should be included.

5500.7 (Incl 6)
Aug 8, 67

STATEMENT OF EMPLOYMENT
(Regular Retired Officers)

1. I am a regular retired officer of the _____ (Department), and was retired on _____ (Date).

2. I ☐ am ☐ am not employed. *(If employed, or self employed, complete the rest of this item; if more than one employer, list complete information for each employer on a separate sheet).*

a. My employer's name and address is

b. My employer sells, or offers for sale, to agencies *(including nonappropriated fund activities)* of the Department of Defense, the Coast Guard, the Coast and Geodetic Survey, or the Public Health Service, the following types of products or services:

c. My position title is

d. My duties are, briefly *(a complete description of your job, a copy of your employment contract, or any other pertinent information, may be attached):*

e. My duties do not involve selling to the Government in violation of the statutes and policies cited in the regulation received.

3. I have received a copy of DOD Directive 5500.7, or the regulation issued by my department implementing that Directive.

4. I will promptly file a new Statement of Employment whenever the information in this Statement is no longer accurate.

SIGNATURE	DATE
NAME *(Typed or Printed)*	FILE/SERVICE NUMBER

DD FORM 1 MAY 63 1357 PREVIOUS EDITION OF THIS FORM IS OBSOLETE.

5500.7 (Incl 7)
Aug 8, 67

Extract From Appendix C. of Civil Service Federal Personnel Manual System on Special Government Employees (Including Guidelines for Obtaining and Utilizing the Services of Special Government Employees)

Each department and agency should observe the following rules in obtaining and utilizing the services of a consultant, adviser, or other temporary or intermittent employee:

(a) At the time of his original appointment and the time of each appointment thereafter, the department or agency should make its best estimate of the number of days during the following 365 days on which it will require the services of the appointee. A part of a day should be counted as a full day for the purposes of this estimate, and a Saturday, Sunday, or holiday on which duty is to be performed should be counted equally with a regular work day.

(b) Unless otherwise provided by law, an appointment should not extend for more than 365 days. When an appointment extends beyond that period, an estimate as required by paragraph (a) should be made at the inception of the appointment and a new estimate at the expiration of each 365 days thereafter.

(c) If a department or agency estimates, pursuant to paragraph (a) or (b), that an appointee will serve more than 130 days during the ensuing 365 days, the appointee should not be carried on the rolls as a special Government employee and the department or agency should instruct him that he is regarded as subject to the prohibitions of 18 U.S.C. 203 and 205 to the same extent as if he were to serve as a full-time employee. If the estimate is that he will serve no more than 130 days during the following 365 days, he should be carried on the rolls of the department or agency as a special Government employee and instructed that he is regarded as subject only to the restrictions of 18 U.S.C. 203 and 205. Even if it becomes apparent, prior to the end of a period of 365 days for which a department or agency has made an estimate on an appointee, that he has not been accurately classified, he should nevertheless continue to be considered a special Government employee or not, as the case may be, for the remainder of that 365-day period.

(d) An employee who undertakes service with two departments or agencies shall inform each of his arrangements with the other. If both his appointments are made on the same date, the aggregate of the

estimates made by the departments or agencies under paragraph (a) or (b) shall be considered determinative of his classification by each. Notwithstanding anything to the contrary in paragraphs (a), (b), or (c), if after being employed by one department or agency, a special Government employee is appointed by a second to serve it in the same capacity, each department or agency should make an estimate of the amount of his service to it for the remaining portion of the 365-day period covered by the original estimate of the first. The sum of the two estimates and of the actual number of days of his service to the first department or agency during the prior portion of such 365-day period shall be considered determinative of the classification of the appointee by each during the remaining portion. If an employee undertakes to serve more than two departments or agencies, they shall classify him in a manner similar to that prescribed in this paragraph for two agencies. Each agency which employs special Government employees who serve other agencies shall designate an officer to coordinate the classification of such employees with such other agencies.

(e) When a person is serving as a member of an advisory committee, board or other group, and is by virtue of his membership thereon an officer or employee of the United States, the requirements of paragraphs (a), (b), (c), and (d) should be carried out to the same extent as if he were serving the sponsoring department or agency separately and individually.

(f) The 60-day standard affecting a special Government employee's private activities before his department or agency is a standard of actual past service, as contrasted with the 130-day standard of estimated future service discussed above. A special Government employee is barred from representing another person before his department or agency at times when he has served it for an aggregate of more than 60 days during the past 365 days. Thus, although once having been in effect, the statutory bar may be lifted later by reason of an intervening period of nonservice. In other words, as a matter of law the bar may fluctuate in its effect during the course of a special Government employee's relationship with his department or agency.

(g) A part of a day should be counted as a full day in connection with the 60-day standard discussed in paragraph (f), above, and a Saturday, Sunday, or holiday on which duty has been performed should be counted equally with a regular work day. Service performed by a special Government employee in one department or agency should not be counted by another in connection with the 60-day standard.

To a considerable extent the prohibitions of 18 U.S.C. 203 and 205 are aimed at the sale of influence to gain special favors for private businesses and other organizations and at the misuse of governmental position or information. In accordance with these aims, it is desirable that a consultant or adviser or other individual who is a special Government employee, even when not compelled to do so by 18 U.S.C. 203 and 205, should make every effort in his private work to avoid any personal contact in negotiations for contracts or grants with the department or agency which he is serving if the subject matter is related to the subject matter of his consultancy or other service. It is recognized that this will not always be possible to achieve; for example, in a situation in which a consultant or adviser has an executive position and responsibility with his regular employer which requires him to participate personally in contract negotiations with the department or agency he is advising. When this situation occurs, the consultant or adviser should participate in the negotiations for his employer only with the knowledge of a responsible government official. In other instances an occasional consultant or adviser may have technical knowledge which is indispensable to his regular employer in his efforts to formulate a research and development contract or a research grant and, for the same reason, it is in the interest of the Government that he should take part in negotiations for his private employer. Again, he should participate only with the knowledge of a responsible Government official.

Section 205 of title 18 contains an exemptive provision dealing with a similar situation which may arise after a Government grant or contract has been negotiated. This provision in certain cases permits both the Government and the private employer of a special Government employee to benefit from his performance of work under a grant or contract for which he otherwise would be disqualified because he had participated in the matter for the Government or it is pending in an agency he has served for more than 60 days in the past year. More particularly, the provision gives the head of a department or agency the power, notwithstanding any prohibition in either 18 U.S.C. 203 or 205, to allow a special Government employee to represent before such department or agency either his regular employer or another person or organization in the performance of work under a grant or contract. As a basis for this action, the department or agency head must first make a certification in writing, published in the Federal Register, that it is required by the national interest.

It is necessary occasionally to distinguish between consultants and advisers who are special Government employees and persons who are invited to appear at a department or agency in a representative capacity to speak for firms or an industry, or for labor or agriculture, or for any other recognizable group of persons, including, on occasion, the public at large. A consultant or adviser whose advice is obtained by a department or agency from time to time because of his individual qualifications and who serves in an independent capacity is an officer or employee of the Government. On the other hand, one who is requested to appear before a Government department or agency to present the views of a nongovernmental organization or group which he represents, or for which he is in a position to speak, does not act as a servant of the Government and is not its officer or employee. He is therefore not subject to the conflict of interest laws and is not within the scope of this chapter.

The following principles are useful in arriving at a determination whether an individual is acting before an agency in a representative capacity:

(1) A person who receives compensation from the Government for his services as an adviser or consultant is its employee and not a representative of an outside group. The Government's payment of travel expenses and a per diem allowance, however, does not by itself make the recipient an employee.

(2) It is rare that a consultant or adviser who serves alone is acting in a representative capacity. Those who have representative roles are for the most part persons serving as members of an advisory committee or similar body utilized by a Government agency. It does not follow, however, that the members of every such body are acting as representatives and are therefore outside the range of the conflict of interest laws. This result is limited to the members of committees utilized to obtain the views of nongovernmental groups or organizations.

(3) The fact that an individual is appointed by an agency to an advisory committee upon the recommendation of an outside group or organization tends to support the conclusion that he has a representative function.

(4) Although members of a governmental advisory body who are expected to bind outside organizations are no doubt serving in a representative capacity, the absence of authority to bind outside groups

does not require the conclusion that the members are Government employees. What is important is whether they function as spokemen for nongovernmental groups or organizations and not whether they can formally commit them.

(5) When an adviser or consultant is in a position to act as a spokesman for the United States or a Government agency--as, for example, in an international conference--he is obviously acting as an officer or employee of the Government.

While it would be highly desirable, in order to minimize the occurrence of conflicts of interest, for departments and agencies of the Government to avoid appointing to advisory positions individuals who are employed or consulted by contractors or others having a substantial amount of business with that department or agency, it is recognized that the Government has, of necessity, become increasingly concerned with highly technical areas of specialization and that the number of individuals expert in those areas is frequently very small. Therefore, in many instances it will not be possible for a department or agency to obtain the services of a competent adviser or consultant who is not in fact employed or consulted by such contractors. In addition, an advisory group may of necessity be composed largely or wholly of persons of a common class or group whose employers may benefit from the advice given. An example would be a group of university scientists advising on research grants to universities. Only in such a group can the necessary expertise be found. In all these circumstances, particular care should be exercised to exclude his employer's or clients' contracts or other transactions with the Government from the range of the consultant's or adviser's duties.

APPENDIX IV D

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

December 2, 1975

Mr. William R. Hoover
Chairman, President & CEO
Computer Sciences Corporation
650 North Sepulveda Boulevard
El Segundo, California 90245

Dear Mr. Hoover:

I invite your attention to the enclosed Department of Defense Directive entitled: "Standards of Conduct" and to my memorandum of January 15, 1975.

These directives represent the position of the Department of Defense with respect to the acceptance of any gratuity by Department of Defense personnel from Defense contractors. The Department of Defense and representatives of private industry have a mutual responsibility in meeting the Defense requirements of our nation. In the accomplishment of this purpose, it is necessary that Defense personnel demonstrate absolute integrity in their dealings with contractors. Defense personnel must not under any circumstances violate or give the appearance of violation of the Standards of Conduct Directive.

We expect the cooperation of industry in the avoidance of conflict of interests on the part of Defense personnel and your people. We will appreciate your informing all your personnel, who deal with Department of Defense representatives, of the detailed requirements of Department of Defense regulations with respect to standards of conduct. Industry must stop tendering that which the recipient is prohibited from receiving.

Your cooperation in this regard will be appreciated.

Sincerely yours,

W. P. Clements, Jr.

DISTRIBUTION OF LETTERS TO INDUSTRY

Mr. Karl C. Harr, Jr., President
AeroSpace Industries Association
of America, Inc.
1725 DeSales Street, N. W.
Washington, D. C. 20036

Dear Mr. Harr:

Mr. V. J. Adduci, President
Electronics Industries Association
2001 Eye Street, N. W.
Washington, D. C. 20006

Dear Mr. Adduci:

Vice Admiral Joseph M. Lyle,
USN (Ret.)
President
National Security Industrial
Association
740 - 15th Street, N. W. - Suite 700
Washington, D. C. 20005

Dear Admiral Lyle:

Mr. Eben S. Tisdale, Government
Affairs Manager
Western Electronic Manufacturers
Association
P. O. Box 11036
Palo Alto, California 94306

Dear Mr. Tisdale:

Mr. Jack H. Vollbrecht
President
Aerojet General Corporation
9100 E. Flair Drive
El Monte, California 91734

Dear Mr. Vollbrecht:

Mr. Francis P. Rooney, Manager
Defense Liaison Department
Motor Vehicle Manufacturers
Association of the United States
1909 K Street, N. W.
Washington, D. C. 20006

Dear Mr. Rooney:

Mr. Franz O. Ohlson, Jr.
Executive Secretary
Council of Defense and Space
Industry Associations
1725 DeSales Street, N. W.
(7th Floor)
Washington, D. C. 20036

Dear Mr. Ohlson:

Mr. Edwin M. Hood, President
Shipbuilders Council of America
Watergate Six Hundred
Washington, D. C. 20037

Dear Mr. Hood:

Mr. Ralph C. Blackwell, President
National AeroSpace Services
Association
1501 Wilson Boulevard
Arlington, Virginia 22209

Dear Mr. Blackwell:

Mr. Leon Hess
Chairman and Chief Executive
Officer
Amerada Hess Corporation
1185 Avenue of the Americas
New York, New York 10036

Dear Mr. Hess:

Mr. Roy D. Chapin, Jr.
Chairman of the Board
American Motors Corporation
14250 Plymouth Road
Detroit, Michigan 48232

Dear Mr. Chapin:

Mr. John D. deButts
Chairman of the Board
American Telephone & Telegraph Company
195 Broadway
New York, New York 10007

Dear Mr. deButts:

Mr. Leif J. Sverdrup
Chairman of the Board
Arnold Air Force Station
Tullahoma, Tennessee 37389

Dear Mr. Sverdrup:

Mr. J. D. Ritchie
President
One Rockefeller Plaza
New York, New York 10020

Dear Mr. Ritchie:

Mr. Thornton F. Bradshaw
President
Atlantic Richfield Company
P. O. Box 2679TA
Los Angeles, California 90051

Dear Mr. Bradshaw:

Mr. Corwin D. Denney
Chairman of the Board
Automation Industries, Inc.
1901 Building
Century City
Los Angeles, California 90067

Dear Mr. Denney:

Mr. James R. Kerr
Chairman of the Board
AVCO Corporation
1275 King Street
Greenwich, Connecticut 06830

Dear Mr. Kerr:

Mr. Neal W. O'Conner
Chairman of the Board
N. W. Ayer & Son, Inc.
1345 Avenue of the Americas,
New York, New York 10019

Dear Mr. O'Conner:

Mr. William D. Kyle, Jr.
Chairman of the Board and Chief Executive Officer
Bath Industries, Inc.
2100 N. Mayfair Road
Milwaukee, Wisconsin 53226

Dear Mr. Kyle:

Mr. W. Michael Blumenthal
Chairman of the Board
Bendix Corporation
Bendix Center
Southfield, Michigan 48075

Dear Mr. Blumenthal:

Mr. Thornton A. Wilson
Chairman of the Board
The Boeing Company
P. O. Box 3707
Seattle, Washington 98124

Dear Mr. Wilson:

Mr. Paul S. Mirabito, President
President Burroughs Corporation
Burroughs Place
Detroit, Michigan 48322

Dear Mr. Mirabito:

Mr. Robert L. Zeligson
President
CCI Corporation
4111 S. Darlington
Tulsa, Oklahoma 74135

Dear Mr. Zeligson:

Mr. Lee L. Morgan
President
Caterpillar Tractor Company
100 N. E. Adams Street
Peoria, Illinois 61602

Dear Mr. Morgan:

Mr. Walter R. Petersen
President
Chamberlain Manufacturing Corporation
845 Larch Avenue
Elmhurst, Illinois 60126

Dear Mr. Petersen:

Mr. John T. Riccardo
Chairman of the Board
Chrysler Corporation
341 Massachusetts Avenue
Detroit, Michigan 48231

Dear Mr. Riccardo:

Mr. Robert V. Sellers
Chairman of the Board
Cities Service Company
Box 300
Tulsa, Oklahoma 74102

Dear Mr. Sellers:

Mr. George T. Scharffenberger
Chairman, President and CEO
City Investing Company
767 Fifth Avenue
New York, New York 10022

Dear Mr. Scharffenberger:

Mr. William R. Hoover
Chairman, President & CEO
Computer Sciences Corporation
650 N. Sepulveda Boulevard
El Segundo, California 90245

Dear Mr. Hoover:

Mr. William R. Keye
Vice Chairman of the Board
Control Data Corporation
8100 34th Avenue, S.
Minneapolis, Minnesota 55440

Dear Mr. Keye:

Mr. E. B. Fitzgerald
Chairman and Chief Executive Officer
Cutler-Hammer, Incorporated
4201 N. 27th Street
Milwaukee, Wisconsin 53216

Dear Mr. Fitzgerald:

Mr. Harold L. Yoh
Chairman, President and Chief Executive Officer
Day & Zimmerman, Incorporated
1700 Sansom Street
Philadelphia, Pennsylvania 19103

Dear Mr. Yoh:

Mr. Irving S. Shapiro
Chairman of the Board
E. I. duPont de Nemours & Co.
DuPont Building
Wilmington, Delaware 19898

Dear Mr. Shapiro:

69-394 O - 76 - 21

Mr. Charles G. Gulledge
Chairman and Chief Executive Officer
Dynalectron Corporation
2233 Wisconsin Avenue, N. W.
Washington, D. C. 20007

Dear Mr. Gulledge:

Mr. John W. Dixon
Chairman and President
E-Systems, Incorporated
P. O. Box 6030
Dalles, Texas 75222

Dear Mr. Dixon:

Mr. Walter A. Fallon
President
Eastman Kodak Company
343 State Street
Rochester, New York 14650

Dear Mr. Fallon:

Mr. Charles F. Knight
Chairman and Chief Executive Officer
Emerson Electric Company
8100 Florissant Avenue
St. Louis, Missouri 63136

Dear Mr. Knight:

Mr. Clifton C. Garvin, Jr.
Chairman and Chief Executive Officer
Exxon Corporation
1251 Avenue of the Americas
New York, New York 10020

Dear Mr. Garvin:

Mr. Robert H. Malott
President and Chairman
FMC Corporation
1 Illinois Center
111 E. Wacker Drive
Chicago, Illinois 60601

Dear Mr. Malott:

Mr. Edward G. Uhl
President and Chief Executive Officer
Fairchild Industries
Fairchild Drive
Germantown, Maryland 20767

Dear Mr. Uhl:

Mr. Lee Iacocca
President
Ford Motor Company
The American Road
Dearborn, Michigan 48121

Dear Mr. Iacocca:

Mr. Merle W. Kremer
President
GTE Sylvania Incorporated
One Stamford Forum
Stamford, Connecticut 06904

Dear Mr. Kremer:

Mr. David S. Lewis
Chairman of the Board
General Dynamics Corporation
Pierre Laclede Center
St. Louis, Missouri 63105

Dear Mr. Lewis:

Mr. Jack S. Parker
Vice Chairman of the Board
General Electric Company
570 Lexington
New York, New York 10022

Dear Mr. Parker:

Mr. James L. Ferguson
President, Chairman and Chief Executive Officer
General Foods Corporation
250 North Street
White Plains, New York 10605

Dear Mr. Ferguson:

Mr. Thomas A. Murphy
Chairman of the Board
General Motors Corporation
General Motors Building
Detroit, Michigan 48202

Dear Mr. Murphy:

Mr. Leslie H. Warner
Chairman and Chief Executive Officer
General Telephone & Electronics Corporation
One Stamford Forum
Stamford, Connecticut 06904

Dear Mr. Warner:

Mr. Thomas F. O'Neil
Chairman of the Board
General Tire & Rubber Company
One General Street
Akron, Ohio 44329

Dear Mr. O'Neil:

Mr. Charles J. Pilliod
Chairman of the Board
Goodyear Tire & Rubber Company
1144 E. Market Street
Akron, Ohio 44316

Dear Mr. Pilliod:

Mr. William T. Ylvisaker
Chairman, President and Chief Executive Officer
Gould Incorporated
10 Gould Center
Rolling Heights, Illinois 60631

Dear Mr. Ylvisaker:

Mr. Joseph G. Gavin, Jr.
President and Chief Executive Officer
Grumman Corporation
South Oyster Bay Road
Bethpage, New York 11714

Dear Mr. Gavin:

Mr. Charles G. Bluhdorn
Chairman of the Board
Gulf & Western Industries, Incorporated
1 Gulf & Western Plaza
New York, New York 10023

Dear Mr. Bluhdorn:

Mr. James E. Lee
President
Gulf Oil Corporation
Gulf Buidling
Pittsburgh, Pennsylvania 15219

Dear Mr. Lee:

Mr. R. B. Tullis
Chairman and Chief Executive Officer
Harris Corporation
55 Public Square
Cleveland, Ohio 44113

Dear Mr. Tullis:

Mr. M. G. Underwood
President and Chief Executive Officer
Harsco Corporation
Camp Hill, Pennsylvania 17011

Dear Mr. Underwood:

Mr. John M. Martin
Chairman of the Board
Hercules, Incorporated
910 Market Street
Wilmington, Delaware 19899

Dear Mr. Martin:

Mr. David Packard
Chairman of the Board
Hewlett-Packard Company
1501 Page Mill Road
Palo Alto, California 94304

Dear Mr. Packard:

Mr. Wendell B. Sell
President and Chief Executive Officer
Hoffman Electronics Corporation
4323 Arden Drive
El Monte, California 91734

Dear Mr. Sell:

Mr. Stephen F. Keating
Chairman of the Board
Honeywell, Incorporated
2701 4th Avenue, South
Minneapolis, Minnesota 55408

Dear Mr. Keating:

Mr. Lawrence A. Hyland
Vice President and General Manager
Hughes Aircraft Company
Centinela and Teale
Culver City, California 90230

Dear Mr. Hyland:

Mr. Jack L. Hunt
President and Chairman of the Board
Hunt Building Corporation
432 N. Frederick
El Paso, Texas 79984

Dear Mr. Hunt:

Mr. Edward J. Goett
Chairman and Chief Executive Officer
I C I United States, Incorporated
New Murphy & Concord Pike
Wilmington Delaware 19897

Dear Mr. Goett:

Mr. Frank T. Cary
Chairman and Cheif Executive Officer
International Business Machines Corporation
Old Orchard Road
Armonk, New York 10504

Dear Mr. Cary:

Mr. Harold S. Geneen
Chairman of the Board
International Telephone and
Telegraph Corporation
320 Park Avenue
New York, New York 10022

Dear Mr. Geneen:

Mr. Fred R. Sullivan
Chairman and President
Walter Kidde & Company, Inc.
9 Brighton Road
Clifton, New Jersey 07012

Dear Mr. Sullivan:

Mr. Paul Thayer
Chairman of the Board, President
and Chief Executive Officer
LTV Corporation
P. O. Box 5003
Dallas, Texas 75222

Dear Mr. Thayer

Mr. Robert L. Purcell
Chairman of the Board
Lear Siegler, Incorporated
3171 S. Bundy Drive
Santa Monica, California 90406

Dear Mr. Purcell:

Mr. Charles B. Thornton
Chairman and Chief Executive
Officer
Litton Inudstries, Incorporated
360 N. Crescent Drive
Beverly Hills, California 90210

Dear Mr. Thornton:

Mr. Daniel J. Haughton
Chairman of the Board
Lockheed Aircraft Corporation
2555 Hollywood Way
Burbank, California 91503

Dear Mr. Haughton:

Mr. Robert H. Platt
President
Magnavox Company
345 Park Avenue
New York, New York 07024

Dear Mr. Platt:

Mr. J. Donald Routh
President and Chief Executive
Officer
Martin Marietta Corporation
11300 Rockville Pike
Rockville, Maryland 20852

Dear Mr. Routh:

Mr. James S. McDonnell, Sr.
Chairman of the Board
McDonnell Douglas Corporation
P. O. Box 516
St. Louis, Missouri 63166

Dear Mr. McDonnell:

Mr. Rawleigh Warner, Jr.
Chairman of the Board
Mobil Oil Corporation
150 E. 42nd Street
New York, New York 10017

Dear Mr. Warner:

Mr. Robert W. Galvin
Chairman of the Board
Motorola, Incorporated
O'Hare Plaza
5725 E. River Road
Chicago, Illinois 60631

Dear Mr. Galvin:

Mr. L. E. Phillips
Honorable Chairman of the Board
National Presto Industries, Incorporated
Eau Claire, Wisconsin 54701

Dear Mr. Phillips:

Mr. Kenneth T. Norris
Chairman of the Board
Norris Industries, Incorporated
5215 S. Boyle Avenue
Los Angeles, California 90058

Dear Mr. Norris:

Mr. Thomas V. Jones
Chairman of the Board
Northrop Corporation
1800 Century Park East
Century City
Los Angeles, California 90067

Dear Mr. Jones:

Mr. William T. Seawell
Chairman, President and Chief Executive Officer
Pan American World Airways, Inc.
Pan Am Building
New York, New York 10017

Dear Mr. Seawell:

Mr. Paul F. Lorenz
Chairman of the Board
Philco-Ford Corporation
Union Meeting Road
Blue Bell, Pennsylvania 19422

Dear Mr. Lorenz:

Mr. Anthony L. Conrad
President
RCA Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Mr. Conrad:

Mr. Thomas L. Phillips
President and Chief Executive Officer
Raytheon Company
141 Spring Street
Lexington, Massachusetts 02173

Dear Mr. Phillips:

Mr. Colin H. Stokes
Chairman and Chief Executive Officer
R. J. Reynolds Industries, Inc.
401 N. Main Street
Winston Salem, North Carolina 27102

Dear Mr. Stokes

Mr. Robert Anderson
President
Rockwell International Corporation
600 Grant Street
Pittsburgh, Pennsylvania 15219

Dear Mr. Anderson:

Mr. Royden C. Sanders, Jr.
President
Sanders Associates, Inc.
Daniel Webster Highway S.
Nashua, New Hampshire 03060

Dear Mr. Sanders:

Mr. Joseph Kahn
Chairman of the Board
Seatrain Lines, Incorporated
1 Chase Manhattan Plaza
New York, New York 10005

Dear Mr. Kahn:

Mr. Harry Bridges
President
Shell Oil Company
1 Shell Plaza
Houston, Texas 77001

Dear Mr. Bridges:

Mr. William E. Walkup
Chairman and Executive Vice President
The Signal Companies, Inc.
9665 Wilshire Boulevard
Beverly Hills, California 90212

Dear Mr. Walkup:

Mr. Joseph B. Flavin
Chairman of the Board and President
The Singer Company
30 Rockefeller Plaza
New York, New York 10020

Dear Mr. Flavin:

Mr. J. Paul Lyet
Chairman of the Board
Sperry Rand Corporation
1290 Avenue of the Americas
New York, New York 10019

Dear Mr. Lyet:

Mr. H. J. Haynes
Chairman of the Board
Standard Oil of California
225 Bush Street
San Francisco, California 94104

Dear Mr. Haynes:

Mr. John E. Swearingen
Chairman of the Board
Standard Oil Company of Indiana
901 S. Michigan Avenue
Chicago, Illinois 60680

Dear Mr. Swearingen:

Mr. Robert G. Dunlop
Chairman of the Board
Sun Oil Company
1608 Walnut Street
Philadelphia, Pennsylvania 19103

Dear Mr. Dunlop:

Mr. E. J. Peltier
President and Chief Executive Officer
Sverdrup & Parcel & Associates Incorporated
800 North 12th Boulevard
St. Louis, Missouri 63101

Dear Mr. Peltier:

Dr. George E. Mueller
Chairman and President
Systen Development Corp.
2500 Colorado Avenue
Santa Monica, California 90406

Dear Dr. Mueller:

Dr. Ruben F. Mettler
President
TRW, Incorporated
One Space Park
Redondo Beach, California 90278

Dear Dr. Mettler:

Dr. Henry E. Singleton
Chairman and Chief Executive
Officer
Teledyne, Incorporated
1901 Avenue of the Stars
Los Angeles, California 90067

Dear Dr. Singleton:

Mr. N. W. Freeman
Chairman of the Board
Tenneco Inc.
P. O. Box 2511
Houston, Texas 77001

Dear Mr. Freeman:

Mr. Maurice F. Granville
Chairman of the Board
Texaco Incorporated
135 E. 42nd Street
New York, New York 10017

Dear Mr. Granville:

Mr. Mark Shepherd, Jr.
President
Texas Instruments Incorporated
P. O. Box 5474
Dallas, Texas 75222

Dear Mr. Shepherd:

Mr. G. William Miller
President
Textron, Incorporated
40 Westminster Street
Providence, Rhode Island 02903

Dear Mr. Miller:

Mr. H. W. Ritchey
Chairman of the Board
Thiokol Chemical Corporation
P. O. Box 9258
Ogden, Utah 84409

Dear Mr. Ritchey:

Mr. David Baretta
Chairman and Chief Executive
Officer
Uniroyal, Incorporated
1230 Avenue of the Americas
New York, New York 10020

Dear Mr. Baretta:

Mr. Harry J. Gray
Chairman of the Board
United Technologies Corporation
400 Main Street
East Hartford, Connecticut 06118

Dear Mr. Gray:

Mr. Russell W. McFall
Chairman of the Board
Western Union Corporation
85 McKee Drive
Mahwah, New Jersey 07430

Dear Mr. McFall:

Mr. Robert E. Kirby
Chairman of the Board
Westinghouse Electric
Corporation
Gateway Center Westinghouse
Building
Pittsburgh, Pennsylvania 15222

Dear Mr. Kirby:

Mr. C. Peter McColough
Chairman of the Board
Xerox Corporation
Stamford, Connecticut 06904

Dear Mr. McColough:

APPENDIX IV E

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

8 December 1975

Captain George E. Jessen, USN
Naval Air Systems Command
Headquarters (PMA 244)
Washington, D. C. 20361

Dear Captain Jessen:

Recent events have highlighted the need for continued vigilance with regard to the Department of Defense Standards of Conduct. In some instances there has been a lack of appreciation for the high degree of ethical conduct expected of Department of Defense personnel. In other cases ignorance of the Standards or a misinterpretation of them has resulted in violations.

One means of avoiding failures on the part of Defense personnel to adhere to the highest standards of ethical behavior is re-emphasis of the requirements from time to time, and the assurance of constant interest on the part of the top management of the Department. Such an effort is embodied in my memorandum of 15 January 1975, a copy of which is enclosed. Another effort which the Department is making is to identify situations where violations have occurred and to determine whether corrective action is required. The recent attention to this matter has indicated a lack of understanding of the section of the directive dealing with the exchange of amenities among personal friends. Accordingly, we have modified the directive dealing with personal friendship, and have extended the requirement for filing of financial interest statements. A copy of this modification is also enclosed for your information.

It is requested that you re-emphasize the requirements of the Standards of Conduct Directive within your organization and assure yourself that these standards are being complied with. If failures to comply with the standards are disclosed, appropriate disciplinary action should be taken. If you find difficulty in determining whether there is a violation of the Directive, you should assure that counsel is available to assist you and your personnel in interpreting the Directive. If you feel that the existing standards are confusing, we would welcome your suggestions. The amendments which we are forwarding are intended to deal with an area quickly identified, but the standards are under continuing study and will probably be further amended.

If you find a failure on the part of your contractors to appreciate the requirements of the standards, they should be advised that we expect their cooperation in the enforcement of the standards.

I would greatly appreciate any suggestions you have with respect to the entire area of ethical behavior and with respect to the adequacy of regulations. I would also appreciate your assessment of the degree of compliance within your organization.

Sincerely,

H. P. Clemmons

Enclosures 2

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

8 December 1975

SEE ATTACHED LIST

Recent events have highlighted the need for continued vigilance with regard to the Department of Defense Standards of Conduct. In some instances there has been a lack of appreciation for the high degree of ethical conduct expected of Department of Defense personnel. In other cases ignorance of the Standards or a misinterpretation of them has resulted in violations.

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I would greatly appreciate any suggestions you have with respect to the entire area of ethical behavior and with respect to the adequacy of regulations. I would also appreciate your assessment of the degree of compliance within your organization.

Sincerely,

Signed

W. P. CLEMENTS JR.

Enclosures 2

Signers
PA
Chron

1 December 1975

DCP/DSARC Program Managers

Captain George E. Jessen, USN
Naval Air Systems Command
Headquarters (PMA 244)
Washington, D.C. 20361

Captain W. C. Wyatt, USN
Naval Sea Systems Command
Headquarters (PMS 389)
Washington, D.C. 20362

RADM. Wayne E. Meyer, USN
Naval Sea Systems Command
Headquarters (PMS 403)
Washington, D.C. 20362

Captain Thomas M. Hopkins, USN
Naval Sea Systems Command
Headquarters (PMS 393)
Washington, D.C. 20362

Captain James W. Lisanby, USN
Naval Sea Systems Command
Headquarters (PMS 377)
Washington, D.C. 20362

Captain P. L. Dudley, USN
Naval Air Systems Command
Headquarters (PMA 258)
Washington, D.C. 20361

Captain J. K. Thomas, USN
Naval Air Systems Command
Headquarters (PMA 266)
Washington, D.C 20361

Captain J. H. Spiller, USN
Naval Sea Systems Command
Headquarters (PMS 407)
Washington, D.C. 20362

Captain Kleber S. Masterson, USN
Naval Sea Systems Command
Headquarters (PMS 404)
Washington, D.C. 20362

Captain Dempster M. Jackson, USN
Naval Electronics Systems Command
Headquarters (PME 124)
Washington, D.C. 20360

Captain Clifford M. Rigsbee, USN
Naval Air Systems Command
Headquarters (PMA 264)
Washington, D.C. 20361

Captain Edward J. Otth, USN
Naval Sea Systems Command
Headquarters (PMS 399)
Washington, D.C. 20362

Commander H. A. Moore, USN
Naval Sea Systems Command
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Captain Edward W. Molzan, USN
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Washington, D.C. 20362

Commander Robert Hullander, USN
Naval Electronic Systems Command
Headquarters (PME 107-3)
Washington, D.C. 20360

RADM. R. L. Walters, USN
Major Surface Combatant Ships
Project (PM-1)
Department of the Navy
Washington, D.C. 20360

Commander J. D. Miceli, USN
Naval Sea System Command
Headquarters (SEA 6532C)
Washington, D.C. 20362

BG Lawrence A. Skantze
Deputy for AWACS
AWACS SPO
Electronic Systems Division (YW)
L.G. Hanscom AFB, MA 01731

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Captain Franklin H. Roth, USN
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Colonel Klas K. Fenell
System Program Director
TRACALS SPO
Electronic Systems Division (OCN)
L.G. Hanscom AFB, MA 01731

Colonel P. A. Lindsay, USMC
Naval Air Systems Command
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System Program Director
AFSATCOM SPO - SAMSO (SKA)
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Los Angeles, California 90009

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CH-47 Mod Program
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St. Louis, Missouri 63166

Captain J. K. Thomas, USN
Naval Air Systems Command
Headquarters (PMA 266)
Washington, D.C. 20361

Colonel W. A. Newsome, Jr.
System Program Director
C-5 SPO
Aeronautical Systems Division (YAS)
Wright-Patterson AFB, Ohio 45433

Captain Zygmont J. Kowalskey, Jr.,
USN
Naval Air Systems Command
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Washington, D.C. 20361

MG Robert C. Mathis
System Program Director
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Aeronautical Systems Division (YF)
Wright-Patterson AFB, Ohio 45433

RADM. John H. Alvis, USN
Naval Air Systems Command
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Washington, D.C. 20361

Colonel E. M. Stringer
System Program Director
IFA SPO
Aeronautical Systems Division (SD5)
Wright-Patterson AFB, Ohio 45433

Captain Don V. Wells, USN
Naval Air Systems Command
Headquarters (PMA 262)
Washington, D.C. 20361

Captain W. H. VanDyke, Jr., USN
Naval Air Systems Command
Headquarters (PMA 259)
Washington, D.C. 20361

Captain Edwin Barrineau, USN
Naval Air Systems Command
Headquarters (PMA 242)
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Colonel J. L. McKenna
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EF-111A Tactical Jamming SPO
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System Program Director
Guided Bombs SPO
Armament Development & Test
Center (SDT)
Eglin AFB, Florida 32542

Colonel A. Turner
Program Manager
PLSS Program Office
Aeronautical Systems Div (RWL)
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Colonel Samuel C. Skemp, Jr.
Project Manager
Pershing (AMCPM-PE)
US Army Missile Command
Redstone Arsenal, Alabama 35809

Captain Henry L. Halleland, USN
Naval Air Systems Command
Headquarters (PMA 265)
Washington, D.C. 20361

Captain V. W. Patterson, USN
Naval Electronic System Command
Headquarters (PME 107-2)
Washington, D.C. 20360

Colonel William E. Thurman
System Program Director
Deputy for F-16
Aeronautical Systems Div (YP)
Wright-Patterson AFB, Ohio 45433

Colonel Ward W. Hemenway
System Program Director
Deputy for RPV
Aeronautical Systems Div (RWD)
Wright-Patterson AFB, Ohio 45433

BG W. J. Hilsman
Project Manager
ARTADS (AMCPM-TDS)
US Army Electronics Command
Fort Monmouth, New Jersey 07703

Colonel Laclan Macleay
System Program Director
AGM-65 SPO
Aeronautical Systems Division (SD65)
Wright-Patterson AFB, Ohio 45433

BG Jay R. Brill
System Program Director
Deputy for A-10
Aeronautical Systems Div (YX)
Wright-Patterson AFB, Ohio 45433

BG Stan R. Sheridan
Project Manager
MICV (AMCPM-MCV)
US Army Tank-Automotive Command
Warren, Michigan 48090

MG Charles F. Means
Project Manager
SAM-D (AMCPM-MD)
US Army Missile Command
Redstone Arsenal, Alabama 35809

BG Grayson Tate
Project Manager
LANCE (AMCPM-LC)
US Army Missile Command
Redstone Arsenal, Alabama 35809

Colonel Henry F. Magill
Project Manager
SHORADS (AMCPM-SHO)
US Army Missile Command
Redstone Arsenal, Alabama 35809

Colonel David Green
Project Manager
STINGER (AMCPM-MP)
US Army Missile Command
Redstone Arsenal, Alabama 35809

Colonel Arthur L. Goodall
Project Manager
DRAGON (AMCPM-MW)
US Army Missile Command
Redstone Arsenal, Alabama 35809

MG Robert J. Baer
Project Manager
XM-1 Tank System (AMCPM-GCM)
28150 Dequindre
Warren, Michigan 48092

Colonel Frank J. Palermo, Jr.
Project Manager
Hellfire (AMCPM-HF)
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Redstone Arsenal, Alabama 35809

Colonel Frank P. Ragano
Project Manager
CAWS (AMCPM-CAWS)
US Army Armaments Command
Rock Island, Illinois 61201

BG Samuel G. Cockerham
Project Manager
AAH (AMCPM-AAJ)
US Army Aviation Systems Command
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Colonel Edward M. Browne
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MG Abner B. Martin
System Program Director
Deputy for B-1
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Wright-Patterson AFB, Ohio 45433

RADM. J. C. Metzel, USN
TRIDENT Project (PM-2)
Department of the Navy
Washington, D.C. 20362

Captain E. M. Peebles, USN
Naval Sea Systems Command
Headquarters (PMS 396)
Washington, D.C. 20362

Captain Walter M. Locke, USN
Naval Air Systems Command
Headquarters (PMA 263)
Washington, D.C. 20361

Colonel Charles A. MacTvor
Program Manager
Air Launched Cruise Missile
Aeronautical Systems Division
(AGM-86)
Wright-Patterson AFB, Ohio 45433

69-394 O - 76 - 22

Colonel Gervin McCurdy, USAF
Project Officer
CONUS OTH B Radar
Electronic Systems Division (OCS)
L.G. Hanscom AFB, MA 01731

Colonel Kenneth Bell
System Program Director
Tanker-Cargo SPO
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Colonel Bradford W. Parkinson
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NAVSTAR GPS JPO - SAMSO (YE)
P.O. Box 92960, Worldway Postal Center
Los Angeles, California 90009

Colonel George J. Murphy
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Reusable Launch Vehicle SPO - SAMSO (LVR)
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BG Robert A. Foster
Deputy for AABNCP
Advanced Airborne Command Post SPO
Electronic Systems Division (YS)
L.G. Hanscom AFB, MA 01731

Captain Robert T. Darcy, USN
Naval Electronic Systems Command Headquarters (PME 106)
Washington, D.C. 20360

Colonel John P. Dobbins
Project Manager
ATACS (AMCPM-ATC)
US Army Electronics Command
Fort Monmouth, New Jersey 07703

Colonel H. Wynne
System Program Director
Defense Satellite Comm SPO - SAMSO (SKD)
P.O. Box 92960, Worldway Postal Center
Los Angeles, California 90009

Captain W. C. Cobb, USN
Naval Electronic System Command Headquarters (PME 117)
Washington, D.C. 20360

Colonel James E. Wyatt
Project Manager
SINCGARS (AMCPM-GARS)
US Army Electronics Command
Fort Monmouth, New Jersey 07703

LTC Thomas R. Baxter
Defense Communications Agency (Code 440)
Washington, D.C. 20305

Colonel Richard W. Coraine
System Program Director
COBRA DANE Program Office
Electronic Systems Division (OCD)
L.G. Hanscom AFB, MA 01731

DEP SEC. HAS SEEN

DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
WASHINGTON, D.C. 20362

AIDS
PMS KMC DHF

IN REPLY REFER TO
23 December 1975

Honorable William P. Clements, Jr.
Deputy Secretary of Defense
Washington, D.C.

Dear Mr. Clements:

I have carefully read your standards of conduct letter. You asked that I assess the degree of compliance within my project. I include, in the following assessment, the 26 project people including my "site" project officer at SUPSHIP Pascagoula, who are fully dedicated to the DD963 program.

Since the inception of this project the various Project Managers have routinely stressed the importance of high standards of conduct and ethics. When I relieved Captain John Collins this past July, we discussed this issue in great detail. He had advised the company (Litton) both verbally and in writing as to the Project's "correct" position. I have assumed the same attitude, and verbally told senior company representatives in Pascagoula and Washington of my views. I can not believe that any misunderstanding exists with either the company or USN project personnel. There has never been a reported case of misbehavior. My Deputy and I continually observe our people while working with contractors, vendors and with other government agencies. I continue to be impressed not only with their professionalism but also with their ability to function effectively and still maintain the "arms length" position at all times. To the best of my knowledge my project people have always adhered to the highest standards of ethical behavior. I can assure you that it is of constant interest to me and I have taken steps to reemphasize the requirements and intent of the standards of conduct within my project.

I will bear in mind your request for suggestions in the area of ethical behavior and will not hesitate to respond if I find areas for improvement.

Very respectfully,

William C. Dyatt

DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY MISSILE COMMAND
REDSTONE ARSENAL, ALABAMA 35809

12 JAN 1976

Honorable William P. Clements, Jr.
Deputy Secretary of Defense
Washington, DC 20301

SEP 7

Dear Mr. Clements:

Thank you for your letter of 8 December 1975 regarding the DoD Standards of Conduct. I have reviewed the new directive in detail and have emphasized to my staff the importance of complying with the requirements of the established standards, and the need to insure that our association with the contractors in the conduct of our mission meets the highest standards of ethical behavior. In addition, my staff has completed and filed the appropriate financial interest statements.

I have adaressed the requirements of the Standards of Conduct with my management counterparts of both Hughes Aircraft Company and Rockwell International Corporation (HELLFIRE competitive contractors) and solicited their cooperation in the enforcement of the standards. On the basis of past experience with these contractors there is adequate reason to believe they will abide by your guidelines. Each contractor has informed me that they understand the Department of Defense Standards of Conduct and in particular the section of the Directive dealing with the exchange of amenities among personal friends.

In respect to emphasis, I have taken the following actions. When Army on site program reviews are held, standards of conduct are reviewed and emphasized during the initial session with government personnel. Further, project office personnel have been informed that the standards of conduct are not subject to individual interpretation.

In my judgment the guidelines are clear and at this time I have no suggestions in this area. In the past, my organization abided by the rules quite carefully. There had been some acceptance of business luncheons or dinners on occasion on an individual basis. I believe I have now corrected this in accordance with DOD guidelines. Your guidance is clear.

May I wish you a year of success and happiness in 1976.

Sincerely yours,

Frank J. Palermo, Jr.

FRANK J. PALERMO, JR.
COL FA
HELLFIRE Project Manager

AN EQUAL OPPORTUNITY EMPLOYER

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SPACE AND MISSILE SYSTEMS ORGANIZATION (AFSC)
P.O. BOX 92960, WORLDWAY POSTAL CENTER
LOS ANGELES, CALIFORNIA 90009

S 7

2 JAN 1976

Honorable William P. Clements, Jr.
The Deputy Secretary of Defense
Washington D. C. 20301

Dear Mr. Clements

In reply to your recent letter concerning Department of Defense (DOD) Standards of Conduct, let me assure you of my full cooperation. Both DOD Directive 5500.7 and Air Force Regulation 30-30 have been emphasized and reemphasized at all levels of command here at SAMSO and specifically brought to the personal attention of all of my people. Those contractors with whom we do business are well aware of these standards and the increased emphasis that is being placed on compliance. In every instance the contractors have made a concerted effort to not only comply with them but to ensure that not even the appearance of a conflict is allowed to exist. I have been assured that all contractor levels are aware of these requirements and will comply with both the spirit and intent of the standards.

For my part, I have and will continue to require that my personnel exemplify the high degree of ethical conduct expected of Department of Defense personnel. I am convinced that my organization has complied with directives and will continue to do so. Additionally, I will continue to emphasize these standards in my weekly staff meetings and in my periodic meetings with contractor personnel.

Sincerely

GEORGE J. MURPHY, Colonel, USAF
Deputy for Launch Vehicles

DEP. SEC. WAS SENT

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS ELECTRONIC SYSTEMS DIVISION (AFSC)
HANSCOM AIR FORCE BASE, MASSACHUSETTS 01731

Mr. William P. Clements
Deputy Secretary of Defense
Washington, D.C. 20301

Dear Mr. Clements,

In reply to your letter of 8 December 1975, the CONUS Over-the-Horizon Radar System Program Office (SPO) complies completely with the standards of conduct demanded of DOD personnel. I assure that all SPO members are fully aware of DOD Directive 5500.7 and its implementing regulations by enforcing the semi-annual review of the directives. Furthermore, I personally direct each newly assigned member to observe the highest ethical standards in their business and social relations with contractor personnel.

I believe that the entire area of ethical behavior is adequately explained in current directives. What is required is a conscious, daily effort by all personnel to work within present guidelines. To emphasize and illuminate these standards of conduct, the Electronic Systems Division inaugurated a "Straight Arrow" program early in 1974. As required by this program, the Straight Arrow Action Committee within the Over-the-Horizon Radar SPO, composed of my division chiefs, meets quarterly to interpret Straight Arrow Policy and answer any questions that have been raised in the area of ethical behavior. All SPO personnel are then apprised of the outcome of the Committee meeting. When appropriate, I take a further step by discussing pertinent policy with contractor management to insure that my personnel are not exposed to compromising situations and that the contractor fully understands and abides by the rules.

Please be assured that the OTH-B Radar SPO will continue its active support of the Standards of Conduct Directive.

Sincerely,

GARVIN MCCURDY, Colonel, USAF
System Program Director
Over-the-Horizon Radar SPO

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AERONAUTICAL SYSTEMS DIVISION (AFSC)
WRIGHT-PATTERSON AIR FORCE BASE, OHIO 45433

DEC 23 1975

AIS
PWS KMC JCF

The Honorable William P. Clements
Deputy Secretary of Defense
Washington D. C. 20301

Dear Secretary Clements

In your letter of 8 December 1975, you discussed some of the current problems facing the Department of Defense in the area of Standards of Conduct, and asked that I reemphasize these Standards within my organization. I feel that the F-15 System Program Office has taken a position of leadership in this area here at Aeronautical Systems Division.

With the inception of the program, we formed a "Straight Arrow Committee" to ensure that all members of the F-15 team were fully cognizant of the requirements of Air Force Regulation 30-30, and to provide an open forum for discussion of individual problems and a systematic means of providing current guidance and periodic reminders to all personnel. This Straight Arrow Committee is chaired by my Director of Procurement and Production. Its membership includes representatives from every Directorate within the System Program Office, as well as a representative from the Tactical Air Command and each of the prime contractors with whom we work. Legal counsel is currently provided to this Committee by the Air Force Logistics Command Staff Judge Advocate's office. The Committee meets quarterly to ensure that the question of Standards of Conduct is highlighted on a recurring basis. In order to provide some insight into the workings of this organization, I am attaching the Minutes from the December meeting. This Committee has ensured that the Standards of Conduct within the F-15 are above reproach, and, equally important, they have eliminated potential misunderstandings with our contractors over possible areas of conflict.

This month, an Air Force JAG representative briefed our System Program Office personnel regarding changes that you have made to DOD Directive 5500.7. One of these changes has created some concern within my organization. A number of my officers have close relatives who are

employed by contractors doing business with the United States Government. The deletion of Exemptions 6 and 9 makes it a violation to exchange social amenities between relatives under these circumstances. This apparently means, for example, no exchange of Christmas presents between brother and sister or prohibits a son from spending a weekend with his parents. While I believe this was not the intent of the change, the directive is interpreted in this manner. I believe a clarification is necessary.

Sincerely

Robert C. Mathis

ROBERT C. MATHIS
Major General, USAF
Deputy for F-15/JEPO

1 Enclosure

MINUTES OF THE 20TH STRAIGHT ARROW COMMITTEE MEETING

16 DECEMBER 1975

1. The following personnel attended:

Col Winters	YFK, Chairman
Maj Larabee	YFP
Maj Wessel	YFE
Capt McDaniel	YFK
Capt Rogers	YFC
Capt Lockie	YFE
Mr. Randall	YFT
Mr. Neff	YFR
Mr. DonMoyer	McAIR
Mr. Durey	Northrop
Mr. Fore	Loral

2. Colonel Winters opened the meeting and presented the following status of previous action items:

a. Colonel Grahl from AFLC/JA briefed AFR 30-30 "Standards of Conduct" to SPO personnel on the 2nd and 3rd of December. Attendance was excellent. Col Grahl previewed a recent Secretary Clements' instituted change to DODD5500.7 which removes two of the fourteen exceptions listed in AFR 30-30, Attachment 8, "Gratuities - Additional Guidance," paragraph II B. The two exceptions deleted read as follows:

> "6. Customary exchange of social amenities between personal friends and relatives when motivated by such relationship and extended on a personal basis."
>
> "9. Transactions between and among relatives which are personal and consistent with the relationship."

It is recognized that the change making it a violation to exchange social amenities between relatives will cause some difficult personal situations since a number of both military and civilian personnel have parents, children, or other relatives employed by concerns doing business with the Department of Defense. It was made clear that unless and until some modification or clarification of the change is accomplished, exchange of holiday gifts or other forms of hospitality would be a violation of the regulation.

b. A decision has been made in regard to the SPO employee who represented General Mathis as the invited guest speaker at a contractor-sponsored luncheon and was presented with an expensive pen and pencil set by a contractor representative. After consultation with Colonel Grahl, AFLC/JA, the pen and pencil set was returned with an accompanying letter (see Arch 1).

3. Colonel Winters stated that recently a Pratt & Whitney Aircraft (P&WA) employee invited a SPO member to dinner in celebration of our improved relationship due to the withdrawal of claims against the government. Colonel Winters telephoned Mr. Hines, Executive Vice President of P&WA, and explained that this practice was in conflict with the F-15 Straight Arrow program. Col Winters also requested that a reminder letter be distributed with the company; Mr. Hines agreed and signed and distributed such a letter (see Atch 2). Colonel Winters directed that the contractor representatives take as an action item to have a similar letter distributed throughout their companies.

4. Mr. DonMoyer raised the issue of the impact of F-15 Foreign Military Sales on our Straight Arrow program. When the contractor hosts foreign government representatives and U.S. government personnel at social functions, considerable prior planning will have to be accomplished so that the U.S. government employees will be billed for the cost of their food and drinks. Colonel Winters will discuss this subject with Colonel Grahl and report his findings at our next meeting.

5. Colonel Winters strongly urged all committee members to remind their people to avoid any appearance of a conflict of interest between government employees and contractor personnel during this holiday season. We have an outstanding record, let's keep up the good work.

6. The letter finalizing the date and place for the next quarterly scheduled Straight Arrow Committee Meeting will be distributed well in advance and will request a response outlining all action items to be presented to the committee.

Harry W. Larabee

HARRY W. LARABEE, Major, USAF
Secretary
Straight Arrow Committee

2 Atch
1. 17 Oct 75 Ltr to Bendix Corp
2. Mr. Hines' Ltr to P&WA employees, 10 Dec 75

Approved/~~Disapproved~~

D W Robinson for

ALBERT C. WINTERS, JR., Colonel, USAF
Chairman
Straight Arrow Committee

17 OCT 1975

The Bendix Corporation
Automation & Measuring Division
721 Springfield
Dayton, Ohio 45433
Mr Sam Gerace (Electrical Components Division)

Dear Mr Gerace

Thanks for inviting me to the 6 Oct luncheon gathering of your seminar on Technology Transfer between Divisions. It was a most welcome opportunity for me to express my thoughts on a subject that is of vital importance in these days of costly and sophisticated systems and components.

As you are probably aware, I must be extremely careful, as a public servant, to avoid any situation that could give the appearance of a conflict of interest. I must, therefore, return the enclosed pen and pencil sets. They are items of value and, while I know they were presented with no thought of obtaining favorable treatment, I cannot accept them.

Again thank you for the courtesy extended during my visit, and I look forward to meeting with you again.

SIGNED

ALBERT C. WINTERS, JR., Colonel, USAF
Director, Procurement and Production
Deputy for F-15/JEPO

FICE CORRESPONDENCE PRATT & WHITNEY AIRCRAFT Division of UNITED TECHNOLOGIES

Mr. F. J. McDermott

Date December 10, 1975

D. J. Hines Ext.

12/10/75
Dear Dick: I think this should help the problem you mentioned to me last week — Bob Davis

cc: B. N. Torell, E. V. Marshall, R. J. Coar, D. Nigro, L. W. Clarkson, J. F. Dudley, L. L. DeSantis, A. Eigner

Recent much publicized instances of the furnishing of gratuities by certain defense industrial firms, and their acceptance by Government employees emphasizes the necessity for and the wisdom of the "Straight Arrow" program which has been a part of the F100 program from its inception. We must continue to support both the spirit and letter of this program.

In this connection, to strengthen that program, will you please be sure that all of your people who contact F-100 personnel understand that:

1. No invitations should be tendered to F100 Government personnel to take part in social affairs off the company premises as a guest of either the company or a P&WA employee, whether such affairs are in a private or public place. Existing procedures should be followed for in-plant lunches.

2. In those instances that joint social affairs are desirable, F100 Government employees are to participate in planning, reviewing bills, and paying their full share of the cost. P&WA is not to act as the host for such functions -- they are to be truly joint functions.

D. J. Hines

DJH:hsq

APPENDIX IV F

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

PUBLIC AFFAIRS

A number of associations and organizations, in which defense contractors hold membership, have recently requested clarification of policies governing participation by DoD personnel in association-hosted social activities which involve both DoD official and contractor representatives.

Departmental policy, outlined in DoD Instruction 5410.20 (a copy of which is enclosed), specifically provides that personnel of the Defense Department and its components may attend and participate in "luncheons, dinners, meetings, symposia, and similar gatherings hosted by an organization representing a wide diversity of business interests." However, when attending such activities, military and civilian personnel within DoD must insure that they are in full compliance with the letter and the spirit of DoD Directive 5500.7 (Standards of Conduct). This directive, which includes several recent changes, is also enclosed. It states, in part:

> "Participation by DoD personnel is appropriate when the host is the association and not an individual contractor. Acceptance of gratuities or hospitality from private companies in connection with such association's activities is prohibited."

Specifically, this policy prohibits DoD civilian and active duty military personnel from:

1. Attending social functions, including ones related to association meetings, as guests of any contractor or potential contractor;

2. Accepting hospitality from any such contractor;

3. Accepting invitations to association banquets, luncheons, and similar events unless the sponsoring organization assures DoD and

demonstrates in advance that it will arrange seating in a random manner or in such a way that seats are neither selected nor influenced by contractor interests;

4. Accepting gifts of other than specialty advertising items of trivial intrinsic value for themselves or their families.

In planning future activities at which DoD attendance is desired, your organization should keep in mind the above guidelines which govern participation by our personnel.

I sincerely appreciate your cooperation in this matter. And, if you have need for futher clarification of existing policies, I would suggest that you or your staff contact Lieutenant Colonel Thomas Kerver of the DoD Public Affairs Community Relations Office (Telephone: (202) 695-0208).

Sincerely,

SIGNED

ALAN WOODS
Principal Deputy Assistant Secretary

Enclosures

General H. A. Miley, Jr., USA (Ret)
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Mr. J. M. Lyle,
President
National Security Industrial Association
740 15th Street, N. W.
Washington, D. C. 20005

Mr. Karl G. Harr, Jr.
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1725 DeSales Street, N. W.
Washington, D. C. 20036

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President
Electronic Industries Association
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Washington, D. C. 20006

Lt. General George E. Pickett, USA (Ret)
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Mr. James A. McDonnel, Jr.
Director of Information
Air Force Association
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Mr. V. C. Thomas, Jr.
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Navy League of the U.S.
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President
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69-394 O - 76 - 23

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Acting General Manager
Computer & Business Equipment Manufacturers Association
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Executive Director
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Laser Institute of America
% Laser Laboratory
Childrens' Hospital Research Foundation
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Mr. Jonathan Emrick
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Association of Naval Weapons Engineers & Scientists
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APPENDIX IV G

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
WASHINGTON, D. C. 20301

10 DEC 1975

Honorable William Proxmire
United States Senate
Washington, D. C. 20510

Dear Senator Proxmire:

This letter is in response to your August 28, 1975, inquiry to Honorable William K. Brehm concerning the Department of Defense implementation of your amendment to the Fiscal Year 1971 Military Procurement Authorization Act (section 410 of Public Law 91-121).

We have contacted the military services and the appropriate office within the Office of the Secretary of Defense responsible for the implementation of the above statute and are forwarding their responses. In addition, we are enclosing a copy of the Department of Defense Directive 7700.15, "Reporting Procedures on Defense Related Employment," plus copies of the OSD and military services implementing regulations.

Department of the Army	AR 600-47
Department of the Navy	SECNAVINST 5314.5
Department of the Air Force	AF Regulation 30-14
Office of the Assistant Secretary of Defense	Personnel Division Instruction No. 32

We hope this information will be of assistance to you.

Sincerely yours,

(Signed) L Niederlehner

L. Niederlehner
Acting General Counsel

Attachments 10

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

12 NOV 1975

COMPTROLLER
(Administration)

MEMORANDUM FOR Assistant General Counsel (Manpower, Health and Public Affairs)

SUBJECT: Senator William Proxmire's Inquiry Regarding DoD's Implementation of the Defense-Related Employment Reporting Requirements of Section 410, P.L. 91-121

References: (a) Personnel Division Instruction #31, Defense-Related Employment

(b) DoD Directive 7700.15, 30 October 1970, Reporting Procedures on Defense-Related Employment

This is in reply to your request for additional information concerning the Office of the Secretary of Defense implementation of subject statute.

Reference (a) prescribes the procedures and responsibilities for reporting defense-related employment with regard to current and former OSD/OJCS civilian employees. This instruction requires, among other things, that all current employees meeting the reporting criteria be notified by 1 October each year of the requirements to file a report. Additionally, all new employees are personally counseled on the reporting requirements of reference (b).

Employees leaving the Office are counseled in an exit interview and during the month of October former employees GS-13 and above, who departed the previous year, are sent letters reminding them of the reporting requirements. Separated or retired military officers are notified by their respective services.

We are not aware of any intentional failures to file required defense-related report. Although we are aware of some instances where late reports were filed due to an oversight. As required by reference (b) reports received from current or former OSD/OJCS

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

employees are reviewed to determine whether:

a. Each form as submitted is in fact required under subject statute.

b. All required information has been furnished.

c. The information as submitted indicates the possibility of a violation of law.

Currently, this office has no record of any violation of law as a result of a disclosure made in DD Form 1787. Should a violation be detected, it would be brought to the immediate attention of the General Counsel of the Department of Defense.

D. O. Cooke
Deputy Assistant Secretary of Defense

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

COMPTROLLER

21 OCT 1975

(Administration)

MEMORANDUM FOR ASSISTANT GENERAL COUNSEL
(MANPOWER, HEALTH AND PUBLIC AFFAIRS)

SUBJECT: Senator William Proxmire's Inquiry Regarding DoD's Implementation of the Defense-Related Employment Reporting Requirements of Section 410, P.L. 91-121

Reference is made to your memo of 25 September 1975, subject above.

This office is currently complying with DoD Directive 7700.15, "Reporting Procedures on Defense Related Employment". The procedure necessitates reviewing over 2300 personnel files and preparing correspondence for forwarding to effected present and former OSD personnel requesting that they file.

Upon receipt of each report filed by the above personnel a review is carefully made to determine possible violations. To date, based on records available, we are not aware of any intentional failures to file the required reports of Defense-related Employment or of possible violations of standards of conduct, regulations or conflict of interest laws.

We trust this will be helpful to you in responding to Senator William Proxmire.

for Thomas C. Cooke
D. O. Cooke
Deputy Assistant Secretary of Defense

Attachment

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C. 20314

17 OCT 1975

REPLY TO ATTN OF: JAC

SUBJECT: Senator Proxmire's Inquiry Regarding Implementation of Section 410, P.L. 91-121

TO: DOD/GC (Mr. Nelson)

This responds to your 25 September 1975 memorandum, subject as above. Senator Proxmire's questions are answered seriatim as follows:

1. In order to implement Section 410, P.L. 91-121 and corresponding Department of Defense Directive 7700.15, the Air Force has promulgated Air Force Regulation 30-14. This regulation, among other things, requires that separating and retiring officers and civilian employees who meet certain tenure and grade criteria be informed of the reporting requirements of P.L. 91-121 prior to the termination of their Government service or employment. Similarly, former employees of defense contractors who enter Government service and fall within the appropriate categories are briefed on the reporting requirements of P.L. 91-121. In addition, messages have been sent to the field, and articles have been published through such media as the Air Force Times, Retired Personnel Newsletters, and official publications reminding the involved personnel of the requirements of that law. Moreover, through our preventive law programs at each base, information concerning many aspects of the Conflict of Interest Laws is disseminated on a regular basis. We know of no cases of willful refusals to file. We are aware of late reports, which, according to the information we have received, were due to inadvertence. Normally, late reports are included in supplemental submission to the Congress. Our procedures require that late submissions be reviewed to determine whether the Justice Department should be advised.

2. All forms are reviewed by an Air Force attorney for the purpose of ascertaining employment situations which may involve possible violations of Conflict of Interest Laws. If a report is incomplete or unclear it is returned to the individual concerned for submission of complete or explanatory information. In cases where the report raises the possibility of unlawful activity,

existing procedures require that appropriate action be taken in coordination with the Air Force Finance and Accounting Center for possible withholding of retirement pay and with other Air Force and Federal agencies for the purpose of enforcing the law.

a. Although formal investigations are routinely initiated concerning suspected violations of Conflict of Interest Laws generally, during the current reporting period only one formal investigation has been initiated incident to information submitted under Section 410, P.L. 91-121. This investigation is not yet completed. Consequently, no decision has been made as to possible action in this case.

JAMES TAYLOR, JR., Colonel, USAF
Director of Civil Law
Office of The Judge Advocate General

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR PERSONNEL
WASHINGTON, D.C. 20310

DAPE-HRL

28 OCT 1975

MEMORANDUM THRU: ~~CHIEF OF STAFF, UNITED STATES ARMY~~
~~ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND RESERVE AFFAIRS)~~
P. Phillips 30 Oct

FOR: GENERAL COUNSEL, DEPARTMENT OF DEFENSE

SUBJECT: Interim Reply to Request for Information from Senator Proxmire

1. Reference is made to:

a. DOD General Counsel Memorandum, 8 October 1975, Subject: Senator William Proxmire's Inquiry Regarding DOD's Implementation of the Defense Related Employment Reporting Requirements of Section 410, PL 91-121.

b. DOD General Counsel Memorandum, 8 October 1975, Subject: Congressional Inquiry Concerning Acceptance of Gratuities.

2. The following response to your inquiry concerning implementation of PL 91-121, keyed to appropriate topics addressed, is submitted:

a. Army Actions to Implement PL 91-121. The following efforts have been made to insure full compliance with Section 410, PL 91-121 as implemented by DOD Directive 7700.15:

(1) Army Regulation 600-47 prescribes policies, procedures and responsibilities for reporting defense-related employment. This regulation conforms precisely to DOD Directive 7700.15; in fact a copy of the DOD Directive is a part of the regulation. The Army regulation governing nonappropriated fund employees also contains provisions for PL 91-121 reporting procedures.

(2) Local commanders are responsible for assuring that separating/retiring military and civilian personnel are informed of the requirements of PL 91-121.

(3) Periodic reminders of PL 91-121 reporting requirements are published by Headquarters, Department of the Army in Retired Army Bulletins and Pamphlets.

31 Oct 75

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2487

2 8 OCT 1975

DAPE-HRL
SUBJECT: Interim Reply to Request for Information from Senator Proxmire

b. Failures to File DD Form 1787. No instances have been discovered in which individuals have failed to file required defense related employment form, DD Form 1787. However, submission of the report is an individual responsibility. No policing mechanism is required by law or DOD Directive and Department of the Army has none in effect.

c. Review of DD Form 1787. AR 600-47 prescribes review procedures to insure that applicable Standards of Conduct regulations are not being violated. Headquarters, Department of the Army reviews reports submitted by military and civilian personnel. If review indicates possible violation of applicable law, the case is referred to the appropriate legal office for opinion and recommendation. Headquarters, Department of the Army consolidates all Army reports annually and submits them through channels to the Assistant Secretary of Defense (M&RA).

d. Investigations Resulting from DD Form 1787 Reviews. Since review procedures were implemented, one report has been determined to be questionable and in 1972 was referred to the Judge Advocate General (TJAG) for legal examination. TJAG determined that applicable law and regulations had not been violated.

3. To respond adequately to the question relating to the number of cases in which personnel have been reprimanded or had administrative action taken against them for accepting gifts and gratuities in the last five years, requires input from subordinate commands. Headquarters, Department of the Army has requested this information and it is expected to be available for a final response to your office by 17 November 1975.

4. Attached at Inclosure 1 are two copies of AR 600-50 dealing with Standards of Conduct. This regulation is currently under review to determine whether it conforms to and satisfactorily implements DOD Directive 5500.7.

5. The Point of Contact for Headquarters, Department of the Army is LTC Wilson E. Barnes, 697-6912.

FOR THE DEPUTY CHIEF OF STAFF FOR PERSONNEL:

2 9 OCT 1975
RECOMMEND APPROVAL - OCSA

Kenneth E. Dohleman

KENNETH E. DOHLEMAN
Major General, GS
Director of Human Resources
Development

1 Incl
as

Jack C. Wheeler

JOHN S. GALL
for MAJ, GS
Assistant to Director
of the Army Staff

DEPARTMENT OF THE NAVY
OFFICE OF THE JUDGE ADVOCATE GENERAL
WASHINGTON, D. C. 20370

IN REPLY REFER TO
JAG:134:HRW:dvs
Ser: 9631
14 OCT 1975

MEMORANDUM FOR THE ASSISTANT GENERAL COUNSEL (MANPOWER, HEALTH & PUBLIC AFFAIRS)

Subj: Sen. William Proxmire's inquiry regarding DoD implementation of 50 U.S.C. § 1436

Ref : (a) Your memo dtd 25 Sep 1975
(b) SECNAVINST 5314.5A, Subj: Reporting procedures on defense related employment (32 C.F.R. Part 722)

1. Pursuant to reference (a), information is furnished below concerning the Department of the Navy implementation of subject statute and DoD Directive 7700.15, 30 October 1970, Reporting Procedures on Defense Related Employment.

2. Efforts made to assure full compliance

a. The implementing Department of the Navy directive, reference (b), is disseminated to all naval units and activities. It contains provisions directing all commanding officers and heads of activities to bring the contents of the directives to the attention of all civilian personnel under their cognizance, and, additionally, to provide notification in entrance orientation, exit interviews or separation counselling, and upon promotion to grade GS-13. With respect to naval officers, the Chief of Naval Personnel and Commandant of the Marine Corps are required under enclosure (1) to include notification in separation or retirement counselling procedures. Additionally, although not required under reference (b), appropriate information concerning the reporting requirement is contained in the Navy Guide For Retired Personnel and Their Families (NAVPERS 15891D) and the Reference Guide to Employment Activities of Retired Naval Personnel (NAVSO P-1778), which are furnished to retirees and prospective retirees, and periodically in the Retired Officers' Newsletter and similar publications which are distributed to retired personnel.

b. Because the Department of the Navy has no way of knowing whether a former or retired officer or employee subsequently obtains employment with a defense prime contractor at the specified salary rate requiring him to file, there is no practical means for determining whether there have been violations of the filing requirement. No such violations have been reported to the Judge Advocate General.

3. Review of reports

a. Under reference (b), the Chief of Naval Personnel, the Commandant of the Marine Corps, and the Director of Civilian Manpower Management are designated to receive and review reports from personnel under their respec-

JAG:134:HRW:dvs

tive cognizance, and to forward them to the Assistant Secretary of the Navy (M&RA) for consolidation and transmittal to the Assistant Secretary of Defense (M&RA). The Judge Advocate General has no record of an apparent violation of a conflict of interests law having been discovered and reported as a result of a disclosure made in DD Form 1787, and, accordingly, the records of this office do not indicate that any investigations have been precipitated by an individual's submission of DD Form 1787. A possible reason for this is that the information required by 50 U.S.C. § 1436 to be elicited in the form lacks sufficient specificity to clearly indicate apparent violations.

b. In comparison to the statutory requirement for filing DD Form 1787, the administrative requirement under DoD Directive 5500.7, 8 August 1967, Standards of Conduct, appears to be the more effective method for monitoring compliance with applicable conflict of interests laws. The records of the Judge Advocate General support an estimate that, from 1962 to date, at least 12 instances of suspected violations of post-retirement employment proscriptions have been referred to naval investigative authorities for investigation. Of these, at least three apparently were referred to the Department of Justice for further action. The Judge Advocate General has no record indicating that any of these cases resulted in prosecutions. As previously noted, none of these cases apparently was brought to light as a result of a submission of DD Form 1787.

Larry G. Parks

LARRY G. PARKS
Captain, JAGC, U. S. Navy
Assistant Judge Advocate General
(Civil Law)

*AR 600–47

ARMY REGULATION
No. 600–47

HEADQUARTERS
DEPARTMENT OF THE ARMY
WASHINGTON, DC, *28 March 1972*

PERSONNEL—GENERAL

REPORTING PROCEDURES ON DEFENSE RELATED EMPLOYMENT

Effective 1 May 1972

This regulation incorporates the provisions of DOD Directive 7700.15. Local limited supplementation of this regulation is permitted, but is not required. If supplements are issued, Army Staff agencies and major Army commands will furnish one copy of each to HQDA (DAPE–MPC) WASH DC 20310; other commands will furnish one copy of each to the next higher headquarters.

	Paragraph	Page
Purpose	1	1
Applicability	2	1
Responsibilities	3	1
Report of DOD and Defense Related Employment, RCS DD–M&RA(A) 1051	4	2
Review and disposition	5	2
Appendix. Department of Defense Directive 7700.15		A–1

1. Purpose. *a.* This regulation establishes responsibilities and procedures for reporting Defense related employment and for administering the reporting program, as required by Sec. 410, Public Law 91–121 (83 Stat 204, 50 USC 1436) and DOD Directive 7700.15, 30 October 1970.

b. DOD Directive 7700.15 is published as an appendix to this regulation for the information, guidance, and compliance of all concerned. Paragraphs III and IV contain explanations of terms, general guidance, and information on categories of persons who must report Defense related employment under PL 91–121 and those who are exempted. Paragraphs V, VI, and VII contain instructions for administering the reporting program.

2. Applicability. This regulation applies to—

a. All present, retired, and former military officers and civilian employees of the Department of the Army, including employees of nonappropriated fund activities, who must report under PL 91–121 as explained in paragraph IV of the appendix.

b. All commands, agencies, activities, and officials of the Department of the Army that are responsible for administering the reporting program (para 3 through 5).

3. Responsibilities. *a. Individuals.* Submission of the Report of DOD an Defense Related Employment as required by PL 91–121 is the responsibility of the individual. This report is in addition to reports on DD Forms 1357, 1555, and 1555–1 required by AR 600–50, Standards of Conduct for Department of the Army Personnel.

b. Commanders. Commanders will establish procedures to insure that—

(1) Separating/retiring officers in the grade of major or above with 10 or more years' extended active duty are informed of the requirements of Public Law 91–121 and furnished a copy of this regulation during separation/retirement counseling at transfer activities.

(2) Separating/retiring civilian personnel, including nonappropriated fund employees, paid at a rate equal to or greater than the minimum rate for grade GS 13, are informed of the requirements of Public Law 91–121 and furnished a copy of this regulation during separation/retirement counseling by the servicing civilian personnel office.

(3) Civilian personnel who become subject to the reporting requirements set forth in the appendix on initial employment are informed during their entrance orientation of the requirements of Public Law 91–121 and furnished a copy of this regulation by the servicing civilian personnel office.

***This regulation supersedes DA letters AGDA (M) (28 Dec 70) ODCSPER–SARD, 5 January 1971, and AGDA (M) (5 Mar 71) ODCSPER–PSD, 29 March 1971, subjects: Reporting Procedures in Defense Related Employment; and section V and appendixes A through C, CPC 3, 2 February 1972.**

TAGO 548A—March 480–473°—72

(4) Civilian personnel who through promotion, step increase, or other pay increase after initial employment become subject to the reporting requirements set forth in the appendix are informed of the requirements of Public Law 91–121 at the time of such promotion or step increase and furnished a copy of this regulation by the servicing civilian personnel office.

(5) Sufficient stock levels of this regulation are maintained at transfer activities and civilian personnel offices to satisfy specific requests from former or retired officers and civilian employees for individual copies.

(6) Personnel and Staff Judge Advocate offices are familiar with the contents of this regulation and cognizant of their responsibilities as set forth in paragraph 4*c*.

c. Staff offices. The Staff offices specified in paragraph 4*a* will—

(1) Receive all reports for the Secretary of the Army.

(2) Review all reports as prescribed by paragraph 5 and paragraph VIIA of the appendix. These actions include an initial review to determine any apparent violations of law or directive, as specified in paragraph VIIA 3 of the appendix.

d. The Judge Advocate General and the General Counsel. The Judge Advocate General of the Army or the General Counsel of the Army as appropriate will provide legal advice regarding questions which may arise under this Public Law. Additionally, the deputy counselors designated in paragraph 1–19*b*, AR 600–50 will provide advice and assistance within their local areas of responsibility. The General Counsel, Office of the Secretary of the Army, is designated as the counselor for the Department of the Army and is responsible for coordination and final disposition of all problems relating to conflicts of interest and violation of this reporting requirement in accordance with AR 600–50 and this regulation.

4. Report of DOD and Defense Related Employment, RCS DD–M&RA(A) 1051. *a.* DD Form 1787 (Report of DOD and Defense Related Employment as required by Public Law 91–121) will be prepared in accordance with the instructions in inclosure 1 of the appendix. Four copies of the completed DD Form 1787 will be submitted to the address in (1), (2), or (3) below not later than 15 October following the end of each fiscal year for which the reporting requirements in paragraph IV of the appendix apply.

(1) Former or retired Army officers will address the report to HQDA (DAAG–ZC) Washington, DC 20310.

(2) Present or former civilian employees (excluding nonappropriated fund employees) will submit their reports to their servicing civilian personnel office (most recent servicing office in the case of former employees). Reports will be forwarded by servicing civilian personnel offices to the major Army commander, who will consolidate and forward to HQDA (DAPE–CPR) Washington, DC 20310. When there is no major Army command above the servicing civilian personnel office, that office will consolidate its reports and forward to the above address.

(3) Present or former nonappropriated fund civilian employees will address reports to HQDA (DAPE–NF) Washington, DC 20310.

b. DD Form 1787 (fig. 1) will be reproduced locally on 8 x 10½-inch paper. DD Form 1787 and related instructions also may be obtained from any transfer activity or civilian personnel office, or by writing to the appropriate address in *a* above.

c. Questions concerning the requirements of this law or the implementing instructions should be referred to the personnel office of any Army installation, to any transfer activity, or to one of the above addressees. Current civilian employees should direct their questions to their servicing civilian personnel office. If applicable or necessary, questions involving interpretation of the law or legal opinions may be referred by any of the above installation or activity offices to the appropriate Staff Judge Advocate. Legal questions which arise in the offices listed in paragraph *a* above may be referred to The Judge Advocate General.

5. Review and disposition. *a.* Department of the Army activities designated to receive reports will establish procedures for review of the forms in compliance with paragraph VII of the appendix to determine whether a possible violation of the antiselling statutes as specified in AR 600–50 is indicated.

b. If there is any apparent indication that a law or directive may have been violated, the matter will be promptly reported through the chain of command to the attention of the appropriate office

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specified in paragraph 4*a*, thence to the TJAG or Office of the General Counsel as appropriate. Those offices have responsibility for rendering opinions concerning possible violation of law or directive and recommendations as to the disposition of individual cases.

c. The offices designated in paragraph 4*a* to receive reports will prepare the list of persons submitting reports according to the format prescribed in Inclosure 2 to the appendix and submit to DAAG–ZC with three copies of each such report for consolidation not later than 7 November of each year. A copy of a list of persons submitting reports and copies of such reports will be maintained and disposed of as prescribed by AR 340–18–6.

d. TAG will prepare a consolidated list for all current and former officers and employees for whom reports have been submitted and will forward the consolidated list through DCSPER, so as to reach the Office of the Secretary of the Army not later than 28 November of each year.

REPORT OF DOD AND DEFENSE RELATED EMPLOYMENT AS REQUIRED BY PUBLIC LAW 91-121	OMB Approval No. 22-R0288

1. NAME (Last - First - Middle)	2. CURRENT HOME ADDRESS (Street - City - State - Zip)	3. SOCIAL SECURITY NO.

4. REPORTING CATEGORY (Check appropriate box and enter in space provided the military grade, civilian grade or annual DoD salary).

A. ☐ RETIRED MILITARY OFFICER - MAJ/LT. CMDR OR ABOVE _____

B. ☐ FORMER MILITARY OFFICER - MAJ/LT. CMDR OR ABOVE _____

C. ☐ FORMER CIVILIAN EMPLOYEE WHOSE SALARY WAS EQUAL TO OR ABOVE MINIMUM GS-13 DURING THREE YEARS PRECEDING TERMINATION OF SERVICE WITH DOD. _____

D. ☐ FORMER EMPLOYEE OF, OR CONSULTANT TO, DEFENSE CONTRACTOR WHO DURING LAST FISCAL YEAR WAS EMPLOYED BY DOD AT SALARY EQUAL TO OR ABOVE MINIMUM GS-13 SALARY _____

Items 5 thru 10 apply to reporting categories A, B and C ONLY

5. NAME AND ADDRESS OF DEFENSE CONTRACTOR EMPLOYER(S)

6. DATE(S) OF ACCEPTANCE OF EMPLOYMENT WITH DEFENSE CONTRACTOR EMPLOYER(S) *(If no longer employed by a defense contractor employer give inclusive date of all such employment)*

7. DATE OF SEPARATION FROM ACTIVE DUTY OR TERMINATION OF DOD EMPLOYMENT

8. NAME, IN DETAIL, OF LAST AGENCY OF DOD BY WHICH EMPLOYED

9. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF WORK PERFORMED DURING LAST THREE YEARS OF YOUR SERVICE WITH DOD.

10. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF WORK PERFORMED FOR DEFENSE CONTRACTOR EMPLOYER(S).

Items 11 thru 16 apply to reporting category D ONLY

11. NAME, IN DETAIL, OF DEPARTMENT OF DEFENSE AGENCY BY WHICH EMPLOYED AT ANY TIME DURING THE LAST FISCAL YEAR.

12. DATE ACCEPTED DOD EMPLOYMENT

13. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF DUTIES WITH DEPARTMENT OF DEFENSE EMPLOYER DURING LAST FISCAL YEAR.

14. NAME(S) OF DEFENSE CONTRACTOR(S) BY WHOM YOU WERE EMPLOYED OR WHOM YOU SERVED AS A CONSULTANT OR OTHERWISE.

15. INCLUSIVE DATES OF EMPLOYMENT BY, OR SERVICE WITH, DEFENSE CONTRACTOR EMPLOYER(S).

16. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF WORK PERFORMED FOR DEFENSE CONTRACTOR(S).

17. I CERTIFY THE ABOVE INFORMATION IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

_____
SIGNATURE

(If additional space is required, attach a continuation sheet.

DD FORM 1 JAN 71 1787

Figure 1.

APPENDIX

October 30, 1970
NUMBER 7700.15

ASD(M&RA)

Department of Defense Directive

SUBJECT Reporting Procedures on Defense Related Employment

References: (a) Public Law No. 91-121, sec. 410 (Nov. 19, 1969)
(b) DoD Directive 5500.7, "Standards of Conduct," August 8, 1967

I. PURPOSE AND SCOPE

This Directive:

A. Establishes criteria and prescribes the procedures to be followed by certain (1) former and retired military officers and former civilian officers and employees of DoD presently employed by defense contractors, and (2) former civilian officers and employees of Defense contractors presently employed by the DoD in submitting employment reports in compliance with reference (a). Failure to file required reports is punishable by a maximum of six months imprisonment, or a fine of not more than $1,000 or both.

B. Assigns responsibilities for monitoring the Program within the Department of Defense.

II. APPLICABILITY

The provisions of this Directive apply to all elements of the Department of Defense, including the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies, and to certain present and former military and civilian personnel of the Department of Defense, including employees of non-appropriated fund activities.

III. TERMS AND GENERAL GUIDANCE

A. "Employed" or "employment," is used in a broad sense to include services performed as a consultant or otherwise either for a defense contractor or the DoD.

B. Retired military officers, former military officers and former civilian officers and employees of the DoD are included:

1. if they are "employed" by a defense contractor as a consultant or otherwise,

2. if they represented a defense contractor at a hearing, trial, appeal, or other action in which the U.S. was a party and which involved services and materials provided or to be provided to the DoD by such contractor, or

3. if they represented a defense contractor in any transaction with DoD involving services or materials provided or to be provided by such contractor to DoD.

C. "Defense contractor" means any individual, firm, corporation, partnership, association, or other legal entity that enters into a contract directly with the DoD to furnish services or materials to DoD. It thus excludes subcontractors. Also, a subsidiary of a large corporation may be a separate legal entity and contract directly with the DoD in its own name. In such a case the "defense contractor" would be the subsidiary, not the parent corporation. Thus, only the dollar amount of contracts awarded by the DoD to a subsidiary contracting with DoD in its own name during a fiscal year would be considered in determining whether a person employed or formerly employed by it is required to report.

D. No person is required to file a report for any fiscal year during which the defense contractor by whom he is or was employed received less than $10,000,000 in contracts awarded by DoD. For the purpose of this Directive "contracts awarded" means contracts awarded by negotiation only, including the net amount of modifications to or options exercised under such contracts. All transactions under $10,000 each are excluded. Thus, if a person was employed by a defense contractor during a fiscal year in which the contractor received from the DoD $8,000,000 in negotiated contract awards and $2,000,000 in contracts awarded by formal advertising, the person would not have to report his employment for that year.

E. "Services and materials" means either services or materials, or services and materials, and includes construction. Therefore a company that performs construction under contracts with DoD is a "defense contractor" under this section.

F. "Fiscal year" means a year beginning on July 1, and ending on June 30 of the next succeeding year; it is designated by the year in which it ends. For example, fiscal year 1971 begins on July 1, 1970 and ends on June 30, 1971.

G. For the purposes of these reporting requirements, a "retired military officer" is any officer entitled to receive military retired pay, even though such pay may be waived. A "former military officer" includes Reserve officers not on active duty.

H. For the purposes of these reporting requirements, "former DoD civilian officer or employee paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13" includes former wage board employees, former employees in the lower General Schedule grades, Public Law 313 categories, consultants, and persons in the executive levels, whose rates of pay equaled or exceeded:

$16,760 in 1970
$15,812 in 1969
$14,409 in 1968
$13,507 in 1967

IV. REPORTING PROCEDURES

A report prepared and forwarded as prescribed in Enclosure 1 shall be submitted not later than November 15 following the close of each fiscal year, by the following categories of individuals:

A. Any former or retired military commissioned officer who:

1. At the time of release from active duty or retirement was serving on active duty as a major or lieutenant commander, or above; and

2. Had served on extended active duty for ten or more years; and

3. During any part of any fiscal year beginning with fiscal year 1971:

a. is employed by or performed services for a defense prime contractor, who, during such year, received $10,000,000 or more in defense contract awards, and

b. is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

B. Any former DoD civilian officer or employee (including consultants and part time employees) who:

1. at any time during the three-year period immediately preceding the termination of last employment with DoD was paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13; and

2. during any part of any fiscal year beginning with fiscal year 1971:

a. is employed by or performed services for a defense prime contractor who, during such year received $10,000,000 or more in defense contract awards, and

b. is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

C. Any DoD civilian officer or employee (including consultants and part time employees) who:

1. during any part of any fiscal year beginning with fiscal year 1971 is employed by DoD at a salary rate equal to or greater than the minimum rate for a grade GS-13; and

2. was previously employed by or performed services, during any fiscal year, for a defense prime contractor who, during such year, received $10,000,000 or more in defense contract awards; and

3. was employed by the defense prime contractor at a salary rate of $15,000 or more per year.

D. The following categories of persons are exempt from the reporting requirements:

1. Retired military officers, former military officers, and former civilian officers and employees are not required to file a report of employment with a defense contractor for such employment during a fiscal year that begins three years or more after their extended active duty or employment with the DoD terminated.

2. DoD civilian officers and employees are not required to file a report for a fiscal year on account of previous employment with a defense contractor if such employment was terminated three or more years prior to the beginning of such fiscal year.

E. Reports submitted in accordance with this Directive will be forwarded as follows:

1. Retired military officers, and former military officers - to the Secretary of the Military Department of which they are or were a member.

2. Former civilian officers and employees - to the Secretary of Military Department, or the Director of the Defense Agency by which they were employed. In the case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff, - to the Assistant Secretary of Defense (Administration).

3. DoD civilian officers or employees - to the Secretary of the Military Department, or the Director of the Defense Agency by which employed, or in case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff to the Assistant Secretary of Defense (Administration).

V. ACTIONS REQUIRED

A. The Assistant Secretary of Defense (Comptroller) will prepare a listing of the defense contractors who received $10,000,000 or more in negotiated contracts awarded in each fiscal year and cause that listing to be published in the Federal Register not later than September 15 following the end of the fiscal year; in addition a listing will also be published covering FY's 1968 and 1969.

B. The Assistant Secretary of Defense, Manpower and Reserve Affairs will:

1. Receive the lists and reports submitted as provided in paragraph VII. B. below. A copy of such reports will be maintained for three years and will be available for public inspection at all times during normal working hours; and

2. Submit not later than December 31, 1971, and each December 31 thereafter a letter transmitting to the President of the Senate and the Speaker of the House of Representatives a list prepared in accordance with the format prescribed in Enclosure 2 of the names of all persons who have filed such reports for the preceding fiscal year in compliance with this Directive, and a copy of each such report.

C. The Assistant Secretary of Defense (Administration), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will:

1. Except as provided in 3 below, notify each person in the categories described in paragraph IV, A, B, and C above of the requirements of this Directive and reference (a), and provide to each such person a copy of this Directive or implementing Military Service or Defense Agency regulations together with a supply of the forms prepared in accordance with the reporting format as set out in Enclosure 1. In the case of personnel being separated or retired this notification will be included in the exit interview or separation counselling procedures. Civilian personnel who become subject to the reporting requirement on initial employment will be notified of this reporting requirement during the entrance orientation. Civilian personnel who become subject to the reporting requirement by virtue of a promotion or step increase after initial employment will be notified of the reporting requirement at the time of such promotion or step increase.

2. Review reports as described below and furnish these reports and the list referred to in VII. B. below to the Assistant Secretary of Defense, Manpower and Reserve Affairs, by November 30 of each year, beginning in 1971.

3. It is recognized that personal notification of each affected former military officer and civilian employee who was separated before the publication of this Directive is not feasible. However, intensive information efforts will be undertaken, using all appropriate channels with the objective of bringing the requirements of reference (a) and this Directive to the attention of all such former personnel.

In the case of military personnel, the actions prescribed by this paragraph will be taken by the Military Department concerned for all affected military personnel of that department, even though the member's last assignment was with another department or agency.

VI. OTHER REPORTING REQUIREMENTS

The reporting requirements prescribed by this Directive are in addition to the reports required from Retired Regular officers (DD Form 1357) and the statements of employment and financial interests required of certain civilian employees and active duty military officers (DD Forms 1555 and 1555-1) under the provisions of DoD Directive 5500.7.

VII. REVIEW OF AND DISPOSITION OF THE FORMS SUBMITTED BY FORMER AND PRESENT PERSONNEL

A. The Assistant Secretary of Defense (Administration), the Secretaries of the Military Departments and the Directors of the Defense Agencies will establish procedures to review the forms submitted by former and present personnel in accordance with the terms of this Directive to determine whether:

1. Each form as submitted is in fact required under the terms of the Directive.

2. All required information has been furnished.

3. The information as submitted indicates the possibility of a violation of law or Directive.

If there is any indication that a law or Directive may have been violated, the matter will be referred to the appropriate authority of the office, Department or Agency concerned to determine the action which should be taken.

B. Not later than November 30 of each year, the Assistant Secretary of Defense (Administration), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will forward to the Assistant Secretary of Defense (Manpower and Reserve Affairs):

1. A listing of the names of individuals submitting reports, segregated by the defense contractor by whom now or formerly employed, or for whom they performed services. The list will be prepared in accordance with the format prescribed in Enclosure 2.

2. Two copies of each report. Submitted in accordance with paragraph IV.

This reporting requirement has been assigned Report Control Symbol DD-M&RA(A)1051.

Not later than December 31, thereafter, the Assistant Secretary of Defense (Manpower and Reserve Affairs) will forward a copy of all such listings and reports to the President of the Senate and the Speaker of the House of Representatives as prescribed in V.B.2. above.

VIII. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Two (2) copies of implementing instructions shall be forwarded to the Assistant Secretary of Defense (Manpower and Reserve Affairs) within sixty (60) days.

David Packard

Deputy Secretary of Defense

Enclosures - 2
1. Instructions for Completing DD Form No. (Under development.)
2. Listing of Present and Former Employees

INSTRUCTIONS FOR COMPLETING ENCLOSURE 1.

Before beginning to complete DD Form * read carefully DoD Directive 7700.15.

The following numbered instructions are keyed to the numbered items on DD Form

1. Self explanatory

2. Self explanatory

3. Self explanatory

4. For the purpose of this reporting requirement:

   (a) a "retired officer" is one who is presently entitled to receive military retired pay even though he may have waived such pay;

   (b) a Reserve officer, not on active duty who is not a "retired officer" as defined in (a), is a "former officer" for the purpose of this report even though he currently holds a commission in a Reserve component; and

   (c) persons formerly in GS-13 and above are subject to the filing requirement. In addition persons formerly in the Civil Service including Wage Board employees, employees in the lower General Schedule grades, P. L. 313 categories, consultants, and persons in the Executive levels whose rates of pay on an annual basis would have equaled or exceeded the amounts set forth in the following years are subject to the filing requirement.

Fiscal Year	Amount
1967	$13,507
1968	$14,409
1969	$15,812
1970	$16,760

5. The "employer" should be clearly identified. The term "employer" also includes the organization for which the services as a consultant were provided.

*Under development.

6. If employed by 2 or more defense contractors include date of acceptance of employment (and termination of employment) by each. Use a continuation sheet if necessary.

7. Self explanatory

8. Include sufficient detail to clearly identify employing agency.

9. If more than one position held, give position title and brief description of work performed for each position.

10. Give sufficient detail to permit clear understanding of work actually being performed.

11, 12, 13. Self explanatory

14. Give sufficient information to clearly identify the Defense Contractor. If employed by more than one, list each.

15. If employed by, or served as a consultant to more than one defense contractor, give inclusive dates for each.

16. Give sufficient detail to permit clear understanding of work actually performed.

17. Enter signature as usually written.

Oct 30, 70
7700.15 (Encl 1)

Report of DoD and Defense Related Employment
as Required by
Public Law 91-121

OMB Approval
No. 22-R0288

1. Name _____
Last First Middle

2. Current Home Address: _____
Street

_____
City State Zip

3. Social Security No. _____

4. REPORTING CATEGORY. Check appropriate box and enter in space provided the military grade, civilian grade or annual DoD salary.

A [ ] Retired military officer - Maj/Lt. Cmdr or above _____
B [ ] Former military officer - Maj/Lt. Cmdr or above _____
C [ ] Former civilian employee whose salary was equal to or above minimum GS-13 during three years preceding termination of service with DoD. _____
D [ ] Former employee of, or consultant to, defense contractor who during last fiscal year was employed by DoD at salary equal to or above minimum GS-13 salary _____

Items 5 thru 10 apply to reporting categories A, B and C ONLY

5. Name and address of defense contractor employer(s) _____

6. Date(s) of acceptance of employment with defense contractor employer(s) (if no longer employed by a defense contractor employer give inclusive date of all such employment)

7. Date of separation from active duty or termination of DoD employment

8. Name, in detail, of last agency of DoD by which employed

9. Position title(s) and brief description(s) of work performed during last three years of your service with DoD.

Oct 30, 70
7700.15 (Encl 1)

10. Position title(s) and brief description(s) of work performed for defense contractor employer(s).

_____

_____

_____

Items 11 thru 16 apply to reporting category D ONLY

11. Name, in detail, of Department of Defense agency by which employed at any time during the last fiscal year.

_____

_____

_____

12. Date accepted DoD employment _____

13. Position title(s) and brief description(s) of duties with Department of Defense employer during last fiscal year.

_____

_____

_____

14. Name(s) of defense contractor(s) by whom you were employed or whom you served as a consultant or otherwise

_____

_____

15. Inclusive dates of employment by, or service with, Defense contractor employer(s).

_____

_____

16. Position title(s) and brief description(s) of work performed for Defense contractor(s).

_____

_____

_____

17. I certify the above information is correct to the best of my knowledge and belief.

_____

Signature

Oct 30, 70
7700.15 (Encl 2)

(Sample Listing) _____
Department or Agency

Listing of Present or Former Employees
of
Defense Contractors for FY _____
Prepared Pursuant to Section 410, Public Law 91-121

XYZ Corporation
(Name of Contractor)

Reporting Category A

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Doen, John A.	Lt. Col.	May 31, 1968
Roen, Richard N.	Col.	July 31, 1968

Reporting Category B

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Renn, William A.	Major	December 31, 1968

Reporting Category C

Last Name, First, Middle Initial	Grade	Last Day of Federal Employment
Penn, Donald R.	GS-12 (Step 7)	March 15, 1968

Reporting Category D

Last Name, First, Middle Initial	Grade	Date Entered Present Employment
Robin, Ronald R.	GS-14	July 1, 1969

Note: 1. "Reporting Category" - those categories listed in Item 4, DD Form _____.
2. Use a separate sheet for each contractor.
3. Arrange names alphabetically within category.

(Sample Listing)

AR 600–47 28 March 1972

The proponent agency of this regulation is the Office of the Deputy Chief of Staff for Personnel. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications) direct to HQDA (DAPE–MPC), Washington, DC 20310.

By Order of the Secretary of the Army:

W. C. WESTMORELAND,
General, United States Army,
Chief of Staff.

Official:
VERNE L. BOWERS,
Major General, United States Army,
The Adjutant General.

Distribution:
To be distributed in accordance with DA Form 12–9 requirements for AR, Personnel General:
Active Army: D (qty rqr block No. 437).
ARNG: D (qty rqr block No. 437).
USAR: C (qty rqr block No. 436).

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DEPARTMENT OF THE NAVY
Office of the Secretary
Washington, D.C. 20350

SECNAVINST 5314.5
JAG/OGC
1 March 1971

SECNAV INSTRUCTION 5314.5

From: Secretary of the Navy
To: All Ships and Stations

Subj: Reporting procedures on defense related employment

Ref: (a) P. L. 91-121, sec. 410 (19 Nov 1969)
(b) SECNAVINST 5370.2E, Subj: Standards of Conduct

Encl: (1) DoD Directive 7700.15 of 30 Oct. 1970, Subj: Reporting Procedures on Defense Related Employment

1. Purpose. To transmit enclosure (1) for information, compliance, and implementation as necessary.

2. Reports of DoD and Defense Related Employment (DD Form 1787); Submission of. Individuals required by reference (a) and subparagraph IV.E of enclosure (1) to submit reports of DoD and Defense Related Employment (DD Form 1787) to the Secretary of the Navy shall submit such reports in duplicate, not later than 15 October following the close of each fiscal year, to:

a. If former or retired Navy officers: the Chief of Naval Personnel (Pers-Of), Navy Department, Washington, D.C. 20370.

b. If former or retired Marine Corps officers: the Commandant of the Marine Corps (Code DNC), Navy Department, Washington, D.C. 20380.

c. If present civilian employees: the Director of Civilian Manpower Management (Administrative Office (01B)), Navy Department, Washington, D.C. 20390, via the commanding officer or head of the activity in which they are employed.

d. If former civilian employees: the Director of Civilian Manpower Management (Administrative Office (01B)), Navy Department, Washington, D.C. 20390.

3. Action

a. The Chief of Naval Personnel or the Commandant of the Marine Corps, as appropriate, shall include notification, as prescribed in subparagraph V.C.1 of enclosure (1), in separation or retirement counseling procedures, and in appropriate publications directed at individuals in the category described in subparagraph IV.A of enclosure (1).

b. All chiefs and heads of commands, bureaus, and offices, and all commanding officers, shall direct attention within their organizations or commands to the requirement of reference (a) and insure that all civilian personnel within their organizations or commands, who are subject to this requirement, are familiar with the provisions of this instruction. Further, they shall (1) include notification, as prescribed in subparagraph V.C.1 of enclosure (1), in entrance orientation and exit interview or separation counseling procedures; and (2) notify, as prescribed in subparagraph V.C.1 of enclosure (1), all civilian personnel who become subject to the requirement of reference (a) by virtue of a promotion or step increase after initial employment.

c. The Chief of Naval Material shall bring the contents of this instruction to the attention of the principal officer of each contractor identified, pursuant to subparagraph V.A of enclosure (1), doing business with the Department of the Navy and request that such officer inform all former or retired Naval Establishment personnel within his organization of the requirement of reference (a) and the provisions of this instruction.

d. The Chief of Naval Personnel, the Commandant of the Marine Corps, and the Director of Civilian Manpower Management, as provided in paragraph 2, shall receive for the Secretary of the Navy all reports required by reference (a) and subparagraph IV.E of enclosure (1) and review all such reports in the manner prescribed by subparagraph VII.A of enclosure (1). Not later than 15 November of each year they shall each forward to the Administrative Officer of the Navy Department the forms received by them and reports based upon them prepared in the manner specified in subparagraph VII. B of enclosure (1).

e. Not later than 21 November of each year the Administrative Officer of the Navy Department shall forward to the Assistant Secretary of the Navy (Manpower and Reserve Affairs) the forms and report specified in subparagraph VII.B of enclosure (1).

f. Not later than 30 November of each year the Assistant Secretary of the Navy (Manpower and Reserve Affairs) shall forward to the Assistant Secretary of Defense (Manpower and Reserve Affairs) the forms and report specified in subparagraph VII.B of enclosure (1).

g. The Judge Advocate General of the Navy and the General Counsel of the Navy shall provide, within their respective areas of jurisdiction, legal advice regarding questions which may arise under this instruction. Additionally, the deputy counselors designated in subparagraph 6c of reference (b) shall provide advice in local areas.

4. Availability of Forms. Supplies of DD Form 1787 (Report of DoD and Defense Related Employment) will be available in Forms and Publication Segment of the Navy Supply System. Individuals required to submit reports should obtain forms from local commands or organizations or from the officer designated in paragraph 2 to whom reports are to be submitted. Use of facsimile copies of the same size is authorized.

JAMES D. HITTLE
Assistant Secretary of the Navy
(Manpower and Reserve Affairs)

Distribution:
SNDL Parts 1 and 2
Marine Corps Lists H and I

Stocked:
Supply and Fiscal Dept. (Code 514.32)
Naval Station, Washington, D.C. 20390

SECNAVINST 5314.5
1 March 1971

October 30, 1970
NUMBER 7700.15

ASD(M&RA)

Department of Defense Directive

SUBJECT Reporting Procedures on Defense Related Employment

References: (a) Public Law No. 91-121, sec. 410 (Nov. 19, 1969)
(b) DoD Directive 5500.7, "Standards of Conduct," August 8, 1967

I. PURPOSE AND SCOPE

This Directive:

A. Establishes criteria and prescribes the procedures to be followed by certain (1) former and retired military officers and former civilian officers and employees of DoD presently employed by defense contractors, and (2) former civilian officers and employees of Defense contractors presently employed by the DoD in submitting employment reports in compliance with reference (a). Failure to file required reports is punishable by a maximum of six months imprisonment, or a fine of not more than $1,000 or both.

B. Assigns responsibilities for monitoring the Program within the Department of Defense.

II. APPLICABILITY

The provisions of this Directive apply to all elements of the Department of Defense, including the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies, and to certain present and former military and civilian personnel of the Department of Defense, including employees of non-appropriated fund activities.

III. TERMS AND GENERAL GUIDANCE

A. "Employed" or "employment," is used in a broad sense to include services performed as a consultant or otherwise either for a defense contractor or the DoD.

B. Retired military officers, former military officers and former civilian officers and employees of the DoD are included:

1. if they are "employed" by a defense contractor as a consultant or otherwise,

2. if they represented a defense contractor at a hearing, trial, appeal, or other action in which the U.S. was a party and which involved services and materials provided or to be provided to the DoD by such contractor, or

3. if they represented a defense contractor in any transaction with DoD involving services or materials provided or to be provided by such contractor to DoD.

C. "Defense contractor" means any individual, firm, corporation, partnership, association, or other legal entity that enters into a contract directly with the DoD to furnish services or materials to DoD. It thus excludes subcontractors. Also, a subsidiary of a large corporation may be a separate legal entity and contract directly with the DoD in its own name. In such a case the "defense contractor" would be the subsidiary, not the parent corporation. Thus, only the dollar amount of contracts awarded by the DoD to a subsidiary contracting with DoD in its own name during a fiscal year would be considered in determining whether a person employed or formerly employed by it is required to report.

D. No person is required to file a report for any fiscal year during which the defense contractor by whom he is or was employed received less than $10,000,000 in contracts awarded by DoD. For the purpose of this Directive "contracts awarded" means contracts awarded by negotiation only, including the net amount of modifications to or options exercised under such contracts. All transactions under $10,000 each are excluded. Thus, if a person was employed by a defense contractor during a fiscal year in which the contractor received from the DoD $8,000,000 in negotiated contract awards and $2,000,000 in contracts awarded by formal advertising, the person would not have to report his employment for that year.

E. "Services and materials" means either services or materials, or services and materials, and includes construction. Therefore a company that performs construction under contracts with DoD is a "defense contractor" under this section.

F. "Fiscal year" means a year beginning on July 1, and ending on June 30 of the next succeeding year; it is designated by the year in which it ends. For example, fiscal year 1971 begins on July 1, 1970 and ends on June 30, 1971.

G. For the purposes of these reporting requirements, a "retired military officer" is any officer entitled to receive military retired pay, even though such pay may be waived. A "former military officer" includes Reserve officers not on active duty.

H. For the purposes of these reporting requirements, "former DoD civilian officer or employee paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13" includes former wage board employees, former employees in the lower General Schedule grades, Public Law 313 categories, consultants, and persons in the executive levels, whose rates of pay equaled or exceeded:

$16,760 in 1970
$15,812 in 1969
$14,409 in 1968
$13,507 in 1967

IV. REPORTING PROCEDURES

A report prepared and forwarded as prescribed in Enclosure 1 shall be submitted not later than November 15 following the close of each fiscal year, by the following categories of individuals:

A. Any former or retired military commissioned officer who:

1. At the time of release from active duty or retirement was serving on active duty as a major or lieutenant commander, or above; and

2. Had served on extended active duty for ten or more years; and

3. During any part of any fiscal year beginning with fiscal year 1971:

a. is employed by or performed services for a defense prime contractor, who, during such year, received $10,000,000 or more in defense contract awards, and

b. is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

B. Any former DoD civilian officer or employee (including consultants and part time employees) who:

1. at any time during the three-year period immediately preceding the termination of last employment with DoD was paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13; and

2. during any part of any fiscal year beginning with fiscal year 1971:

a. is employed by or performed services for a defense prime contractor who, during such year received $10,000,000 or more in defense contract awards, and

b. is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

C. Any DoD civilian officer or employee (including consultants and part time employees) who:

1. during any part of any fiscal year beginning with fiscal year 1971 is employed by DoD at a salary rate equal to or greater than the minimum rate for a grade GS-13; and

2. was previously employed by or performed services, during any fiscal year, for a defense prime contractor who, during such year, received $10,000,000 or more in defense contract awards; and

3. was employed by the defense prime contractor at a salary rate of $15,000 or more per year.

D. The following categories of persons are exempt from the reporting requirements:

1. Retired military officers, former military officers, and former civilian officers and employees are not required to file a report of employment with a defense contractor for such employment during a fiscal year that begins three years or more after their extended active duty or employment with the DoD terminated.

2. DoD civilian officers and employees are not required to file a report for a fiscal year on account of previous employment with a defense contractor if such employment was terminated three or more years prior to the beginning of such fiscal year.

E. Reports submitted in accordance with this Directive will be forwarded as follows:

1. Retired military officers, and former military officers - to the Secretary of the Military Department of which they are or were a member.

2. Former civilian officers and employees - to the Secretary of Military Department, or the Director of the Defense Agency by which they were employed. In the case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff, - to the Assistant Secretary of Defense (Administration).

3. DoD civilian officers or employees - to the Secretary of the Military Department, or the Director of the Defense Agency by which employed, or in case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff to the Assistant Secretary of Defense (Administration).

V. ACTIONS REQUIRED

A. The Assistant Secretary of Defense (Comptroller) will prepare a listing of the defense contractors who received $10,000,000 or more in negotiated contracts awarded in each fiscal year and cause that listing to be published in the Federal Register not later than September 15 following the end of the fiscal year; in addition a listing will also be published covering FY's 1968 and 1969.

B. The Assistant Secretary of Defense, Manpower and Reserve Affairs will:

1. Receive the lists and reports submitted as provided in paragraph VII. B. below. A copy of such reports will be maintained for three years and will be available for public inspection at all times during normal working hours; and

2. Submit not later than December 31, 1971, and each December 31 thereafter a letter transmitting to the President of the Senate and the Speaker of the House of Representatives a list prepared in accordance with the format prescribed in Enclosure 2 of the names of all persons who have filed such reports for the preceding fiscal year in compliance with this Directive, and a copy of each such report.

C. The Assistant Secretary of Defense (Administration), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will:

1. Except as provided in 3 below, notify each person in the categories described in paragraph IV, A, B, and C above of the requirements of this Directive and reference (a), and provide to each such person a copy of this Directive or implementing Military Service or Defense Agency regulations together with a supply of the forms prepared in accordance with the reporting format as set out in Enclosure 1. In the case of personnel being separated or retired this notification will be included in the exit interview or separation counselling procedures. Civilian personnel who become subject to the reporting requirement on initial employment will be notified of this reporting requirement during the entrance orientation. Civilian personnel who become subject to the reporting requirement by virtue of a promotion or step increase after initial employment will be notified of the reporting requirement at the time of such promotion or step increase.

2. Review reports as described below and furnish these reports and the list referred to in VII. B. below to the Assistant Secretary of Defense, Manpower and Reserve Affairs, by November 30 of each year, beginning in 1971.

3. It is recognized that personal notification of each affected former military officer and civilian employee who was separated before the publication of this Directive is not feasible. However, intensive information efforts will be undertaken, using all appropriate channels with the objective of bringing the requirements of reference (a) and this Directive to the attention of all such former personnel.

In the case of military personnel, the actions prescribed by this paragraph will be taken by the Military Department concerned for all affected military personnel of that department, even though the member's last assignment was with another department or agency.

VI. OTHER REPORTING REQUIREMENTS

The reporting requirements prescribed by this Directive are in addition to the reports required from Retired Regular officers (DD Form 1357) and the statements of employment and financial interests required of certain civilian employees and active duty military officers (DD Forms 1555 and 1555-1) under the provisions of DoD Directive 5500.7.

VII. REVIEW OF AND DISPOSITION OF THE FORMS SUBMITTED BY FORMER AND PRESENT PERSONNEL

A. The Assistant Secretary of Defense (Administration), the Secretaries of the Military Departments and the Directors of the Defense Agencies will establish procedures to review the forms submitted by former and present personnel in accordance with the terms of this Directive to determine whether:

1. Each form as submitted is in fact required under the terms of the Directive.

2. All required information has been furnished.

3. The information as submitted indicates the possibility of a violation of law or Directive.

If there is any indication that a law or Directive may have been violated, the matter will be referred to the appropriate authority of the office, Department or Agency concerned to determine the action which should be taken.

B. Not later than November 30 of each year, the Assistant Secretary of Defense (Administration), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will forward to the Assistant Secretary of Defense (Manpower and Reserve Affairs):

1. A listing of the names of individuals submitting reports, segregated by the defense contractor by whom now or formerly employed, or for whom they performed services. The list will be prepared in accordance with the format prescribed in Enclosure 2.

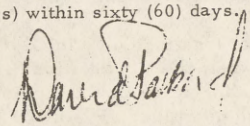
2. Two copies of each report. Submitted in accordance with paragraph IV.

This reporting requirement has been assigned Report Control Symbol DD-M&RA(A)1051.

Not later than December 31, thereafter, the Assistant Secretary of Defense (Manpower and Reserve Affairs), will forward a copy of all such listings and reports to the President of the Senate and the Speaker of the House of Representatives as prescribed in V. B. 2. above.

VIII. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Two (2) copies of implementing instructions shall be forwarded to the Assistant Secretary of Defense (Manpower and Reserve Affairs) within sixty (60) days.



Deputy Secretary of Defense

Enclosures - 2
1. Instructions for Completing DD Form No. (Under development.)
2. Listing of Present and Former Employees

INSTRUCTIONS FOR COMPLETING ENCLOSURE 1.

Before beginning to complete DD Form * read carefully DoD Directive 7700.15.

The following numbered instructions are keyed to the numbered items on DD Form

1. Self explanatory

2. Self explanatory

3. Self explanatory

4. For the purpose of this reporting requirement:

   (a) a "retired officer" is one who is presently entitled to receive military retired pay even though he may have waived such pay;

   (b) a Reserve officer, not on active duty who is not a "retired officer" as defined in (a), is a "former officer" for the purpose of this report even though he currently holds a commission in a Reserve component; and

   (c) persons formerly in GS-13 and above are subject to the filing requirement. In addition persons formerly in the Civil Service including Wage Board employees, employees in the lower General Schedule grades, P. L. 313 categories, consultants, and persons in the Executive levels whose rates of pay on an annual basis would have equaled or exceeded the amounts set forth in the following years are subject to the filing requirement.

Fiscal Year	Amount
1967	$13,507
1968	$14,409
1969	$15,812
1970	$16,760

5. The "employer" should be clearly identified. The term "employer" also includes the organization for which the services as a consultant were provided.

*Under development.

6. If employed by 2 or more defense contractors include date of acceptance of employment (and termination of employment) by each. Use a continuation sheet if necessary.

7. Self explanatory

8. Include sufficient detail to clearly identify employing agency.

9. If more than one position held, give position title and brief description of work performed for each position.

10. Give sufficient detail to permit clear understanding of work actually being performed.

11, 12, 13. Self explanatory

14. Give sufficient information to clearly identify the Defense Contractor. If employed by more than one, list each.

15. If employed by, or served as a consultant to more than one defense contractor, give inclusive dates for each.

16. Give sufficient detail to permit clear understanding of work actually performed.

17. Enter signature as usually written.

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7700.15 (Encl 1)

Report of DoD and Defense Related Employment
as Required by
Public Law 91-121

OMB Approval
No. 22-R0288

1. Name _____
Last First Middle

2. Current Home Address: _____
Street

_____
City State Zip

3. Social Security No. _____

4. REPORTING CATEGORY. Check appropriate box and enter in space provided the military grade, civilian grade or annual DoD salary.

A [ ] Retired military officer - Maj/Lt. Cmdr or above _____
B [ ] Former military officer - Maj/Lt. Cmdr or above _____
C [ ] Former civilian employee whose salary was equal to or above minimum GS-13 during three years preceding termination of service with DoD. _____
D [ ] Former employee of, or consultant to, defense contractor who during last fiscal year was employed by DoD at salary equal to or above minimum GS-13 salary _____

Items 5 thru 10 apply to reporting categories A, B and C ONLY

5. Name and address of defense contractor employer(s) _____

6. Date(s) of acceptance of employment with defense contractor employer(s) (if no longer employed by a defense contractor employer give inclusive date of all such employment)

7. Date of separation from active duty or termination of DoD employment

8. Name, in detail, of last agency of DoD by which employed

9. Position title(s) and brief description(s) of work performed during last three years of your service with DoD.

10. Position title(s) and brief description(s) of work performed for defense contractor employer(s).

_____
_____
_____

Items 11 thru 16 apply to reporting category D ONLY

11. Name, in detail, of Department of Defense agency by which employed at any time during the last fiscal year.

_____
_____
_____

12. Date accepted DoD employment _____.
13. Position title(s) and brief description(s) of duties with Department of Defense employer during last fiscal year.

_____
_____
_____

14. Name(s) of defense contractor(s) by whom you were employed or whom you served as a consultant or otherwise

_____
_____

15. Inclusive dates of employment by, or service with, Defense contractor employer(s).

_____
_____

16. Position title(s) and brief description(s) of work performed for Defense contractor(s).

_____
_____
_____

17. I certify the above information is correct to the best of my knowledge and belief.

_____
Signature

Oct 30, 70
7700.15 (Encl 2)

(Sample Listing) _____
Department or Agency

Listing of Present or Former Employees
of
Defense Contractors for FY _____
Prepared Pursuant to Section 410, Public Law 91-121

XYZ Corporation
(Name of Contractor)

Reporting Category A

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Doen, John A.	Lt. Col.	May 31, 1968
Roen, Richard N.	Col.	July 31, 1968

Reporting Category B

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Renn, William A.	Major	December 31, 1968

Reporting Category C

Last Name, First, Middle Initial	Grade	Last Day of Federal Employment
Penn, Donald R.	GS-12 (Step 7)	March 15, 1968

Reporting Category D

Last Name, First, Middle Initial	Grade	Date Entered Present Employment
Robin, Ronald R.	GS-14	July 1, 1969

Note: 1. "Reporting Category" - those categories listed in Item 4, DD Form _____.
2. Use a separate sheet for each contractor.
3. Arrange names alphabetically within category.

(Sample Listing)

DEPARTMENT OF THE AIR FORCE
Headquarters US Air Force
Washington DC 20330

AF REGULATION 30-14

19 December 1975

Personnel

PROCEDURES FOR REPORTING ON DEFENSE RELATED EMPLOYMENT

This regulation provides instructions and assigns responsibilities for compliance with Pub. L. 91-121, Sec. 410, 83 Stat. 204, 50 U.S.C. 1436, and DOD Directive 7700.15, 22 January, 1975 (attachment 1). It applies to all present, retired, and former military officers and civilian employees of the Department of the Air Force, including employees of nonappropriated fund activities, subject only to the exceptions in attachment 1.

1. Assigned Responsibilities:

a. DOD Directive 7700.15, paragraph IV, 22 January, 1975, (see attachment 1), identifies persons required to submit DD Form 1787, Report of DOD and Defense-Related Employment (see attachment 1, enclosure 1) annually beginning with fiscal year 1972. This is an individual responsibility for all within categories described in attachment 1, paragraph IV.

(1) Failure to comply with these reporting requirements is a criminal offense punishable by imprisonment and fine or both by Pub. L. 91-121.

(2) Questions concerning the requirements of this law or the implementing instructions should be referred to the staff judge advocate of any Air Force facility or to HQ USAF/JACM, Wash DC 20314.

b. Commanders will establish procedures to assure that:

(1) Separating or retiring officers in the grade of major or above with 10 years' active duty are:

(a) Informed of the requirements of Pub. L. 91-121, and

(b) Given a copy of this regulation during separation or retirement counseling by the consolidated base personnel office-personal affairs (CBPO-PA) section.

(2) Separating or retiring civilian personnel paid at a rate equal to or greater than the minimum rate for grade GS-13 are:

(a) Informed of the requirements of Pub. L. 91-121, and

(b) Provided a copy of this regulation during separation or retirement, counseling by the servicing central civilian personnel office (CCPO).

(3) Civilian personnel who become subject to the reporting requirements in para 1a on initial employment are:

(a) Informed during their orientation of the requirements of Pub. L. 91-121.

(b) Provided a copy of this regulation by the servicing CCPO.

(4) Civilian personnel who become subject to the reporting requirements in paragraph 1a, through promotion or step increases after initial employment are:

(a) Informed of the requirements of Pub. L. 91-121 at the time of such promotion or step increase, and

(b) Given a copy of this regulation by the servicing CCPO.

(5) Sufficient stock levels of this regulation are filed at bases (see AFM 7-1) to satisfy specific requests for individual copies from former or retired officers and civilian employees.

2. Reporting Procedures. Present and former civilian officers or employees of the Office of the Secretary of the Air Force submit three copies of DD Form 1787 no later than 15 October of each year to the Department of the Air Force, Office of the General Counsel, Pentagon, Wash DC 20330. All others submit three copies of DD Form 1787 no later than 15 October of each year to HQ USAF/JACM, Wash DC 20314.

Supersedes AFR 30-14, 2 April 1973. (For summary of revised, deleted, or added material, see signature page.)

OPR: JACM

DISTRIBUTION: F

69-394 O - 76 - 26

3. Review and Disposition:

a. HQ USAF/JACM establishes procedures for:

(1) Reviewing DD Forms 1787 submitted according to this regulation to determine whether:

(a) Each form as submitted is required under the terms of the Directive;

(b) All required information has been provided; or

(c) The information submitted indicates the possibility of a violation of law or Directive. If there is any indication that a law or Directive has been violated, refer the incident to the designated office, department, or agency to determine the action to be taken.

(2) Preparing the list of persons submitting reports according to the format prescribed in attachment 1, enclosure 2.

b. HQ USAF/JACM will forward the listing according to attachment 1, paragraph VII.B.

BY ORDER OF THE SECRETARY OF THE AIR FORCE

OFFICIAL

DAVID C. JONES, General, USAF
Chief of Staff

JAMES J. SHEPARD, Colonel, USAF
Director of Administration

1 Attachment
DOD Directive 7700.15, 30 Oct 70
(reprinted 22 Jan 75) with 2 encls

SUMMARY OF REVISED, DELETED, OR ADDED MATERIAL

This revision implements Change 2 Reprint to DOD Directive 7700.15, outlines responsibilities for submission, review, compilation, and disposition of DD Forms 1787, and adds greater detail concerning reporting requirements.

AFR 30-14 Attachment 1 19 December 1975



(REPRINT WITH CHANGES THROUGH 1/22/75 INCORPORATED) October 30, 1970
NUMBER 7700.15

ASD(M&RA)

Department of Defense Directive

SUBJECT Reporting Procedures on Defense Related Employment

References: (a) Public Law No. 91-121, sec. 410 (Nov. 19, 1969)
(b) DoD Directive 5500.7, "Standards of Conduct," August 8, 1967

I. PURPOSE AND SCOPE

This Directive:

A. Establishes criteria and prescribes the procedures to be followed by certain (1) former and retired military officers and former civilian officers and employees of DoD presently employed by defense contractors, and (2) former civilian officers and employees of Defense contractors presently employed by the DoD in submitting employment reports in compliance with reference (a). Failure to file required reports is punishable by a maximum of 6 months imprisonment, or a fine of not more than $1,000 or both.

B. Assigns responsibilities for monitoring the Program within the Department of Defense.

II. APPLICABILITY

The provisions of this Directive apply to all elements of the Department of Defense, including the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies, and to certain present and former military and civilian personnel of the Department of Defense, including employees of nonappropriated fund activities.

III. TERMS AND GENERAL GUIDANCE

A. "Employed" or "employment," is used in a broad sense to include services performed as a consultant or otherwise either for a defense contractor or the DoD.

B. Retired military officers, former military officers and former civilian officers and employees of the DoD are included:

1. If they are "employed" by a defense contractor as a consultant or otherwise,

2. If they represented a defense contractor at a hearing, trial, appeal, or other action in which the U.S. was a party and which involved services and materials provided or to be provided to the DoD by such contractor, or

3. If they represented a defense contractor in any transaction with DoD involving services or materials provided or to be provided by such contractor to DoD.

C. "Defense contractor" means any individual, firm, corporation, partnership, association, or other legal entity that enters into a contract directly with the DoD to furnish services or materials to DoD. It thus excludes subcontractors. Also, a subsidiary of a large corporation may be a separate legal entity and contract directly with the DoD in its own name. In such a case the "defense contractor" would be the subsidiary, not the parent corporation. Thus, only the dollar amount of contracts awarded by the DoD to a subsidiary contracting with DoD in its own name during a fiscal year would be considered in determining whether a person employed or formerly employed by it is required to report.

D. No person is required to file a report for any fiscal year during which the defense contractor by whom he is or was employed received less than $10,000,000 in contracts awarded by DoD. For the purpose of this Directive "contracts awarded" means contracts awarded by negotiation only, including the net amount of modifications to or options exercised under such contracts. All transactions under $10,000 each are excluded. Thus, if a person was employed by a defense contractor during a fiscal year in which the contractor received from the DoD $8,000,000 in negotiated contract awards and $2,000,000 in contracts awarded by formal advertising, the person would not have to report his employment for that year.

E. "Services and materials" means either services or materials, or services and materials, and includes construction. Therefore a company that performs construction under contracts with DoD is a "defense contractor" under this section.

F. "Fiscal Year" means a year beginning on July 1, and ending on June 30 of the next succeeding year; it is designated by the year * in which it ends. For example, fiscal year 1975 began on * July 1, 1974 and ends on June 30, 1975.

G. For the purposes of these reporting requirements, a "retired military officer" is any officer entitled to receive military retired pay, even though such pay may be waived. A "former military officer" includes Reserve officers not on active duty.

H. For the purposes of these reporting requirements, "former DoD civilian officer or employee paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13" includes former wage board employees, former employees in the lower General Schedule grades, Public Law 313 categories, consultants, and persons in the executive levels, whose rates of pay equaled * or exceeded the amounts specified in paragraph 4(c) of enclo- * * sure 1. *

IV. REPORTING PROCEDURES

A report prepared and forwarded as prescribed in enclosure 1 shall be submitted not later than November 15 following the close of each fiscal year, by the following categories of individuals:

A. Any former or retired military commissioned officer who:

1. At the time of release from active duty or retirement was serving on active duty as a major or lieutenant commander, or above; and

2. Had served on extended active duty for ten or more years; and

3. During any part of any fiscal year beginning with fiscal year 1971:

a. Is employed by or performed services for a defense prime

#First amendment (Ch 2, 1/22/75)

contractor, who, during such year, received $10,000,000 or more in defense contract awards, and

b. Is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

B. Any former DoD civilian officer or employee (including consultants and part-time employees) who:

1. At any time during the 3-year period immediately preceding the termination of last employment with DoD was paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13; and

* 2. During any part of any fiscal year: *

a. Is employed by or performed services for a defense prime contractor who, during such year received $10,000,000 or more in defense contract awards, and

b. Is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

C. Any DoD civilian officer or employee (including consultants and part time employees) who:

* 1. During any part of any fiscal year is employed by DoD at a salary rate equal to or greater than the minimum rate for a grade GS-13; and *

2. Was previously employed by or performed services, during any fiscal year, for a defense prime contractor who, during such year, received $10,000,000 or more in defense contract awards; and

3. Was employed by the defense prime contractor at a salary rate of $15,000 or more per year.

D. The following categories of persons are exempt from the reporting requirements:

1. Retired military officers, former military officers, and

#First amendment (Ch 2, 1/22/75)

former civilian officers and employees are not required to file a report of employment with a defense contractor for such employment during a fiscal year that begins 3 years or more after their extended active duty or employment with the DoD terminated.

2. DoD civilian officers and employees are not required to file a report for a fiscal year on account of previous employment with a defense contractor if such employment was terminated three or more years prior to the beginning of such fiscal year.

E. Reports submitted in accordance with this Directive will be forwarded as follows:

1. Retired military officers, and former military officers - to the Secretary of the Military Department of which they are or were a member.

2. Former civilian officers and employees - to the Secretary of Military Department, or the Director of the Defense Agency by which they were employed. In the case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff, - **to the Deputy Assistant Secretary of Defense (Administration), OASD(C).**

3. DoD civilian officers or employees - to the Secretary of the Military Department, or the Director of the Defense Agency by which employed, or in case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff **to the Deputy Assistant Secretary of Defense (Administration), OASD(C).**

V. ACTIONS REQUIRED

A. The Assistant Secretary of Defense (Comptroller) will prepare a listing of the defense contractors who received $10,000,000 or more in negotiated contracts awarded in each fiscal year and cause that listing to be published in the Federal Register not later than September 15 following the end of the fiscal year. ~~In addition a listing will also be published covering FY's 1968 and 1969.~~

#Second amendment (Ch 2, 1/22/75)

B. The Assistant Secretary of Defense, Manpower and Reserve Affairs will:

1. Receive the lists and reports submitted as provided in subsection VII. B., below. A copy of such reports will be maintained for 3 years and will be available for public inspection at all times during normal working hours; and

* 2. Submit not later than December 31 of each calendar year a * letter transmitting to the President of the Senate and the Speaker of the House of Representatives a list prepared in accordance with the format prescribed in enclosure 2 of the names of all persons who have filed such reports for the preceding fiscal year in compliance with this Directive, and a copy of each such report.

C. The Deputy Assistant Secretary of Defense (Administration), OASD(C), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will:

* 1. ~~Except as provided in 3 below,~~ Notify each person in the categories described in subsection IV., A., B., and C., of the requirements of this Directive and reference (a), and provide to each such person a copy of this Directive or implementing Military Service or Defense Agency regulations together with a supply of the forms prepared in accordance with the reporting format as set out in enclosure 1. In the case of personnel being separated or retired this notification will be included in the exit interview or separation counselling procedures. Civilian personnel who become subject to the reporting requirement on initial employment will be notified of this reporting requirement during the entrance orientation. Civilian personnel who become subject to the reporting requirement by virtue of a promotion or step increase after initial employment will be notified of the reporting requirement at the time of such promotion or step increase.

2. Review reports as described below and furnish these reports and the list referred to in VII. B., to the Assistant Secretary of Defense, Manpower and Reserve Affairs, by November 30 of each year ~~beginning in 1971.~~

#Second amendment (Ch 2, 1/22/75)

Oct 30, 70#
7700.15

~~3. It is recognized that personal notification of each affected former military officer and civilian employee who was separated before the publication of this Directive is not feasible. However, intensive information efforts will be undertaken, using all appropriate channels with the objective of bringing the requirements of reference (a) and this Directive to the attention of all such former personnel.~~

In the case of military personnel, the actions prescribed by this paragraph will be taken by the Military Department concerned for all affected military personnel of that department, even though the member's last assignment was with another department or agency.

VI. OTHER REPORTING REQUIREMENTS

The reporting requirements prescribed by this Directive are in addition to the reports required from Retired Regular officers (DD Form 1357) and the statements of employment and financial interests required of certain civilian employees and active duty military officers (DD Forms 1555 and 1555-1) under the provisions of DoD Directive 5500.7.

VII. REVIEW OF AND DISPOSITION OF THE FORMS SUBMITTED BY FORMER AND PRESENT PERSONNEL

A. The Deputy Assistant Secretary of Defense (Administration), OASD(C), the Secretaries of the Military Departments and the Directors of the Defense Agencies will establish procedures to review the forms submitted by former and present personnel in accordance with the terms of this Directive to determine whether:

1. Each form as submitted is in fact required under the terms of the Directive.

2. All required information has been furnished.

3. The information as submitted indicates the possibility of a violation of law or Directive.

If there is any indication that a law or Directive may have been violated, the matter will be referred to the appropriate authority of the office, Department or Agency concerned to determine the action which should be taken.

#Second amendment (Ch 2, 1/22/75)

* B. Not later than November 30 of each year, the Deputy Assistant * Secretary of Defense (Administration), OASD(C), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will forward to the Assistant Secretary of Defense (Manpower and Reserve Affairs):

1. A listing of the names of individuals submitting reports, segregated by the defense contractor by whom now or formerly employed, or for whom they performed services. The list will be prepared in accordance with the format prescribed in enclo- * sure 2, and will be submitted in triplicate. *

* 2. Three copies of each report, submitted in accordance with * section IV.

C. This reporting requirement has been assigned Report Control Symbol DD-M&RA(A)1051.

D. Not later than December 31, thereafter, the Assistant Secretary of Defense (Manpower and Reserve Affairs), will forward a copy of all such listings and reports to the President of the Senate and the Speaker of the House of Representatives as prescribed in V. B. 2.

VIII. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Two copies of implementing instructions shall be forwarded to the Assistant Secretary of Defense (Manpower and Reserve Affairs) within 60 days.

David Packard
Deputy Secretary of Defense

Enclosures - 2
1. Instructions for Completing DD Form No. 1787
2. Listing of Present and Former Employees

#First amendment (Ch 1, 10/24/72)

Oct. 30, 70#
7700.15 (Encl 1)

INSTRUCTIONS FOR COMPLETING ENCLOSURE 1.

Before beginning to complete DD Form No. 1787 read carefully DoD Directive 7700.15.

The following numbered instructions are keyed to the numbered items on DD Form No. 1787.

1. Self explanatory

2. Self explanatory

3. Self explanatory

4. For the purpose of this reporting requirement:

(a) a "retired officer" is one who is presently entitled to receive military retired pay even though he may have waived such pay;

(b) a Reserve officer, not on active duty who is not a "retired officer" as defined in (a), is a "former officer" for the purpose of this report even though he currently holds a commission in a Reserve component; and

(c) persons formerly in GS-13 and above are subject to the filing requirement. In addition persons formerly in the Civil Service including Wage Board employees, employees in the lower General Schedule grades, P. L. 313 categories, consultants, and persons in the Executive levels whose rates of pay on an annual basis would have equaled or exceeded the amounts set forth in the following years are subject to the filing requirement.

	Fiscal Year	Amount	
*	1972	$18,737	*
*	1973	$19,700	*
*	1974	$20,677	*
*	1975	$21,816	*

5. The "employer" should be clearly identified. The term "employer" also includes the organization for which the services as a consultant were provided.

#Second amendment (Ch 2, 1/22/75)

6. If employed by 2 or more defense contractors include date of acceptance of employment (and termination of employment) by each. Use a continuation sheet if necessary.

7. Self explanatory

8. Include sufficient detail to clearly identify employing agency.

9. If more than one position held, give position title and brief description of work performed for each position.

10. Give sufficient detail to permit clear understanding of work actually being performed.

11, 12, 13. Self explanatory

14. Give sufficient information to clearly identify the Defense Contractor. If employed by more than one, list each.

15. If employed by, or served as a consultant to more than one defense contractor, give inclusive dates for each.

16. Give sufficient detail to permit clear understanding of work actually performed.

17. Enter signature as usually written.

7700.15 (Encl 2)
Oct 30, 70#

(Sample Listing) _____
Department or Agency

Listing of Present or Former Employees
of
Defense Contractors for FY _____
Prepared Pursuant to Section 410, Public Law 91-121

XYZ Corporation
(Name of Contractor)

Reporting Category A

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Doen, John A.	Lt. Col.	May 31, 1968
Roen, Richard N.	Col.	July 31, 1968

Reporting Category B

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Renn, William A.	Major	December 31, 1968

Reporting Category C

Last Name, First, Middle Initial	Grade	Last Day of Federal Employment
Penn, Donald R.	GS-12 (Step 7)	March 15, 1968

Reporting Category D

Last Name, First, Middle Initial	Grade	Date Entered Present Employment
Robin, Ronald R.	GS-14	July 1, 1969

Note: 1. "Reporting Category" - those categories listed in Item 4, DD Form 1787. *
2. Use a separate sheet for each contractor.
3. Arrange names alphabetically within category.

(Sample Listing)

#First amendment (Ch 2, 1/22/75)

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

ADMINISTRATION

4 JUN 1971

PERSONNEL DIVISION INSTRUCTION NO. 32

SUBJECT: Reporting Procedures on Defense Related Employment

REFERENCES: (a) Public Law No. 91-121
(b) DoD Directive 5500.7, "Standards of Conduct", August 8, 1967.
(c) DoD Directive 7700.15, "Reporting Procedures on Defense Related Employment"
(d) Administrative Instruction No. 52 (Revised) "Standards of Conduct", dated February 18, 1969

I. PURPOSE

The purpose of this Instruction is to provide uniform policies and procedures for all OSD/OJCS civilian employees and consultants required to report Defense related employment.

II. REPORTING REQUIREMENTS

a. All civilian officers or employees, including consultants and part-time employees, who, during any part of any fiscal year, beginning with Fiscal Year 1971, are employed by DoD at a salary rate equal to or greater than the minimum rate for a grade GS-13; and who were previously employed by or performed services, during any fiscal year, for a defense prime contractor who, during such year, received $10,000,000 or more in defense contract awards, and was employed by the defense prime contractor at a salary rate of $15,000 or more per year, will file the reports required by reference (c).

b. No person is required to file a report for any fiscal year during which the defense contractor by whom he is or was employed received less than $10,000,000 in contracts awarded by DoD.

c. DoD civilian officers and employees are not required to file a report for a fiscal year on account of previous employment with a defense contractor if such employment was terminated three or more years prior to the beginning of such fiscal year.

d. The first report will be filed not later than November 15, 1971, and subsequent reports not later than each November 15 thereafter.

III. RESPONSIBILITIES

a. Personnel Data Branch will be responsible for providing a listing of all OSD/OJCS employees including GS, PL and other statutory, and consultants, paid at a rate equivalent to step 1 of grade 13 no later than October 1 of each year.

b. The Secretary to the Chief, Staffing Branch will separate this listing according to organizations serviced by Staffing and PMA Specialists, including OJCS, and furnish each a copy as pertains to their activities.

c. Staffing and PMA Specialists, including OJCS, are responsible for:

1. Insuring that all prospective employees, including GS, PL and other statutory, and consultants, are apprised of the requirements of DoD Directive 7700.15 and that there will be no conflict of interest if such prospective employee were placed in the position for which he is being considered. This will be accomplished through consultation with the General Counsel's office.

2. Carefully reviewing OPFs on all promotions, reassignments, etc., to insure that such actions will not result in a violation of DoD Directive 7700.15 before effecting the change in duties.

3. Reviewing the OPFs of employees on their listings and identifying those employees who must file a Statement of Defense Related Employment by October 15 of each year.

4. Contacting those individuals required to file statements, providing them with the required forms, and counseling and assisting them in resolving any suggested violations of DoD Directive 7700.15.

5. Providing the Chief, Staffing Branch with a typed report, by contractor and by grade, of employees filing reports in the organizations he services not later than November 15 of each year. (See attachment 1 for proper format.)

d. The Chief, Staffing Branch will be responsible for consolidating and forwarding the reports to the ASD(M&RA) not later than November 30 of each year.

e. PMA, Staffing and the OJCS Personnel staffs will advise all civilian personnel and consultants checking out through their offices of the requirements of DoD Directive 7700.15.

IV. EXEMPTION

The Military Personnel Branches of OSD and OJCS are exempt from this Instruction since responsibility has been delegated to the Military Departments for advising all officer and enlisted personnel of the requirements for reporting Defense related employment.

for W. J. Abernethy
Director of Personnel

DEPARTMENT OF DEFENSE
DIRECTIVES SYSTEM TRANSMITTAL

NUMBER	DATE	DISTRIBUTION
Ch 2(Reprint) to 7700.15 (Supersedes Ch 1 (Reprint), 10/24/72)	January 22, 1975	7000 series

ATTACHMENTS

Reprinted DoD Directive 7700.15, October 30, 1970

INSTRUCTIONS FOR RECIPIENTS

REPRINT

Attached is a reprint of DoD Directive 7700.15, "Reporting Procedures on Defense Related Employment," October 30, 1970, incorporating authorized changes indicated by marginal asterisks.

The reprinted Directive should be substituted for copies of 7700.15 and Change 1 originally distributed.

EFFECTIVE DATE AND IMPLEMENTATION

This change is effective immediately. Two copies of revised implementing instructions shall be forwarded to the Assistant Secretary of Defense (Manpower and Reserve Affairs) within 60 days.

Maurice W. Roche

MAURICE W. ROCHE, Director
Correspondence and Directives
OASD(Comptroller)

WHEN PRESCRIBED ACTION HAS BEEN TAKEN, THIS TRANSMITTAL SHOULD BE FILED WITH THE BASIC DOCUMENT

SD FORM 1 MAR 62 106-1 PREVIOUS EDITIONS ARE OBSOLETE

69-394 O - 76 - 27

(REPRINT WITH CHANGES THROUGH 1/22/75 INCORPORATED)
October 30, 1970
NUMBER 7700.15

ASD(M&RA)

Department of Defense Directive

SUBJECT Reporting Procedures on Defense Related Employment

References: (a) Public Law No. 91-121, sec. 410 (Nov. 19, 1969)
(b) DoD Directive 5500.7, "Standards of Conduct," August 8, 1967

I. PURPOSE AND SCOPE

This Directive:

A. Establishes criteria and prescribes the procedures to be followed by certain (1) former and retired military officers and former civilian officers and employees of DoD presently employed by defense contractors, and (2) former civilian officers and employees of Defense contractors presently employed by the DoD in submitting employment reports in compliance with reference (a). Failure to file required reports is punishable by a maximum of 6 months imprisonment, or a fine of not more than $1,000 or both.

B. Assigns responsibilities for monitoring the Program within the Department of Defense.

II. APPLICABILITY

The provisions of this Directive apply to all elements of the Department of Defense, including the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies, and to certain present and former military and civilian personnel of the Department of Defense, including employees of nonappropriated fund activities.

III. TERMS AND GENERAL GUIDANCE

A. "Employed" or "employment," is used in a broad sense to include services performed as a consultant or otherwise either for a defense contractor or the DoD.

B. Retired military officers, former military officers and former civilian officers and employees of the DoD are included:

1. If they are "employed" by a defense contractor as a consultant or otherwise,

2. If they represented a defense contractor at a hearing, trial, appeal, or other action in which the U.S. was a party and which involved services and materials provided or to be provided to the DoD by such contractor, or

3. If they represented a defense contractor in any transaction with DoD involving services or materials provided or to be provided by such contractor to DoD.

C. "Defense contractor" means any individual, firm, corporation, partnership, association, or other legal entity that enters into a contract directly with the DoD to furnish services or materials to DoD. It thus excludes subcontractors. Also, a subsidiary of a large corporation may be a separate legal entity and contract directly with the DoD in its own name. In such a case the "defense contractor" would be the subsidiary, not the parent corporation. Thus, only the dollar amount of contracts awarded by the DoD to a subsidiary contracting with DoD in its own name during a fiscal year would be considered in determining whether a person employed or formerly employed by it is required to report.

D. No person is required to file a report for any fiscal year during which the defense contractor by whom he is or was employed received less than $10,000,000 in contracts awarded by DoD. For the purpose of this Directive "contracts awarded" means contracts awarded by negotiation only, including the net amount of modifications to or options exercised under such contracts. All transactions under $10,000 each are excluded. Thus, if a person was employed by a defense contractor during a fiscal year in which the contractor received from the DoD $8,000,000 in negotiated contract awards and $2,000,000 in contracts awarded by formal advertising, the person would not have to report his employment for that year.

E. "Services and materials" means either services or materials, or services and materials, and includes construction. Therefore a company that performs construction under contracts with DoD is a "defense contractor" under this section.

F. "Fiscal Year" means a year beginning on July 1, and ending on June 30 of the next succeeding year; it is designated by the year in which it ends. For example, fiscal year 1975 began on July 1, 1974 and ends on June 30, 1975.

G. For the purposes of these reporting requirements, a "retired military officer" is any officer entitled to receive military retired pay, even though such pay may be waived. A "former military officer" includes Reserve officers not on active duty.

H. For the purposes of these reporting requirements, "former DoD civilian officer or employee paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13" includes former wage board employees, former employees in the lower General Schedule grades, Public Law 313 categories, consultants, and persons in the executive levels, whose rates of pay equaled or exceeded the amounts specified in paragraph 4(c) of enclosure 1.

IV. REPORTING PROCEDURES

A report prepared and forwarded as prescribed in enclosure 1 shall be submitted not later than November 15 following the close of each fiscal year, by the following categories of individuals:

A. Any former or retired military commissioned officer who:

1. At the time of release from active duty or retirement was serving on active duty as a major or lieutenant commander, or above; and

2. Had served on extended active duty for ten or more years; and

3. During any part of any fiscal year beginning with fiscal year 1971:

a. Is employed by or performed services for a defense prime

#First amendment (Ch 2, 1/22/75)

contractor, who, during such year, received $10,000,000 or more in defense contract awards, and

b. Is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

B. Any former DoD civilian officer or employee (including consultants and part-time employees) who:

1. At any time during the 3-year period immediately preceding the termination of last employment with DoD was paid at a rate equal to or greater than the minimum rate (at such time) for a grade GS-13; and

* 2. During any part of any fiscal year: *

a. Is employed by or performed services for a defense prime contractor who, during such year received $10,000,000 or more in defense contract awards, and

b. Is employed by the defense prime contractor at a salary rate of $15,000 or more per year.

C. Any DoD civilian officer or employee (including consultants and part time employees) who:

* 1. During any part of any fiscal year is employed by DoD at a salary rate equal to or greater than the minimum rate for a grade GS-13; and *

2. Was previously employed by or performed services, during any fiscal year, for a defense prime contractor who, during such year, received $10,000,000 or more in defense contract awards; and

3. Was employed by the defense prime contractor at a salary rate of $15,000 or more per year.

D. The following categories of persons are exempt from the reporting requirements:

1. Retired military officers, former military officers, and

#First amendment (Ch 2, 1/22/75)

former civilian officers and employees are not required to file a report of employment with a defense contractor for such employment during a fiscal year that begins 3 years or more after their extended active duty or employment with the DoD terminated.

2. DoD civilian officers and employees are not required to file a report for a fiscal year on account of previous employment with a defense contractor if such employment was terminated three or more years prior to the beginning of such fiscal year.

E. Reports submitted in accordance with this Directive will be forwarded as follows:

1. Retired military officers, and former military officers - to the Secretary of the Military Department of which they are or were a member.

2. Former civilian officers and employees - to the Secretary of Military Department, or the Director of the Defense Agency by which they were employed. In the case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff, - **to the Deputy Assistant Secretary of Defense (Administration), OASD(C).**

3. DoD civilian officers or employees - to the Secretary of the Military Department, or the Director of the Defense Agency by which employed, or in case of civilian officers or employees of the Office of the Secretary of Defense or the Joint Chiefs of Staff **to the Deputy Assistant Secretary of Defense (Administration), OASD(C).**

V. ACTIONS REQUIRED

A. The Assistant Secretary of Defense (Comptroller) will prepare a listing of the defense contractors who received $10,000,000 or more in negotiated contracts awarded in each fiscal year and cause that listing to be published in the Federal Register not later than September 15 following the end of the fiscal year. ~~In addition a listing will also be published covering FY's 1968 and 1969.~~

#Second amendment (Ch 2, 1/22/75)

B. The Assistant Secretary of Defense, Manpower and Reserve Affairs will:

1. Receive the lists and reports submitted as provided in subsection VII. B., below. A copy of such reports will be maintained for 3 years and will be available for public inspection at all times during normal working hours; and

* 2. Submit not later than December 31 of each calendar year a *
* letter transmitting to the President of the Senate and the *
Speaker of the House of Representatives a list prepared in accordance with the format prescribed in enclosure 2 of the names of all persons who have filed such reports for the preceding fiscal year in compliance with this Directive, and a copy of each such report.

C. **The Deputy Assistant Secretary of Defense (Administration), OASD(C), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will:**

* 1. ~~Except as provided in 3 below,~~ Notify each person in the *
categories described in subsection IV., A., B., and C., of the requirements of this Directive and reference (a), and provide to each such person a copy of this Directive or implementing Military Service or Defense Agency regulations together with a supply of the forms prepared in accordance with the reporting format as set out in enclosure 1. In the case of personnel being separated or retired this notification will be included in the exit interview or separation counselling procedures. Civilian personnel who become subject to the reporting requirement on initial employment will be notified of this reporting requirement during the entrance orientation. Civilian personnel who become subject to the reporting requirement by virtue of a promotion or step increase after initial employment will be notified of the reporting requirement at the time of such promotion or step increase.

2. Review reports as described below and furnish these reports and the list referred to in VII. B., to the Assistant Secretary of Defense, Manpower and Reserve Affairs, by Novem-
* ber 30 of each year ~~beginning in 1971.~~ *

#Second amendment (Ch 2, 1/22/75) 6

~~3. It is recognized that personal notification of each affected former military officer and civilian employee who was separated before the publication of this Directive is not feasible. However, intensive information efforts will be undertaken, using all appropriate channels with the objective of bringing the requirements of reference (a) and this Directive to the attention of all such former personnel.~~

In the case of military personnel, the actions prescribed by this paragraph will be taken by the Military Department concerned for all affected military personnel of that department, even though the member's last assignment was with another department or agency.

VI. OTHER REPORTING REQUIREMENTS

The reporting requirements prescribed by this Directive are in addition to the reports required from Retired Regular officers (DD Form 1357) and the statements of employment and financial interests required of certain civilian employees and active duty military officers (DD Forms 1555 and 1555-1) under the provisions of DoD Directive 5500.7.

VII. REVIEW OF AND DISPOSITION OF THE FORMS SUBMITTED BY FORMER AND PRESENT PERSONNEL

A. The Deputy Assistant Secretary of Defense (Administration), OASD(C), the Secretaries of the Military Departments and the Directors of the Defense Agencies will establish procedures to review the forms submitted by former and present personnel in accordance with the terms of this Directive to determine whether:

1. Each form as submitted is in fact required under the terms of the Directive.

2. All required information has been furnished.

3. The information as submitted indicates the possibility of a violation of law or Directive.

If there is any indication that a law or Directive may have been violated, the matter will be referred to the appropriate authority of the office, Department or Agency concerned to determine the action which should be taken.

* B. Not later than November 30 of each year, the Deputy Assistant Secretary of Defense (Administration), OASD(C), the Secretaries of the Military Departments, and the Directors of the Defense Agencies will forward to the Assistant Secretary of Defense (Manpower and Reserve Affairs): *

1. A listing of the names of individuals submitting reports, segregated by the defense contractor by whom now or formerly employed, or for whom they performed services. The list will be prepared in accordance with the format prescribed in enclosure 2, and will be submitted in triplicate. *

* 2. Three copies of each report, submitted in accordance with section IV. *

C. This reporting requirement has been assigned Report Control Symbol DD-M&RA(A)1051.

D. Not later than December 31, thereafter, the Assistant Secretary of Defense (Manpower and Reserve Affairs), will forward a copy of all such listings and reports to the President of the Senate and the Speaker of the House of Representatives as prescribed in V. B. 2.

VIII. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Two copies of implementing instructions shall be forwarded to the Assistant Secretary of Defense (Manpower and Reserve Affairs) within 60 days.

David Packard
Deputy Secretary of Defense

Enclosures - 2
1. Instructions for Completing DD Form No. 1787
2. Listing of Present and Former Employees

#First amendment (Ch 1, 10/24/72)

INSTRUCTIONS FOR COMPLETING ENCLOSURE 1.

Before beginning to complete DD Form No. 1787 read carefully DoD Directive 7700.15.

The following numbered instructions are keyed to the numbered items on DD Form No. 1787.

1. Self explanatory

2. Self explanatory

3. Self explanatory

4. For the purpose of this reporting requirement:

   (a) a "retired officer" is one who is presently entitled to receive military retired pay even though he may have waived such pay;

   (b) a Reserve officer, not on active duty who is not a "retired officer" as defined in (a), is a "former officer" for the purpose of this report even though he currently holds a commission in a Reserve component; and

   (c) persons formerly in GS-13 and above are subject to the filing requirement. In addition persons formerly in the Civil Service including Wage Board employees, employees in the lower General Schedule grades, P. L. 313 categories, consultants, and persons in the Executive levels whose rates of pay on an annual basis would have equaled or exceeded the amounts set forth in the following years are subject to the filing requirement.

Fiscal Year	Amount
1972	$18,737
1973	$19,700
1974	$20,677
1975	$21,816

5. The "employer" should be clearly identified. The term "employer" also includes the organization for which the services as a consultant were provided.

#Second amendment (Ch 2, 1/22/75)

6. If employed by 2 or more defense contractors include date of acceptance of employment (and termination of employment) by each. Use a continuation sheet if necessary.

7. Self explanatory

8. Include sufficient detail to clearly identify employing agency.

9. If more than one position held, give position title and brief description of work performed for each position.

10. Give sufficient detail to permit clear understanding of work actually being performed.

11, 12, 13. Self explanatory

14. Give sufficient information to clearly identify the Defense Contractor. If employed by more than one, list each.

15. If employed by, or served as a consultant to more than one defense contractor, give inclusive dates for each.

16. Give sufficient detail to permit clear understanding of work actually performed.

17. Enter signature as usually written.

7700.15 (Encl 1)
Oct. 24, 72

REPORT OF DOD AND DEFENSE RELATED EMPLOYMENT AS REQUIRED BY PUBLIC LAW 91-121

OMB Approval No. 22-R0288

1. NAME (Last - First - Middle)	2. CURRENT HOME ADDRESS (Street - City - State - Zip)	3. SOCIAL SECURITY NO.

4. REPORTING CATEGORY (Check appropriate box and enter in space provided the military grade, civilian grade or annual DoD salary).

A. ☐ RETIRED MILITARY OFFICER - MAJ/LT. CMDR OR ABOVE _____

B. ☐ FORMER MILITARY OFFICER - MAJ/LT. CMDR OR ABOVE _____

C. ☐ FORMER CIVILIAN EMPLOYEE WHOSE SALARY WAS EQUAL TO OR ABOVE MINIMUM GS-13 DURING THREE YEARS PRECEDING TERMINATION OF SERVICE WITH DOD. _____

D. ☐ FORMER EMPLOYEE OF, OR CONSULTANT TO, DEFENSE CONTRACTOR WHO DURING LAST FISCAL YEAR WAS EMPLOYED BY DOD AT SALARY EQUAL TO OR ABOVE MINIMUM GS-13 SALARY _____

Items 5 thru 10 apply to reporting categories A, B and C ONLY

5. NAME AND ADDRESS OF DEFENSE CONTRACTOR EMPLOYER(S)

6. DATE(S) OF ACCEPTANCE OF EMPLOYMENT WITH DEFENSE CONTRACTOR EMPLOYER(S) *(If no longer employed by a defense contractor employer give inclusive date of all such employment)*

7. DATE OF SEPARATION FROM ACTIVE DUTY OR TERMINATION OF DOD EMPLOYMENT

8. NAME, IN DETAIL, OF LAST AGENCY OF DOD BY WHICH EMPLOYED

9. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF WORK PERFORMED DURING LAST THREE YEARS OF YOUR SERVICE WITH DOD.

10. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF WORK PERFORMED FOR DEFENSE CONTRACTOR EMPLOYER(S)

Items 11 thru 16 apply to reporting category D ONLY

11. NAME, IN DETAIL, OF DEPARTMENT OF DEFENSE AGENCY BY WHICH EMPLOYED AT ANY TIME DURING THE LAST FISCAL YEAR.

12. DATE ACCEPTED DOD EMPLOYMENT

13. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF DUTIES WITH DEPARTMENT OF DEFENSE EMPLOYER DURING LAST FISCAL YEAR.

14. NAME(S) OF DEFENSE CONTRACTOR(S) BY WHOM YOU WERE EMPLOYED OR WHOM YOU SERVED AS A CONSULTANT OR OTHERWISE.

15. INCLUSIVE DATES OF EMPLOYMENT BY, OR SERVICE WITH, DEFENSE CONTRACTOR EMPLOYER(S).

16. POSITION TITLE(S) AND BRIEF DESCRIPTION(S) OF WORK PERFORMED FOR DEFENSE CONTRACTOR(S).

17. I CERTIFY THE ABOVE INFORMATION IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

_____
SIGNATURE

(If additional space is required, attach a continuation sheet.

DD FORM 1 JAN 71 1787

(Sample Listing) _____
Department or Agency

Listing of Present or Former Employees
of
Defense Contractors for FY _____
Prepared Pursuant to Section 410, Public Law 91-121

XYZ Corporation
(Name of Contractor)

Reporting Category A

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Doen, John A.	Lt. Col.	May 31, 1968
Roen, Richard N.	Col.	July 31, 1968

Reporting Category B

Last Name, First, Middle Initial	Grade	Last Day of Active Duty
Renn, William A.	Major	December 31, 1968

Reporting Category C

Last Name, First, Middle Initial	Grade	Last Day of Federal Employment
Penn, Donald R.	GS-12 (Step 7)	March 15, 1968

Reporting Category D

Last Name, First, Middle Initial	Grade	Date Entered Present Employment
Robin, Ronald R.	GS-14	July 1, 1969

Note: 1. "Reporting Category" - those categories listed in Item 4, DD Form 1787.
2. Use a separate sheet for each contractor.
3. Arrange names alphabetically within category.

(Sample Listing)

#First amendment (Ch 2, 1/22/75)

WRIGHT PATMAN, TEX., CHAIRMAN
LEONOR K. SULLIVAN, MO.
HENRY S. REUSS, WIS.
GARRY BROWN, MICH.
ALBERT W. JOHNSON, PA.

APPENDIX IV H

WILLIAM PROXMIRE, WIS., VICE CHAIRMAN
JOHN SPARKMAN, ALA.
HARRISON A. WILLIAMS, JR., N.J.
JOHN TOWER, TEX.
EDWARD W. BROOKE, MASS.

Congress of the United States
JOINT COMMITTEE ON DEFENSE PRODUCTION
(CREATED PURSUANT TO PUBLIC LAW 774, 81ST CONGRESS)
WASHINGTON, D.C. 20510

February 18, 1976

The Honorable William Clements
Deputy Secretary of Defense
The Pentagon
Washington, D.C. 20301

Dear Mr. Clements:

In order to complete the record of the Joint Committee's recent hearings on standards of conduct, I am forwarding a list of items which you agreed to provide for the record, together with a list of questions on subjects which time prevented us from covering in the hearings and on which your views would be valuable.

I wish also to thank you for your forthright testimony at the Joint Committee's hearings. I would like to take this opportunity to renew the offer I made at that time of cooperation from the Joint Committee's staff. They would be pleased to meet with your investigators at any time to compare notes on the investigations. Also, at such time as it would be appropriate, the committee would like to discuss with you the results of your "informal" survey of 43 major contractors' entertainment practices and your thoughts on the applicability of the provisions of 10 USC 2077 to these cases. Like you, I am hopeful that what we are now doing will act as an inhibition on such activities in the future, and I would be pleased to offer whatever assistance I can to the efforts of the Department.

Sincerely,

William Proxmire
Vice Chairman

Enc. (1) Additional Questions
(2) Items for the Record

ADDITIONAL QUESTIONS

1. Any comments you might have relative to S. 1329, a bill that would temporarily prohibit the employment of former government procurement officials by companies which have a stake in contracts those officials helped award or administer, would be appreciated. I would like to point out that this bill, if enacted, would place no additional burden on the great majority of retiring military officers, and would not totally prohibit second careers even for procurement officials. It would prohibit only the employment of such officials by those few companies which had a stake in their official decisions.

2. Another matter of concern is the question of enforcement of the penalty provisions of Section 410 of Public Law 91-121, a law requiring retired military officers and former civilian employees of DoD to annually report their employment with defense contractors. DoD has maintained that it is impossible, because of limited resources, to police this reporting requirement. My questions are:

a. Which agency do you think does have, or should have the responsibility to enforce this law or to investigate allegations of violations of this law;

b. Would the Department of Defense take action on specific cases of non-compliance with the requirements of this law if they were brought to your attention;

c. Do you have any comments on the allegations made by Ms. Marlin of the Council on Economic Priorities on transcript pp. 132-4 and p. 144 regarding DoD enforcement of this reporting requirement;

d. Do you have any comments on Ms. Marlin's suggestions contained on transcript pp. 139-40 regarding possible changes in this law?

ITEMS FOR THE RECORD

1. Did your original or follow-up investigations disclose the fact that General Bert Spivy had attended hunting trips as Northrop's guest before the time period covered by the Northrop invitation list and before his retirement from the military? Did your investigators ask General Spivy whether he had done so? (transcript page 200).

2. Did your original investigation or follow-up investigation disclose the names of any military Northrop guests not named on the Northrop guest list? Did it disclose the names of those individuals named on transcript page 201?

3. Had your investigators asked John Tutko, Admiral Harlfinger, David McColl, Captain Lansden or Admiral McClellan whether they had been guests of any defense contractors in addition to the Northrop Corporation? How had they answered?

4. Describe the methodology used to follow-up on the names of 33 individuals submitted by Representative Bennett as potentially in violation of the non-criminal law which prohibits retired officers from selling materials to DoD. Please provide copies of any communications or inquiries to the military commands regarding this investigation. Did your investigators consider Captain Whidden's involvement at the Northrop hunting lodge since his retirement as a matter which might bear on his status under this law?

5. Please provide your legal counsel's opinion of the status of Captain Whidden and General Wilson under this law in light of the fact that they have been involved in the operation of this hunting lodge, an activity which Northrop President Tom Jones acknowledged involved attempting to "build up goodwill for the company"?

6. Please describe the circumstances of the submission of the legislative proposal to amend the law which prohibits retired officers from selling materials to DoD. (A copy of the 1973 proposal is enclosed). Why was it decided to attempt to soften the provision which erects an unqualified ban against activities of this sort? What is the current status of this proposal? Does the Department anticipate submitting a new proposal on this topic?

7. Please describe the circumstances of Bobby Dale Patterson's Executive Interchange appointment to the Northrop Corporation. Did Northrop apply for an Executive Interchange appointment? If so, did they specify the person or type of person in whom the were interested? Would he have had access to any Northrop competitor's pricing data? Was the possibility considered at the time he was appointed? Were there any safeguards or review procedures to assure that he would not provide such information to the company? Did he return to the Navy as scheduled at the end of his one-year appointment? Do you have any comments on the appearance of impropriety in such an interchange?

8. Please describe any plans to try to ascertain the names of DoD officials who may have been guests of Rockwell International Corporation at its Farmington, Pennsylvania, or Albany, Georgia, hunting lodge. If you do obtain any such names, please provide them to this committee.

69-394 O - 76 - 28

APPENDIX IV I

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

RECEIVED
MAY 1 1976
MAY 20 1976

Honorable William Proxmire
Chairman
Joint Committee on Defense
Production
Washington, D. C. 20510

Dear Mr. Chairman:

This letter is in response to your request for certain items to complete the record of the February 3, 1976, Joint Committee on Defense Production hearings on standards of conduct at which I testified, and the additional questions asked in your letter of February 18, 1976.

During my testimony I received the names of Department of Defense personnel who were alleged to have accepted gratuities from Defense contractors. As you as no doubt aware, the Department has been investigating these allegations and taking appropriate disciplinary action. There will be further actions taken in this regard in the future. Regulations under the provisions of 10 U.S.C. 2207 may provide a remedy in an appropriate case.

Recently, Secretary of Defense, Donald Rumsfeld, emphasized the importance of the Standards of Conduct to the Department and outlined our policy in this area for the future. A copy of his statement of April 8, 1976, is attached at Tab A.

Thank you again for the opportunity to testify before your Committee on this important matter.

The items submitted for the record are attached at Tab B and responses to additional questions forwarded by your letter of February 18, 1976, are attached at Tab C.

Sincerely,

M. P. Clements

Attachments

APPENDIX IV J Tab A

NEWS RELEASE
OFFICE OF ASSISTANT SECRETARY OF DEFENSE (PUBLIC AFFAIRS)
WASHINGTON, D.C. 20301
PLEASE NOTE DATE

FOR IMMEDIATE RELEASE APRIL 8, 1976

OX7-3189 (Copies)
OX5-0192 (Info)
NO. 146-76

STATEMENT OF
SECRETARY OF DEFENSE DONALD RUMSFELD

- STANDARDS OF CONDUCT -

For some months there has been a series of disclosures alleging various improper activities stretching over the past 15 years. The allegations have involved a number of Department of Defense employees--past and present--military and civilian.

The allegations have included questions involving:

(1) gratuities, such as entertainment at contractors' recreational facilities;

(2) severance pay from contractors paid out during Government service, and/or arrangements for re-employment after completion of Government service;

(3) conflicts of interest; and

(4) waste or misuse of taxpayers' dollars.

Actions taken by this Department in the recent past have included:

-- A policy memorandum in January 1975 stressing the problem of even an appearance of deviation from the Standards of Conduct;

-- A public admonition to industry given at the National Security Industrial Association semi-annual meeting on October 9, 1975;

-- Letters of admonition to offenders;

-- A Tri-Service Committee, established in October 1975, to review Standards of Conduct;

-- A review of audit and contracting procedures;

-- Expanded audits of the Washington offices of ten major Defense contractors;

(MORE)

-- Recovery of improperly charged contractor costs;

-- A confidential inquiry to major DoD contractors on any gratuities that they provided to DoD personnel and a request for their cooperation in informing their employees of DoD standards of conduct;

-- Emphasis on project manager responsibilities;

-- New specific rules established for the attendance of DoD personnel at industrial/military association activities;

and

-- The investigation of alleged infractions, company-by-company, individual-by-individual.

Events of the early 1970's have, of course, led the Government, the public, and the press to focus more fully on the need for adherence to strict standards. With the swearing-in of President Ford on August 9, 1974, there should have been little doubt that the highest standards of conduct were expected of all persons employed by the Government or dealing with the Government.

To the extent there remained any doubt in the Department of Defense, the Defense memorandum of January 15, 1975, made clear that there should be no relationship with Defense contractors which violates or appears to violate the prohibitions of our Directives.

Since November 20, 1975, when I assumed this post, I have repeatedly emphasized my views to officials of the Department, both as to their conduct and to their leadership responsibilities with respect to standards of conduct throughout the Defense establishment.

On November 24, 1975, two exceptions were removed from the 1967 Defense Directive, which had permitted customary exchanges of social amenities between friends and relatives and transactions between and among relatives which were personal and consistent with that relationship.

In applying standards of conduct, I recognize that we are dealing with human beings who have rendered, and continue to render, dedicated and valuable service to this Department and to the country. I also recognize that public officials are not error-proof, that the rules, directives, and regulations can be complex, and that from time to time the norms of our society shift somewhat. However, understandably, public officials are held to a higher standard and must strive to live up to it.

The test of an "arms-length" relationship is not easy. To do their jobs, those in Government must deal with those outside Government on a daily basis. Indeed, such a relationship is necessary to assure that Government is serving the nation well. The task -- and it is not an easy

one -- is to see that interaction between those in Government and those with whom they must work, are extensive enough to assure the necessary exchange of information, but at the same time to see that they are not so intimate that they improperly affect the decision of Government. Indeed, improper appearances, alone, however innocent, can, in the present environment, so adversely affect public trust in Government that the effectiveness of Government is diminished.

We must seek to balance these factors so that we do not so unduly complicate or inhibit the process of Government that good men and women refuse to participate -- either in government or as contractors for the Government -- out of fear that their reputations will be damaged by allegations involving an appearance of impropriety where none existed.

I am determined that the conduct of military and civilian employees of this Department be consistent with requirements of law and regulations, just as I am convinced that Government must be able to attract the most talented of our nation both as employees and as contractors. Our responsibilities to our national security and the people we serve require no less.

A range of sanctions is available for military and civilian personnel, ranging from oral or written administrative admonishments or reprimands through suspensions with or without pay, to formal court-martial proceedings or prosecution by the Department of Justice. Determination as to the appropriate action must be on a case-by-case basis.

A list of management actions taken by the Department prior to November 20, 1975, is available. Other actions have been taken since I became Secretary. Additional steps are now being taken to further emphasize Department standards and unambiguously inform military and civilian personnel, and individuals and firms doing business with the Department, as to those standards. They include the following:

1. We have embarked on an effort to publicize the strictness of the Standards of Conduct Directive through in-house and Service publications and media, including briefings on the standards of conduct as part of the training at various Service schools and courses. We are revising and further tightening the rules with regard to attendance of Department personnel at trade and industry association meetings, especially those of a duration more than a single luncheon or dinner meeting.

2. We are continuing to refer to the Department of Justice allegations which may constitute a violation of law, as was done in connection with the allegations of improper cash payments to military personnel in Europe some 12 or 13 years ago. We are expanding the information required on the annual statements of financial interest and clarifying the extent of information required from individuals being considered for appointment in this Department, both at and below the Presidential appointment level.

3. As a result of what we learn as we proceed with our current inquiries, we will likely be further amending and clarifying directives, regulations and requirements for reporting financial interests.

In dealing with individual cases under the criteria outlined, we will proceed in an orderly manner, with the General Counsel having principal reponsibility. Notification to the press, the Congress and the public of actions with regard to particular cases will be handled with consideration both to the interests of the individuals involved and to our obligations to inform the public of the activities of this Department and its personnel.

With regard to the recently published lists of names involving Rockwell International and Raytheon Corporation, my office and the Military Services are ascertaining the extent of each named individual's involvement in the acceptance of gratuities from defense contractors. As the facts are verified, the Services will take such administrative or disciplinary action, if any, as is deemed appropriate, based upon the facts of each individual case.

I will require that reports of action taken in each case be forwarded to the Office of the Secretary of Defense, and with the assistance of the General Counsel, will monitor enforcement by the Services of compliance with the Standards of Conduct Directive.

Our policy is clear, I expect military and civilian personnel of the Department, contractors, and others doing business or seeking to do business with this Department, to understand Department policy, adhere to it, and cooperate in achieving adherence to that policy to the fullest. To do less would be a failure to discharge our obligations to the American people.

END

APPENDIX IV K

Items for the Record

William P. Clement's Testimony, February 3, 1976, Before the Joint Committee on Defense Production

1. An inquiry into the activities of those persons listed on the Northrop Corporation hunting facility invitation list received by the Department of Defense on June 13, 1975, was limited to whether or not the individuals named in the list had in fact attended the hunting facility at the times indicated. Since the Army records on General Bert E. Spivy indicated that he was retired at the time of the alleged visits and he could not have violated the DoD regulations prohibiting the acceptance of gratuities by attending a Northrop hunting facility in that status, General Spivy was not contacted and no further ation was taken.

2. The DoD inquiry into the Northrop Corporation invitation list did not disclose the names of any DoD personnel not already named in the invitation list submitted to the Department by the Northrop Corporation on June 13, 1975.

3. The inquiry into the Northrop Corporation invitation list reviewed by this Department on June 13, 1975, was intended to ascertain the truth of the allegations that the Department of Defense personnel named on the list had attended the Northrop hunting facility. No other questions concerning possible gratuities from other Defense contractors were asked during the inquiry into that invitation list.

4. Those 33 individuals submitted by Representative Bennett in his letter of June 13, 1975, as potentially in violation of 37 U. S. C. 801(c) which prohibits retired regular officers from selling materials to the military Service from which they retired were submitted to the military Services for appropriate action. The Services performed their inquiries and advised the Office of the Secretary of Defense of their findings. Copies of the correspondence to and from the Services in regard to that inquiry are enclosed (Attachment 1) Captain Whidden's post Department of Defense employment was investigated at the time of Mr. Bennett's inquiry and to the Navy Department's knowledge was not in conflict with the above statute as indicated by the correspondence.

5. You requested a legal opinion on the status of Captain Wynn Whidden and General Winston P. Wilson, retired military officers,

who were allegedly involved in the operation of the Northrop hunting facility, as their status may be affected by the selling statutes which prohibit retired regular officers from "selling" to a uniformed Service for three years and to their own Service from which they retired for their lifetime. General Wilson is a retired Reserve officer and, therefore, his activities are not covered by these statutes. Captain Whidden is Regular officer and although his activities were reviewed in September of 1975 as mentioned in item 4, above, the Navy is performing further inquiry into his actual duties to ascertain whether a violation exists. You will be advised of the outcome of that inquiry.

6. You asked for the circumstances of the submission of the legislative proposal to amend the law which prohibits retired Regular officers from selling materials to the Department of Defense. The principal reason for this legislative proposal was to carry out the recommendations of the Blue Ribbon Defense Panel Report to the President and the Secretary of Defense (1 July 1970) which dealt with conflict of interest and related matters within the Department of Defense. The Panel noted that there were numerous omissions and instances of omissions and instances of ambiguity, overlap and discrimination regarding members of the uniformed services under the conflict of interest laws. One of the concerns was the disparity between retired Regular officers and retired Reserve officers which is evident in the response to item 5. This proposed legislation is designed to eliminate those problems and provide a more clear, consistent, uniform, and equitable law. The Navy was assigned as executive agency to draft appropriate legislation. The resultant legislative proposal, following consultation and approval by the military services, was submitted to the Office of Management and Budget. On April 13, 1976, this proposed legislation was returned to the Department. It is now under consideration for resubmission.

7. The following is an explanation of Mr. Bobby Dale Patterson's Executive Interchange appointment to the Northrop Corporation, as you requested.

Mr. Patterson was selected to participate in the Executive Interchange Program on merit, through a competitive process. He was informed of his selection in May 1974 and was given a list of participating companies which included two aircraft companies. Mr. Patterson was

particularly interested in placement with an aircraft company, believing he could obtain the most valuable experience there, and Northrop indicated an interest in Mr. Patterson. Inasmuch as his job in the Naval Air Systems Command would normally involve responsibilities with respect to the forthcoming VFAX competition (the pre-solicitation notice was issued on June 6, 1974), he requested and immediately (May 1974) obtained relief from these responsibilities. Subsequently, Mr. Patterson spent a year working at Northrop (October 1974 to October 1975).

The potential for conflict of interest in the Executive Interchange Program is well recognized and extraordinary care is taken to avoid any conflict of interest. In Mr. Patterson's case, the problem was explored in detail by the staff of the President's Commission on Personnel Interchange and a representative of the General Counsel's office of the Civil Service Commission. At that time Northrop had not had any Navy business for many years, but was in the process of preparing a response to the VFAX pre-solicitation notice. It was concluded that Mr. Patterson's assignment to Northrop would be acceptable provided that he take no part in any work having anything to do with any Northrop business with the U.S. Government. Northrop was in full accord with this view and assigned Mr. Patterson to activities having nothing to do with U.S. Government program, to wit:

1. investigation of the impact of unconventional materials and exotic composites on airframe costs;

2. development of price estimates for design and development of two prototype general aviation aircraft for Iran and for training Iranians to manufacture a production version;

3. management of a pricing research organization newly established to (a) improve access to and retrieval time for the pricing data bank, (b) improve Northrop's parametric macro-pricing, and other pricing techniques, and (c) improve the pricing department's quick response capability.

At no time did Mr. Patterson participate in any of Northrop's programs relating to U.S. Government business.

Mr. Patterson's participation in the Executive Interchange Program was fully publicized, in accordance with normal Program practice. The publicity consisted of information on Mr. Patterson's background, including his work in the Naval Air Systems Command, and indicated that he would be assigned to Northrop. [See also Appendix VI-A.]

8, You have requested this Department's plans to obtain the names of DoD officials who have been the guest of Rockwell International Corporation at certain recreation facilities. As you are aware, Rockwell has turned over to this Department and your Committee the names of individuals alleged to have attended these facilities. Some of these individuals have been admonished, while others are still being investigated. We will continue to take appropriate action in regard to all allegations of the acceptance of gratuities by Defense personnel.



DEPARTMENT OF DEFENSE
OFFICE OF GENERAL COUNSEL
WASHINGTON, D. C. 20301
25 JUN 1975

Attachment

MEMORANDUM FOR the Judge Advocate General of the Army
Judge Advocate General of the Navy
Judge Advocate General of the Air Force

SUBJECT: Alleged Violations of 37 U.S. Code 801(c)

This memorandum forwards the June 13, 1975, letter to the Secretary of Defense from Congressman Charles E. Bennett which raises several questions concerning the applicability of 37 U.S.C. 801(c) to 34 retired military officers. That statute prohibits selling to DoD by retired regular officers for 3 years after retirement. The Council on Economic Priorities, after review of annual reports of employment submitted to the Services by individuals (as required by P.L. 91-121 and by DoD Directive 7700.15, "Reporting Procedures on Defense Related Employment"), has compiled a list of retirees alleged by the Council to have violated the statute.

We request that your Service answer the inquiries outlined in this letter and determine if further action should be taken. Please report your findings to this office with your recommendations.

Jerome Nelson
Assistant General Counsel
(Manpower, Health & Public Affairs)

Attachment

17 OCT 1975

Honorable Charles E. Bennett
House of Representatives
Washington, D.C. 20515

Dear Mr. Bennett:

This is in reply to your letter of June 13, 1975 in which you asked this department to determine whether 37 U.S.C. 801(c) was applicable to 34 retired officers listed in a report published by the Council on Economic Priorities.

I am enclosing copies of the reports from the military departments concerning the retired officers in question. They are, I believe, self-explanatory and fail to indicate any violation of 18 U.S.C. 281 or the applicability of 37 U.S.C. 801(c) to any of the individuals. Either the individuals named are not retired regular officers, or the employment duties do not involve sales activities. Investigation of one retired Air Force officer is continuing, however, to determine with certainty whether any statutory violation may have occurred during the entire three year period following retirement. If so, appropriate follow-up action will be taken.

The results of this inquiry are being forwarded to the Criminal Division of the Department of Justice in accordance with their request.

Sincerely yours,

(Signed) L Niederlehner

L. Niederlehner
Acting General Counsel

DEPARTMENT OF THE ARMY
OFFICE OF THE JUDGE ADVOCATE GENERAL
WASHINGTON, D.C. 20310

REPLY TO
ATTENTION OF:
DAJA-AL 1975/4590

8 SEP 1975

MEMORANDUM FOR: MR. JEROME NELSON, ASSISTANT GENERAL COUNSEL (MANPOWER, HEALTH AND PUBLIC AFFAIRS), OFFICE OF GENERAL COUNSEL, DEPARTMENT OF DEFENSE, WASHINGTON, D.C. 20301

SUBJECT: Alleged Violations of 37 US Code 801(c)

This responds to your memorandum dated 25 June 1975, regarding alleged violations of section 801(c), title 37, United States Code, by retired officers named on an inclosed list.

Of the six officers listed as retired Army officers in the report by the Council on Economic Priorities, only Thomas N. Chavis is a retired Regular Army officer. The other five Army officers who are listed are retired Reserve officers. In that section 801(c) includes within its scope only officers "on a retired list of the Regular Army ...", it appears to be inapplicable to these five officers.

The name of Mr. Chavis was distributed to the major Army commands which have procurement activities to determine if he engaged in any sales activities with these agencies. In addition, records pertaining to Mr. Chavis' after retirement employment were reviewed. No evidence that Mr. Chavis participated in sales activities which should have resulted in retirement pay being withheld under provisions of section 801(c) has been uncovered.

Wilton B. Persons, Jr.

WILTON B. PERSONS, JR.
Major General, USA
The Judge Advocate General

DEPARTMENT OF THE NAVY
OFFICE OF THE JUDGE ADVOCATE GENERAL
WASHINGTON, D. C. 20370

IN REPLY REFER TO

JAG:134.1:LET/134:HRW:dvs
Ser: 8977
18 SEP 1975

MEMORANDUM FOR THE ASSISTANT GENERAL COUNSEL (MANPOWER, HEALTH, and PUBLIC AFFAIRS), DEPARTMENT OF DEFENSE

Subj: Alleged violations by retired officers of the three-year civil selling restriction [37 U.S.C. § 801(c)]

Ref : (a) Your memo of 25 Jun 1975
(b) Rep. Charles E. Bennett ltr of 13 Jun 1975 to SecDef, w/encl
(c) JAG memo JAG:134.1:LET:dvs Ser: 7743 of 11 Aug 1975

Encl: (1) CAPT Edward MUHLENFELD, USN, (Ret.), DD Forms 1357 dtd 3 Aug 1970 and 1 Sep 1971; DD Form 1787, undtd; ltr dtd 29 Aug 1975
(2) CAPT Arthur PARRIS, USN, (Ret.), DD Form 1357 dtd 1 Jan 1971; DD Form 1787 dtd 15 Oct 1973; ltr dtd 4 Sep 1975
(3) CAPT Wynn V. WHIDDEN, USN, (Ret.), DD Form 1357 dtd 1 May 1973; DD Form 1787, undtd; ltr dtd 21 Aug 1973
(4) CDR Robert F. MCLAUGHLIN, USN, (Ret.), DD Form 1357 dtd 16 Apr 1973; DD Form 1787 dtd 15 Nov 1973; ltr dtd 21 Aug 1975
(5) CDR Vernon D. ROSE, Jr., USN, (Ret.), DD Forms 1357 dtd 8 Sep 1969 and 7 Sep 1971; DD Form 1787, undtd; ltr dtd 12 Sep 1975

1. This is a final response to reference (a), which forwarded reference (b) for determination as to appropriate action. Reference (b) requested investigation of allegations that specified individuals, including seven individuals identified in the enclosure to reference (b) as retired Navy officers, had violated the proscriptions of the subject statute in connection with certain post-retirement employment activities.

2. As previously reported to you in reference (c), it has been ascertained that two individuals identified in the enclosure to reference (b) as retired Navy officers, i.e., Mr. Samuel E. Reoray and Mr. Patrick J. Nelis, are former Navy officers, but are not retired. Consequently, they are not subject to the proscriptions of the subject statute.

3. With respect to the other five individuals identified in the enclosure to reference (b) as retired Navy officers — Captains Edward Muhlenfeld, Arthur Parris, and Wynn V. Whidden, U.S. Navy, (Ret.), and Commanders Robert F. McLaughlin and Vernon D. Rose, Jr., U.S. Navy, (Ret.) — inquiry was made into the employment activities giving rise to the allegations against them. Consistent with the congressional policy in 5 U.S.C. § 552a(e)(2), the inquiry consisted of obtaining and examining relevant Statements of Employment (DD Forms 1357) and Reports of DoD and Defense Related Employment (DD Forms 1787) previously submitted by these officers and sending them letters requesting them to furnish supplemental or amplifying information

JAG:134.1:LET/134:HRW:dvs

correlated to the definition of the term "selling," as set forth in subparagraph I.C.2 of enclosure (3-C) of DoD Directive 5500.7, 8 August 1967, Standards of Conduct. The information thus obtained and considered regarding the employment activities of these officers is forwarded as enclosures (1) through (5).

4. Upon review of enclosures (1) through (5), no information is found which supports an allegation that any of the five retired officers in question has violated the subject statute, or which warrants further investigation. Although all have had post-retirement employment with companies selling to the Department of Defense, the duties they have performed have been of a technical or administrative nature in assisting their employers in discharging preexisting contract obligations with Department of Defense components and did not involve "selling" within the proscription of the subject statute. Additionally, no violations of any other laws appear to be indicated. Accordingly, no further action in response to references (a) and (b) is contemplated by the Department of the Navy.

Larry G. Parks

LARRY G. PARKS
Captain, JAGC, U. S. Navy
Assistant Judge Advocate General
(Civil Law)

Encls.

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C. 20314

REPLY TO ATTN OF: JAC

22 August 1975

SUBJECT: Alleged Violations of 37 U.S. Code 801(c) (Inquiry of Congressman Bennett)

TO: Mr. Jerome Nelson
Assistant General Counsel
(Manpower, Health & Public Affairs)
Department of Defense

1. This is in response to your memorandum of 25 June 1975 to The Judge Advocate General of the Air Force, subject as above.

2. We have reviewed the list provided by Congressman Bennett and have made inquiries of the Air Force Accounting and Finance Center and relevant Major Commands and to all other agencies identified in 37 U.S.C. 801(c) concerning the former Air Force officers listed therein. Of the retired regular Air Force officers listed it appears that 16 would come under the purview of 37 U.S.C. 801(c). Of those 16, the Accounting and Finance Center temporarily withdrew the retirement pay of one former Air Force officer based on a review of a job description which was submitted by that officer to the Center. His retirement pay was reinstated when he and his employer established that the job description was erroneous and he was not in fact "selling" for the defense contractor in question. Nevertheless, an OSI investigation was requested by the Accounting and Finance Center. We cannot establish that the investigation was, in fact, conducted. Accordingly, we have at this time renewed a request for investigation concerning the employment activities of this officer for the three years immediately subsequent to his retirement. If it appears from the investigation that 37 U.S.C. 801(c) applies, or that he has violated 18 U.S.C. 281, appropriate action shall be taken to withhold his retirement pay or to refer the matter to the Justice Department, or both.

3. By way of information, all retired Air Force officers are required to file with the Air Force Accounting and Finance Center Department of Defense Form 1357, a statement of employment, within 30 days of retirement and to update it as their employment status changes. These forms are reviewed by the Accounting and Finance Center with a view towards monitoring 37 U.S.C. 801(c). Where violations occur appropriate action to withhold retirement pay is taken by the Air Force Accounting and Finance Center. In addition, it is noted that the job title of an individual is not the controlling factor in determining whether 37 U.S.C. 801(c) applies. The crucial

question is whether the individual is involved in "selling" supplies or war materials to any of the agencies identified in the statute.

4. We have not received replies from all non-Air Force agencies queried. In the event any information received from them discloses that 37 U.S.C. 801(c) applies to any of the retired Air Force officers in question, you will be advised.

Stanley L. Roberts

STANLEY L. ROBERTS, Colonel, USAF
Deputy Director of Civil Law
Office of The Judge Advocate General

CHARLES E. BENNETT
MEMBER
3D DISTRICT, FLORIDA

ARMED SERVICES COMMITTEE
CHAIRMAN OF SEAPOWER SUBCOMMITTEE
SENIOR MEMBER OF MILITARY INSTALLATIONS AND FACILITIES SUBCOMMITTEE

AUDREY W. STRINGFELLOW
ADMINISTRATIVE ASSISTANT
IN CHARGE OF JACKSONVILLE OFFICE
352 FEDERAL BUILDING 32202
TELEPHONE 904-791-2587

BRENDA TAYLOR

Congress of the United States
House of Representatives
Washington, D.C. 20515

June 13, 1975

STEPHEN R. JOHNSON
ADMINISTRATIVE ASSISTANT

JOHN W. FARLEY
LEGISLATIVE ASSISTANT

SHARON H. SIEGEL
SHIRLEY BRYANT
HELENA M. STRAUCH
JEAN MANN
BARBARA PELLEY
BARBARA LYLE
CATHY COLLINS
SECRETARIES

The Honorable James R. Schlesinger
Secretary of Defense
The Pentagon
Washington, D. C. 20301

Dear Mr. Secretary:

Earlier this year, the Council on Economic Priorities, a private research group based in New York, published a report on the interchange of personnel between the Department of Defense and defense contractors. The report, entitled "Military Maneuvers," charged that 27 percent of former Defense Department employees who left to take positions with military contractors are working in conflict of interest situations. The report also charged that 34 retired military officers may be in violation of the civil law pertaining to selling by retired officers (specifically 37 U.S.C. 801(c)).

Since I have introduced legislation in the field of conflict of interest, I was particularly alarmed by these reports of alleged violations of the civil selling law. I asked the Council on Economic Priorities to forward to me a list of the 34 retired military officers who may be in violation of the law. I have enclosed the list and I would like to request that your office investigate the charges that these men have violated the law.

Specifically, I would like you to determine whether 37 U.S.C. 801(c) is applicable to these 34 retired officers. I would like to know the extent of the activities of these officers (during the three years following their retirement) in selling, or contracting or negotiating to sell supplies or war materials to any agency of the Department of Defense, the Coast Guard, the Environmental Science Services Administration or the Public Health Service. If you find that any of these officers has violated the law, I would like to know what action you intend to take in the matter.

The information you develop should be furnished to the United States General Accounting Office for review.

The enclosed list contains the name of each retired officer in question, the company which now employs him, the date and service under which his defense employment reports are filed, and the description from that report which seems to indicate a violation of the civil selling law. In view of the seriousness of these allegations, I would ask that they be investigated as soon as possible. I have also requested the U.S. Department of Justice to determine if any of these officers have violated the criminal selling law (18 U.S.C. 281).

With kindest regards, I am

Sincerely,

Charles E. Bennett

CEB:ss
Enclosure

1. Phil[illegible] G. Asid
   Westinghouse
   1972, 1973 Air Force

   marketing representative

2. Melvin R. Keller
   Westinghouse
   1971, 1972 Air Force

   Manager, market research and planning, Westinghouse Defense Group; following and reporting on major developments and trends in Government that could impact the Defense and Public Systems business areas

3. Samuel Roeray
   Sikorsky Division, United Aircraft
   1972 Navy

   Marketing engineer; prepare technical briefs and presentation for prospective customers; maintain customer/company technical liaison

4. Robert L. Hess
   Collins Radio Division, Rockwell International
   1972 Air Force

   Marketing manager

5. Richard L. Hudlow
   Rockwell International Aero Commander Division
   1972 Air Force

   Provide information, demonstrate company products, assist government agencies in developing their requirements

6. Wendell Johnson
   Collins Radio Division, Rockwell International
   1973 Air Force

   Manager Air Force programs; deals directly with the Air Force for the purpose of obtaining information on the status of programs and requirements of interest to the company.

7. Cecil E. Wroten
Collins Radio Division, Rockwell International
1972 Army

marketing manager: marketing activity for UHF/VHF equipment, airborne and ground, for military, civil and international markets

8. Charles Hasert
Boeing
1972 Air Force

Director of Marketing, Research and Engineering, Division, Aerospace Group.

9. Russell J, Smith
Boeing
1971, 1972 Air Force

Senior analyst/marketing

10. Donald F. Crane
Northrop
1972, 1973 Air Force

Customer requirements specialist

11. Arthur C. Jackson
Northrop
1971 Air Force

Occasional technical briefings of various DOD visitors to the Aircraft Division on performance and progress review of the technical status of the Northrop A-X program

12. Wynn Whidden
Northrop
1973 Navy

Assistant to the Vice President, Eastern Regional Office; assist the manager in market planning; research and review customer requirements

13. Thomas N. Chavis
RCA Government and Commercial Systems
1971 and 1972, Army

Manager of Army Requirements Planning

14. Milton Collier
RCA
1972 Air Force

Manager of Air Force Requirements Planning: analyze and report on trends in military operational and organizational thinking which could lead to new system concepts and equipment

15. John M. Johannes
RCA
1972 Air Force

Administrator, Government Requirements, DOT and USAF; analyze and monitor DOT and USAF programs to determine types of devices needed; potential equipment manufacturers competing for the programs; status or possible future of the programs.

16. John A. Bennet
McDonnell Douglas
1971 Air Force

Senior contract coordinator: administration of government contracts, proposals, negotiations.

17. John R. Foley
Hughes Aircraft
1971 Army

Marketing for the Field Service and Support Division; evaluate customer requirements and prepare technical or engineering proposals

18. Robert C. Allen
LTV Aerospace
1971, 1972 Air Force

Manager, A-7 requirements: maintain complete knowledge of company and USAF program status and plans; responsible for establishing requirements, formulation, coordination and execution of these plans and good customer relations.

19. Thomas E. Stewart
Vought Aeronautics Division, LTV
1971 Air Force

A-7D area representative: perform liaison between USAF A-7D units and Vought Aeronautics; alleviate problem areas and coordinate A-7D activities.

20. Paul T. Cooper
Boeing
1972, 1973 Air Force

Manager, Spacecraft Branch: responsible for managing activities of the Branch to include performance of contracts, marketing, fiscal control and personnel administration.

21. Henry A. Paladino
Litton Industries, Guidance and Control Systems Division
1973 Army

Washington, D.C. area, Regional Military Requirements Representative; Senior advisor to the company on Army requirements

22. Edward Muhlenfeld
Litton Systems
1971 Navy

Assistant Manager, customer liaison; maintained point of contact and monitored communication between NAVSHIPS destroyer project office and related Navy office and Litton's Destroyer Project Office

23. Edsel Blackburn
Univac Division, Sperry Rand
1971, 1972, 1973 Air Force

Accounts representative: responsible for sales and rentals of data processing equipment for specific application to U.S. Government or international government agencies

24. Taylor Zinn, Jr.
Univac Division, Sperry Rand
1971, 1972 Air Force

Manager, Drone Systems, Washington Operations: review DOD requirements to determine where Univac equipment and/or technical capabilities could be applicable; assure that DOD is aware of Univac's capabilities and interest by providing technical briefings and documentation to cognizant personnel at the various DOD installations in Washington area

25. William R. Manning
Honeywell
1971 Air Force

Principal marketing representative: to study and evaluate the OSD post-Viet Nam air dripped conventional munition requirements ... interface with Government planning and requirements staffs

26. Robert F. McLaughlin
Bendix
1973 Navy

Manager, Aerospace Marketing

27. Patrick J, Nelis
GTE Sylvania
1973 Navy

Marketing representative: represent GTE Sylvania, Communications Systems Division to various DOD agencies

28. Charles W. Swindell
Motorola
1971 Air Force

Serve as a contact between Motorola and customers in precontract stages to evaluate Motorola capabilities vs. stated requirements

29. Rocco Navarro
Magnavox
1971 Army

Manager, Army Marketing

30. Arthur Parris
Hudson Waterways Corp., subsidiary of Seatrain Lines
1971, 1972, 1973 Navy

Advise top management on all matters relating to steamship operations, and provide technical liaison with all appropriate U.S. government agencies

31. Carl R. Breining, Jr.
Sea Land Services, subsidiary of R.J. Reynolds
1971 Army

Director, Government Sales: public relations and liaison with government agencies

32. Vernon D. Rose
Link Division, Singer Corporation
1971 Navy

Manager, Marketing Planning and Administration

33. Jacob A. Hutchison
Dynamics Corporation of America
1972 Air Force

Assistant to the Administrator of the Marketing Group

34. Winston S. Hey
Dynamics Corporation of America
1971 Air Force

Manager, Washington Office and Manager, Marketing Administration

APPENDIX IV L

ADDITIONAL QUESTIONS

1. S. 1329 does not, as the question suggests, prohibit the employment of an official by companies which had a stake in his official decisions; but rather prohibits his employment in connection with a contract or grant, in the awarding or administering of which he participated as an officer or employee. From the point of view of the employee, this does not appear to be severely restrictive. However, from the point of view of the Government, there may be circumstances in which it is in the Government's interest to have an officer or employee so employed. In such a case the Government should have the option of permitting the services of a former officer or employee, such as is reserved to the Government in the proviso to subsection (b) of section 207 of 18 U.S.C.

2. (a) The general enforcement of the criminal law is the responsibility of the Department of Justice. However, the Department of Defense is the appropriate agency to investigate allegations of violations of P.L. 91-121.

(b) In the case of an allegation of noncompliance brought to the attention of the Department, in addition to investigations (see answer to question 2(a)), the Department would seek to obtain compliance with the requirements of the law, and in an appropriate case refer the matter to the Department of Justice.

(c) Basically, the Department of Defense does not have policing capability outside the Department; and indeed in some respects, has been denied such capability (see 18 U.S.C. 1385). In addition, there is no practical way for the Department to know where a former employee is currently employed. The responsibility for complying with this criminal statute, as well as other criminal statutes, rests basically with the individual involved. In case of an allegation of noncompliance, the Department would be in possession of information upon which to judge whether there is a violation and would be in a position to obtain compliance or report a violation to the Department of Justice. In other situations, the Department must rely upon the individual and the employer.

At the conclusion of each fiscal year, the Department determines through a computer print-out all employers that come within the coverage of Public Law 91-121, and a letter is sent to the Company reminding it of the obligations of its employees who are former employees of the Department. In addition, we are preparing within the Department three additional

steps to assure compliance with the statute. Orders to all components of the Department are being issued:

(1) To assure that personnel commencing employment are alerted, in personnel interviews, of the requirement for filing the report;

(2) To assure that all personnel terminating employment are alerted to the requirement, under certain circumstances, to file a report for three fiscal years following termination of employment; and

(3) To establish an alerting system to assure that employees and officers within the Department who are required to file the report do so for the required three fiscal year periods.

(d) Three of the four suggestions posed by Mrs. Marland on pages 139 and 140 of the transcript, do not appear to be addressed to any conflict between the officer's duties within the Department of Defense and his duties for a private company or trade association; rather they are phrased in terms of the "rewards" to particular employees in the form of employment. Reports under these circumstances would be meaningless unless a former employee is to be flatly prohibited from employment as an attorney for a Defense contractor, an employee of an industry association, or an employee of a subsidiary of a Defense contractor. All three such prohibitions would be unreasonably broad. Of course, the offer of or giving of a "reward" to an employee in the form of employment, to influence an official in the performance of his official duties, would be a violation of existing statutes relating to bribery (see 18 U.S.C. 201).

With respect to the fourth suggestion, there does not appear to be any need for a change in the statute. As presently phrased, the statute requires "a brief description of his duties and the work performed by him for the Defense contractor." It is generally recognized that a greater impact upon the procurement process is created by persons determining requirements or sources, than persons executing the procurement documents. [See also Appendix IV-G.]

WRIGHT PATMAN, TEX., CHAIRMAN
LEONOR K. SULLIVAN, MO.
HENRY S. REUSS, WIS.
BARRY BROWN, MICH.
ALBERT W. JOHNSON, PA.

APPENDIX V A

WILLIAM PROXMIRE, WIS., VICE CHAIRMAN
JOHN SPARKMAN, ALA.
HARRISON A. WILLIAMS, JR., N.J.
JOHN TOWER, TEX.
EDWARD W. BROOKE, MASS.

Congress of the United States

JOINT COMMITTEE ON DEFENSE PRODUCTION
(CREATED PURSUANT TO PUBLIC LAW 774, 81ST CONGRESS)
WASHINGTON, D.C. 20510

March 17, 1976

Hon. Donald H. Rumsfeld
Secretary of Defense
The Pentagon
Washington, D. C. 20301

Dear Mr. Secretary:

I am forwarding to you information received by the Joint Committee from Rockwell International Corporation in response to a request from the Joint Committee made during hearings last month.

Although I understand that some portions of this information may already have been provided to the Department of Defense, I am concerned that you should have the identical data that was made available to the Joint Committee for such action as you deem appropriate.

As you know, Deputy Secretary of Defense, William P. Clements, Jr., in his February testimony before the Joint Committee on Defense Production stated that cases of repeated acceptance of hospitality from numerous defense contractors would be regarded with special seriousness by your department, inasmuch as they would constitute wilful abuse of the Standards of Conduct Directive, DoD Directive 5500.7 and Executive Order 11222.

Inasmuch as many individuals on the lists provided by Rockwell International appear to meet these criteria, I trust you will give consideration to whether stricter measures may not be indicated in these cases, in order to ensure that Department of Defense personnel are fully aware of the gravity of standards of conduct violations.

Sincerely,

William Proxmire
Vice-Chairman

Enclosures

WRIGHT PATMAN, TEX., CHAIRMAN
LEONOR K. SULLIVAN, MO.
HENRY S. REUSS, WIS.
GARNY BROWN, MICH.
ALBERT W. JOHNSON, PA.

APPENDIX V B

WILLIAM PROXMIRE, WIS., VICE CHAIRMAN
JOHN SPARKMAN, ALA.
HARRISON A. WILLIAMS, JR., N.J.
JOHN TOWER, TEX.
EDWARD W. BROOKE, MASS.

Congress of the United States

JOINT COMMITTEE ON DEFENSE PRODUCTION
(CREATED PURSUANT TO PUBLIC LAW 774, 81ST CONGRESS)
WASHINGTON, D.C. 20510

March 17, 1976

Honorable Donald H. Rumsfeld
Secretary of Defense
The Pentagon
Washington, D.C. 20301

Dear Secretary Rumsfeld:

In connection with the matters on which I wrote to you yesterday, I am forwarding the names of Department of Defense officials whom the Northrop Corporation informs me were among those entertained by the company at a house in Augusta, Georgia during the Masters Golf Tournament. The list is apparently incomplete.

In view of the close association of many of the individuals thus far disclosed as recipients of corporate hospitality with the development and procurement of weapon systems, I believe it is time to consider the advisability of barring repeated recipients of gratuities from participation in the development or procurement of weapons involving these firms, in addition to any punitive action. This step was taken by the National Aeronautics and Space Administration at the time it reprimanded NASA officials for standards of conduct violations.

I note that, of the six names provided by the Northrop Corporation, four had earlier appeared on the guest list for Northrop's Eastern Shore hunting facility. Two of those four had not attended, according to the report of your department's investigation forwarded to the Joint Committee on Defense Production by Acting General Counsel Benjamin Forman on 3 October 1975.

This makes a total of at least 11 individuals named on the original Northrop hunting invitation list whose attendance at other prohibited functions has since been identified. In addition to the four previously mentioned, Admiral F. J. Harlfinger, General M.E. Carl, Captain H.B. Lansden, General Kenneth Schultz, Captain M.S. Snowden, and John Tutko have been identified as guests at Rockwell International hunting facilities. David McColl has been identified as a guest of Raytheon. All of these individuals were presumably interviewed at that time.

69-394 O - 76 - 30

This raises a question as to whether Department of Defense investigators went far enough in querying individuals about the acceptance of hospitality in violation of DoD Directive 5500.7. The clear implication is that investigators failed to ask individuals on the guest list whether they had accepted any other hospitality from Northrop, aside from hunting trips, or whether they might have accepted such benefits from other corporations.

It is my hope that any further inquiries your department makes in this area will not be limited solely to specific events, dates, or places, since this kind of query permits responses that may hide rather than disclose abuse of the standards of conduct.

Sincerely,

William Proxmire, U.S.S.
Vice Chairman

Enclosure

WP:bk

Enclosure to letter to Secretary Rumsfeld, March 18, 1976

Information supplied by the Northrop Corporation, 17 March 1975:

"During each year from 1971 through 1975, Northrop rented a house in Augusta, Georgia for the last three days of the Masters Golf Tournament.

"The cost of the Masters Tournament activities to Northrop averaged approximately $1200 per year, including rentals, transportation between the house and the Augusta National course, and the purchase price of food.

"While no records of guests at the Masters facility were maintained, the following list of DOD officials who stayed at the facility was informally developed:

Maj. General John Giraudo
Maj. General Homer Hansen
Brig. General John Pesch
Maj. General Max Steel
Col. Peter Berriman
Lt. Col. Chester Garolli"

Positions of officers (where available):

Maj. General John Giraudo - Air Force Director of Legislative Liaison

Maj. General Homer K. Hansen - Vice Commander, Aeronautical Systems Division, Air Force Systems Command, Wright-Patterson AFB (now retired)

Maj. General John J. Pesch - Deputy Director, Air National Guard

Prior entertainment

Generals Giraudo, Hansen, Pesch, and Steel were listed on the so-called Northrop hunting lodge "guest list" as having been invited to the hunting facility. The DoD report of its investigation dated 5 October 1975 indicated that Generals Giraudo and Steel did not attend the hunting lodge and that the General Counsel of the Department of the Air Force cautioned Generals Hansen and Pesch that "DoD Directive 5500.7 proscribes any activity which might create the appearance of a conflict of interest even though a technical violation of laws or regulations does not exist."

APPENDIX V - C

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

MAY 27 1976

Honorable William Proxmire
Vice Chairman, Joint Committee on
Defense Production
Washington, D.C. 20510

Dear Mr. Vice Chairman:

This letter is in response to your two letters of March 17, 1976, one of which forwarded the names of certain Department of Defense personnel alleged to have accepted gratuities from the Northrop Corporation; the other forwarded a copy of the letter to you from Mr. R. Anderson, President of Rockwell International Corporation, concerning hospitality extended by his company to Department of Defense personnel.

As you know from discussions between your staff and mine, the Department has been proceeding on a continuing basis under our guidelines of April 8, 1976 (copy attached), with appropriate inquiries into the activities of individuals alleged to have received gratuities from Defense contractors. The General Counsel has been charged with the principal responsibility in this important area. All violations of the Standards of Conduct will be judged on the specific facts involved, and appropriate discipline will be administered based on those facts. Various individuals have received letters of admonishment. Although all of the facts are not fully known, as yet, in certain of the presently pending cases, it is anticipated that stricter discipline in regard to others will follow.

Defense contractors have been advised of our policy and have generally indicated that they will cooperate. Those who intentionally continue a "business as usual" attitude will receive appropriate sanctions.

Thank you for advising this Department of those allegations of violations of the Standards of Conduct. If other information in this

regard comes to your attention, please forward that information to this Department. The integrity of Department of Defense personnel must be beyond reproach, and this Department insists that the highest standards will be upheld.

Sincerely,

W. P. Clements, Jr.

Deputy

Enclosure

Note: See Enclosure in Appendix IV-J.

WRIGHT PATMAN, TEX., CHAIRMAN
LEONOR K. SULLIVAN, MO.
HENRY S. REUSS, WIS.
GARRY BROWN, MICH.
ALBERT W. JOHNSON, PA.

APPENDIX VI A

WILLIAM PROXMIRE, WIS., VICE CHAIRMAN
JOHN SPARKMAN, ALA.
HARRISON A. WILLIAMS, JR., N.J.
JOHN TOWER, TEX.
EDWARD W. BROOKE, MASS.

Congress of the United States
JOINT COMMITTEE ON DEFENSE PRODUCTION
(CREATED PURSUANT TO PUBLIC LAW 774, 81ST CONGRESS)
WASHINGTON, D.C. 20510

March 19, 1976

J. Stanford Smith
Chairman, President's Commission on
Personnel Interchange
1900 E St, N.W.; Room 1316
Washington, D.C. 20415

Dear Mr. Smith:

During recent Joint Committee hearings on relations between the Department of Defense and industry, I had occasion to discuss with Mr. Thomas V. Jones, President of the Northrop Aircraft Company, my concerns about that company's employment of a U.S. Naval officer under the President's Executive Interchange Program. The individual about whom I expressed concern was Mr. Bobby Dale Patterson, who came to Northrop for a 1-year appointment in October 1974.

My concern about this matter relates to Mr. Patterson's position as a contract price analyst with the Naval Air Systems Command. During the approximate period of Mr. Patterson's appointment, Northrop was engaged in a competition, which it ultimately won, for the contract to produce a Navy Air Combat Fighter aircraft. It is my opinion that Mr. Patterson may well have possessed knowledge about the plans of Northrop's competitors, or the wishes of the Navy, which could have been of aid to Northrop in this competition.

In answer to a follow-up question, Mr. Eldon Crowell, outside counsel for the company, stated:

> There was no correspondence between the Department of Defense and the corporation regarding the placement of Bobby Dale Patterson. The corporation did not request an individual from the Executive Interchange Program. Rather, the President's Commission on Personnel Interchange initiated Mr. Patterson's hiring by submitting to the corporation the biographical forms of the individuals nominated for participation in the Program, including Mr. Patterson. Subsequently, the Assistant Executive Director of the Commission arranged for the corporation to interview Mr. Patterson. While at Northrop, precautions were taken by Mr. Patterson and the corporation to avoid conflicts of interest.

In light of the unusual circumstances surrounding this case, I would appreciate it if you could provide this Committee with the following information:

1. Copies of any written communications between the Commission and Northrop Corporation concerning the placement of Mr. Patterson, and summaries of any oral communications between the company and Commission staff members;

2. A description of how individuals are selected for participation in this program;

3. A listing of all placement candidates whose names were submitted to Northrop along with Mr. Patterson, as well as a description of these individuals' federal government position;

4. A description of how candidate companies are chosen to receive notices of interchange opportunities;

5. A listing of all occasions on which Northrop has been offered Executive Interchange personnel, how many of these times personnel were ultimately placed with the company, and the names and government positions of these individuals;

6. A description of any measures taken by the Commission to discover any potential conflicts of interest in the Executive Interchange Program, or similar programs, and of any steps taken to guard against such conflicts of interest;

7. A description of any safeguards, above and beyond those applied generally, which were erected or suggested by the Commission in the case of Mr. Patterson's placement with Northrop.

I would also appreciate any general comments you might have on this case and on the wisdom of placing government officials in industry positions, or industry officials in government positions, where there can be an actual or apparent conflict of interest.

This sort of situation, if not carefully monitored, can cause the most serious questions about the wisdom of such interchange programs. I strongly believe that the federal government must take strong precautions to safeguard

against any situation which might suggest that it endorses or condones conflicts of interest that could result in favoritism toward one company or class of companies. I would appreciate it if you could prepare your reply to these questions by March 31. If you have any questions, please contact Mr. Leon Reed of the Joint Committee staff.

Sincerely,

William Proxmire
Vice Chairman

APPENDIX VI B

PRESIDENT'S COMMISSION ON PERSONNEL INTERCHANGE

March 30, 1976

Honorable William Proxmire
Vice Chairman
Joint Committee on Defense Production
Room 5241
Congress of the United States
Washington, D.C. 20510

Dear Senator Proxmire:

Mr. J. Stanford Smith, Chairman of the President's Commission on Personnel Interchange, has asked that I respond directly to your letter to him of March 19 with regard to the participation of Mr. Bobby Dale Patterson in the Executive Interchange Program. Though I was not Executive Director at the time of Mr. Patterson's acceptance into the Program and placement at Northrop Corporation, I believe I can accurately answer your questions.

Attached you will find a variety of materials which I think will clarify the situation. I do not perceive Mr. Patterson's assignment to have been one of conflict in any way and will be happy, of course, to answer any additional questions you may have.

Sincerely,

Allen E. Parmenter

Allen E. Parmenter
Executive Director

Attachments

1900 E Street NW WASHINGTON, D.C. 20415 (202) 632-6834

1. Copies of any written communications between the Commission and Northrop Corporation concerning the placement of Mr. Patterson, and summaries of any oral communications between the company and Commission staff members....

-- 2/7/74 Letter to Leanse from Faranda of Northrop

-- 4/24/74 Letter to Clewlow from Leanse

-- 4/24/74 Letter to Patterson from Leanse

-- 6/3/74 Memo for the file re Northrop and Patterson

-- 6/29/74 Letter to Patterson from Kealhofer of Northrop

-- 7/15/74 Letter to Clewlow from Leanse

-- Memo for the File re Northrop and Patterson

-- 9/23/74 Letter to Elkin from Leanse

-- 11/12/74 Letter to Smith from Douglas

NORTHROP

12 FEB 1974

7 February 1974

Mr. Jay I. Leanse
Executive Director
President's Commission on Personnel Interchange
1900 E Street N.W.
Washington, D.C. 20415

Dear Mr. Leanse:

Thank you for your letter to Mr. Jones inviting our participation in the 1974/75 President's Executive Interchange Program.

Despite the obvious benefits of the participation, it appears at this time that we will not have any candidates to submit to you for consideration.

However, as in the past, we would be pleased to review any Federal employees who may want to be candidates for placement within Northrop.

Please do not hesitate to call me if you feel a discussion of our participation would be helpful. I may be reached at (213) 553-6262, ext. 483.

Very truly yours,

Paul L. Faranda
Corporate Director
Industrial Relations

PLF:rdk

Mr. Paul L. Faranda
Corporate Director
Industrial Relations
Northrop Corporation
1800 Century Park East
Los Angeles, California 90067

Dear Paul:

I was disappointed to hear that Northrop would not be nominating an executive for the 1974/75 President's Executive Interchange Program. However, I am pleased that you will again review Federal executives for possible placement in your company.

We expect to have most of our Federal nominations in hand sometime in March. They will be screened shortly thereafter, and candidates who have the requisite skills and background will be referred to you for consideration.

Thank you for your efforts on behalf of the Program.

Sincerely,

Jay I. Leanse
Executive Director

JIL:chw

cc: Chron File
Company File

April 24, 1974

Mr. Carl W. Clewlow
Deputy Assistant Secretary
of Defense
Manpower and Reserve Affairs
Department of Defense
Washington, D. C. 20301

Dear Mr. Clewlow:

Thank you for your nominations for the 1974/75 President's Executive Interchange Program; we appreciate your interest and support.

Participating companies are now submitting position descriptions for Interchange positions. As soon as we have a good selection, we will invite your executive(s) for interviews with the Commission staff. At that time, we will screen the candidates, identify interests and estimate placement potential. Candidates who meet the Program criteria and who are judged to have good placement potential will then be invited to participate in the next phase of the Program, that is, interviews with prospective host companies.

During this phase, we will first send out biographies which appear to match company-supplied position descriptions or specified areas of interest. When the companies identify candidates that they would like to interview, we will set up interview schedules. Generally, we will try to schedule 2 to 3 interviews so that your executive(s) may get a broader exposure to various companies and specific positions that are being offered. At the completion of the interviews, your executive may be offered one or more positions and will be expected to make a decision. The Commission staff will provide advice and counsel as required.

Arrangements for interview travel should be made through your agency, using existing procedures for travel orders. If the nominee accepts one of the positions offered, the President's Commission on Personnel Interchange will reimburse your agency for the interview expenses.

ENCLOSURE(S)

The salary for the Interchange position will generally be consistent with the executives compensation prior to his entry into the program. Adjustments may be made to compensate for lost benefits, impending step increases and any General Schedule adjustments.

Starting dates of the assignment are negotiated by the nominee and the Company, taking into consideration their needs, but are usually between July 1 and September 1.

Attached is a statement of "Sponsor responsibilities". If you have any questions, please do not hesitate to call.

Sincerely,

Jay I. Loanse
Executive Director

Enclosure

cc: O. H. Johnson
Dr. Belding
Bobby Patterson

ENCLOSURE(S)

PRESIDENT'S COMMISSION ON PERSONNEL INTERCHANGE

April 24, 1974

Mr. Bobby D. Patterson
5110 Stone Haven Drive
Annandale, Virginia 22003

Dear Mr. Patterson:

Congratulations on being nominated as a potential participant in the 1974/75 President's Executive Interchange Program. Enclosed are some materials that describe the purpose of the program and some of the details of the operation.

Because the nature of the program requires careful matching of the executive and the position, you play a very important part in the process. We have asked participating companies to submit position descriptions for proposed interchange assignments. Sometime later this month, when we have a representative selection, you will be invited for interviews with the Commission staff. At that time, we will identify interests and estimate placement potential. Candidates who meet the Program criteria and who are judged to have good placement potential will then be invited to participate in the next phase of the Program, that is, interviews with prospective host companies.

During this phase, we will first send out biographies which appear to match company supplied position descriptions or specified areas of interest. When the companies identify candidates that they would like to interview, we will set up interview schedules. Generally, we will try to schedule 2 or 3 interviews so that you can get a broader exposure to various companies and specific positions that are being offered. At the completion of the interviews, you may be offered one or more positions and will be expected to make a decision. The Commission staff will provide advice and counsel as required. If the Commission is unsuccessful in arranging an appropriate position for you in the private sector, it should not be interpreted adversely by you or your agency, for the matching process is not one of competition among nominees but merely reflects the best assignment of the individuals who meet the goals of the Program.

Enclosure (3)

1900 E Street NW WASHINGTON, D.C. 20415 (202) 632-6834

Arrangements for interview travel should be made through your agency using existing procedures for travel orders. If you accept one of the positions offered, the President's Commission on Personnel Interchange will reimburse your agency for the interview expenses.

The salary for the Interchange position will generally be consistent with your compensation prior to your entry into the program. Adjustments may be made to compensate for lost benefits, impending step increases and any General Schedule adjustments.

Starting date of the assignment will be negotiated by you, taking into consideration your needs and the needs of your agency and of the host company. Interchange assignments generally begin between July 1 and September 1.

Also enclosed is a publication that spells out the Commission policy on "Compliance with the laws on Conflict of Interest." Please read it carefully and if you have any questions, consult your agency General Counsel responsible for Conflict of Interest determinations. Conflicts of interest will be discussed during your initial interview and you will also be asked to sign the acknowledgment form.

Once again my heartiest congratulations. We will be in touch with you soon.

Sincerely,

Jay J. Leanse

Jay J. Leanse
Executive Director

Enclosures

cc: Mr. Clewlow

Enclosure (3)

PRESIDENT'S COMMISSION ON PERSONNEL INTERCHANGE

REPORT OF CONTACT/MEETING

Date 6/3/74

Name of Company/Agency NORTHRUP

Name of Company/Agency Contact(s) MARV ELKIN Phone (213) 675-4611

Title MGR CONTRACTS & PRICING X 1321

Name Price + Broadway NRTC Bldg Phone

Title

Name of PCPI Contact Cadell

Subject Interview for Patterson

Notes Patterson invited for Interview June 12 @ 10:30 AM

(Manny Gonzales – V.P. Contracts + Pricing)

Action Required Suggested he talk to General Counsel re conflict of Interest guidelines

Circulate:
- [x] Leanse
- [ ] Cadell
- [x] Klaus
- [ ] McCarthy
- [ ] Zeszutek
- [ ] Hawkins
- [ ] Other

File:
- [x] Company/Agency
- [ ] PCPI Executive Personnel
- [ ] General Program Request
- [x] Other

PCPI-3 5/74

1220-74-222
RMK:b

[redacted]

June 29, 1974

Mr. Bobby D. Patterson
5110 Stone Haven Drive
Annandale, Virginia 22003

Dear Mr. Patterson:

We are pleased to confirm our offer to you for a position as Staff Specialist-Interim in support of the Executive Interchange Program.

Your employment is planned to be for a one year period of time starting in September 1974. Your base salary will be $510 per week, which equates to $26,520 on an annual basis. This salary level is planned to remain constant for the period of your assignment unless a "general" company wide economic increase is awarded. Your reporting relationship will be to Mr. Marvin Elkin and your assignment will be per your discussion with him during your recent visit, enclosed is a brief description provided by Mr. Elkin.

Enclosed also is a benefit brochure which summarizes the benefits that you will be entitled to during your stay with us. Certain of the long range programs will have little or no value to you such as retirement and salaried savings.

We are most pleased with the prospect of your becoming a member of the Northrop family, even if only for a one year period of time. You may expect that we will do everything to make your experience and exposure here as meaningful and rewarding as it possibly can be. You may also be sure that we expect to gain a great deal from our exposure and interchange with you and that we look forward eagerly to the opportunity.

Please let me know if there is any more information that you need, or if there is any further action required on our part to fulfill the program or your requirements.

Very truly yours,

R. M. Kealhofer

R. M. Kealhofer, Manager
Employment Services

Enclosures

Enclosure (6)

The organization Mr. Patterson will be working in primarily will be the Pricing and Estimating Department. The format outlined for Mr. Patterson during the year is to develop pricing data, pricing relationships and other statistical correlation. He will be involved in the development of advance pricing techniques for use in new technology areas. He will have the opportunity to rotate and learn all aspects of Pricing and Estimating at Northrop.

Enclosure (6)

July 15, 1974

Mr. Carl W. Clewlow
Deputy Assistant Secretary
of Defense
Department of Defense
Washington, D. C. 20301

Dear Mr. Clewlow:

The President's Commission on Personnel Interchange is pleased to confirm that the Department of Defense nominee, Mr. Bobby Patterson, has been selected for the President's Executive Interchange Program for the program year 1974/75 and will work for Northrup Corporation, Aircraft Division, Hawthorne, California; his Interchange assignment will extend from approximately September 30, 1974 to September 29, 1975.

Mr. Patterson should be transferred by the Department of Defense from his present duty station to Hawthorne, California. At that time he should be placed on leave-without-pay status for a period not to exceed 365 calendar days. His medical, retirement and life insurance benefits should remain in force.

Upon completion of the Interchange assignment, Mr. Patterson should be placed on active duty status in Hawthorne, California and transferred by the Department of Defense to his next government assignment. Relocation expenses are payable by the Department of Defense in accordance with Federal Travel Regulations in the same amount as in the case of a government employee who is permanently transferred in the interest of the government from one duty station to another. Sponsors are asked to contribute $1000.00 for each person who participates in the President's Executive Interchange Program to cover the cost of program-related education activities which include a one-week orientation in September, a seminar/study tour in the Spring and a three-day closing conference in June. In addition, Mr. Patterson will participate in the "Host City" education program for the area where he is stationed. Your invoice is enclosed.

If you have any questions concerning Mr. Patterson's participation in the program, please call me.

cc: Mr. Patterson

Sincerely,

Jay T. Lance
Executive Director

Enclosures

ENCLOSURE (8)

P

NORTHROP AIRCRAFT 213-679-4611
~~3901 W. BROADWAY~~
HAWTHORNE CALIF

10/3/74 3:00 MANUAL GONSALES V.P. MARKETING X 4708
3:00 BILL BURNS MGR. ORGANIZATION DEV AND EXEC MANPOWER

1. REVIEWED CONFLICT OF INTERESS PHILOSOPHY AND OBLIGATION OF HOST TO PREVENT INTRICANCIE EXECUTIVE FROM BEING EXPOSED TO SENSATIVE SITUATIONS. (PATTERSON WILL NOT HAVE ANYTHING TO DO WITH NAVY CONTRACT WORK)
2. BURNS AGREED TO TAKE PERSONAL RESPONSIBILITY FOR INTERNAL EDUCATIONAL ENRICHMENT FOR PATTERSON AND FOR BRIEFING MARV ELKINS, HIS SUPERVISOR, CONCERNING NORTHRUPS ROLE AS HOST.
3. GONSALES ACKNOWLEDGED THAT SEVERAL HI-POTENTIAL CANDIDATES WOULD BE CONSIDERED FOR EIP II

JAY LEANSE

September 23, 1974

Mr. Marvin Elkin
Head of Pricing and Estimating
Northmup Corporation
Aircraft Division
3901 West Broadway
Hawthorne, California 90250

Dear Mr. Elkin:

On behalf of the Commissioners, I want to thank you and your company for making the Interchange experience available to Mr. Bobby D. Patterson.

During the Program year, you will be the focal point for communications with the Commission concerning your executive. At the end of six months and again, at the end of the assignment, you will be asked to appraise the executives performance.

Sometime during October, either Henry Cadell or I are planning to meet with you and your executive to review job responsibilities, the executive's transition to the private sector and to determine if expectations are being met. One of us will be in touch with you soon to schedule the date and time. At the same time, we would like to discuss with you and the company liaison for the program, possibilities for constituting a Host City Education Program.

I am sure that some of the executive's peers will have questions concerning the executive and his/her role in the company. I am enclosing some information that can be circulated which will answer some of these questions.

I am also attaching a copy of the "Host (employing) Organization Responsibilities." You should have already received a copy, but if not, you will find that it is a succint statement of our (and the executives) expectations.

I look forward to meeting with you soon; if you have any questions, please do not hesitate to call.

Sincerely,

cc: Mr. Clewlow
chron file
company file
mt

Jay I. Leanse
Executive Director

Enclosures

NORTHROP

November 12, 1974

22 NOV 1974

Mr. J. Stanford Smith, Chairman
President's Commission on Personnel Interchange
1900 E Street NW
Washington, D.C. 20415

Dear Mr. Smith,

Mr. Thomas V. Jones, President of Northrop, has been travelling recently; and your letter concerning Bobby D. Patterson, who is working at our corporation under the Executive Interchange Program, was forwarded to me.

We are extremely pleased to have Mr. Patterson working with us and regret that we were not able to pick up additional government executives.

We felt that perhaps you would be interested in the work that Mr. Patterson is doing for us. He is currently working for the Manager of Pricing and Estimating in the Finance Department of the Aircraft division, which is our largest facility. He is specifically assigned to the cost analysis proposal support group. We expect to be able to give him the opportunity to work in all aspects of pricing and estimating which should provide him with a good understanding of a defense contractor's pricing techniques.

We look forward to providing a similar opportunity to others in the future.

Very truly yours,

George F. Douglas
Senior Vice President,
Administration

Northrop Corporation • 1800 Century Park East • Century City • Los Angeles, California 90067 • Telephone [illegible] 553-4262

THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

Suite 1316, 1900 E Street, N.W., Washington, D.C. 20415 202-632-6834

RESPONSIBILITIES OF THE FEDERAL SECTOR HOST
(as concerns the employment of a Private Sector Executive through the Executive Interchange Program)

1. Absolute avoidance of a conflict-of-interest situation, or appearance of such a situation. We require:
   —counseling the executive concerning his/her responsibilities and the need for ethical conduct;
   —strict adherence to Federal conflict-of-interest laws and regulations (a summary is attached);
   —your General Counsel's review of nominee's background against official position description to determine lack of or appearance of any conflict-of-interest, with subsequent written approval of the assignment to the President's Commission on Personnel Interchange; and
   —no reassignment of duties without prior review by the President's Commission and your General Counsel.
2. Payment of a salary which is comparable to that earned prior to the assignment, adjusted for merit increases, bonuses, and loss of fringe benefits, if any. In no case will the salary exceed $37,800.
3. Allowance of time away from the job for educational activities sponsored by the Commission: 5 days at the start of the assignment for Program Orientation, 10 days for the Mid-Year Study Tour/Seminar, and 3 days for the closing "Conference on National Issues." In addition, there is generally need of up to 2 hours per week for educational activities.
   Each host is responsible for payment of travel and per diem expenses for Commission sponsored education activities, which generally range between $1,000 and $1,500 annually, depending on distance from the educational event.
4. Cooperation with the President's Commission's request for an appraisal of the Interchange Executive's performance. This is done every six months.
5. In keeping with the concept of the Interchange Program, hosts are reminded that offers of permanent employment to the Interchange Executive are not allowed.
6. Allowance to the Interchange Executive of up to 3 days of administrative leave to visit his sponsoring company to discuss re-entry.

GPO 900-170

January 1976

THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

Suite 1316, 1900 E Street, N.W., Washington, D.C. 20415 (202) 632-6834

Nomination Guide for the Federal Department/Agency

ELIGIBILITY

INTERCHANGE Executives chosen from the Federal Career Service are nominated by the head of their Federal Department or Agency. Nominations are limited to those Career Civil Servants who:

—are a Grade 14 or a Grade 15, and have no significant private sector experience;
—have a proven record of management ability, including significant on-the-job accomplishments;
—have a high intellectual capacity and demonstrated leadership ability;
—have the potential to become a supergrade in the sponsoring agency or department; and
—are willing to relocate.

SPONSORING (SENDING) DEPARTMENT/AGENCY RESPONSIBILITIES

1. Absolute avoidance of a conflict-of-interest situation or the appearance of such a situation through
   —counseling the executive concerning his/her responsibilities and the need for ethical conduct and
   —strict adherence to Commission Conflict-of-Interest procedure (copy attached). Special attention should be paid to Department of Justice Summary and Part II of Standards of Ethical Conduct
2. Designation of a liaison officer to work with the Commission and the Interchange Executive from nomination to re-entry into the sponsoring organization.
3. Development and execution of a suitable plan for re-entry to the sponsoring organization to insure proper recognition of the increased value and potential of the Interchange Executive (e.g., a position of increased responsibility and/or higher earnings).

SPONSORING (SENDING) DEPARTMENT/AGENCY FINANCIAL OBLIGATIONS

1. Payment of moving expenses to and from the location of the Interchange assignment. (Note: The President's Commission on Personnel Interchange will assume the cost of interview expenses.)
2. Payment of Executive's portion of cost of the Education Program. This cost is currently $1,000 for each executive placed in the Program.
3. Payment of one return visit of the sponsored executive to discuss assignment upon re-entry to the Federal Sector.
4. Continuation of fringe benefits normally extended a Federal employee on a leave-of-absence.

NOMINATION PROCEDURE

Completed nomination forms should be returned to the President's Commission on Personnel Interchange by March 31. Nominees will be interviewed by the Commission, and nominees will be notified by letter of acceptance or rejection.

GPO 900-172

January 1976

THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

Suite 1316, 1900 E Street, N.W., Washington, D.C. 20415 (202) 632-6834

Nomination Guide for the Private Sector Organization

ELIGIBILITY

INTERCHANGE Executives chosen from the private sector are nominated by the Chief Executive Officer of their company. Nominations are limited to those executives who:

—receive annual compensation (including bonus) of at least $28,000
—have a proven record of management ability, including significant on-the-job accomplishments
—have a high intellectual capacity and demonstrated leadership ability
—have the potential to become a senior executive of the sponsoring organization
—are U.S. citizens

SPONSORING (SENDING) ORGANIZATION RESPONSIBILITIES

1. Absolute avoidance of conflict-of-interest situation or the appearance of such a situation through
   —counseling the executive concerning his/her responsibilities and the need for ethical conduct, and
   —strict adherence to Commission Conflict-of-Interest procedure (copy attached). Special attention should be paid to Department of Justice Summary and Part II of Standards of Ethical Conduct.
2. Designation of a liaison officer to work with Commission and the Interchange Executive from nomination to re-entry into the sponsoring organization.
3. Development and execution of a suitable plan for re-entry to the sponsoring organization to insure proper recognition of the increased value and potential of the Interchange Executive (e.g., a position of increased responsibility and/or higher earnings).

SPONSORING (SENDING) ORGANIZATION FINANCIAL OBLIGATIONS

1. Payment of expenses incurred for interviews in Washington, D.C.
2. Payment of moving expenses to and from Washington, D.C.
3. Payment of executive's portion of cost of the Education Program. This cost is currently $1,000 for each executive placed in the Program.
4. Payment for one return visit to the sponsoring organization to discuss work assignment upon re-entry. (Note: Federal Government will grant administrative leave for three days' absence for this purpose.)
5. Continuation of all fringe benefits normally extended to employees on leave-of-absence. (Note: Private sector executives are not permitted to receive bonuses in consideration for the time spent in this program.)

NOMINATION PROCEDURE

Completed nomination forms should be returned to the President's Commission on Personnel Interchange by March 31. Nominees will be interviewed by the Commission, and nominees and sponsors will be notified by letter of acceptance or rejection.

GPO 900-173

January 1976

THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

Suite 1316, 1900 E Street, N.W. Washington, D.C. 20415 (202) 632-6834

RESPONSIBILITIES OF THE PRIVATE SECTOR HOST
(as concerns the employment of a Federal Executive through the Executive Interchange Program)

1. Absolute avoidance of a conflict-of-interest situation, or appearance of such a situation. We require:
   —counseling the executive concerning his/her responsibilities and the need for ethical conduct;
   —strict adherence to Federal and State conflict-of-interest laws and regulations (a summary is attached);
   —your General Counsel's review of nominee's background against official position description and any State or local conflict-of-interest laws or regulations. Subsequent written approval of the assignment to the President's Commission on Personnel Interchange; and
   —no reassignment of duties without prior review by the President's Commission and your General Counsel.
2. Payment of a salary which is comparable to that earned prior to the interchange assignment, adjusted for cost-of-living increases, anticipated Federal pay increases, etc. The Commission will advise on a fair and equitable salary.
3. Provision of a vacation allowance.
4. Introduction of the Interchange Executive to senior company officials to expose the Interchange Executive to the structure, policies, and operations of the host organization.
5. Participation in the "Host City Education Program," (if offered in your area). This program will provide a broader perspective of business and increase the participant's awareness of the effect of Government policies on industry.
6. Allowance of time away from the job for educational activities sponsored by the Commission: 5 days at the start of the assignment for Program Orientation; 10 days for the Mid-Year Study Tour/Seminar, and 3 days for the closing "Conference on National Issues." In addition, there is generally need of one day a month for "Host City Education Programs."
   Each host is responsible for payment of travel and living expenses for these Commission-sponsored education activities, which generally approximate $1,500 annually, depending on distance from the educational event. (Note: This amount will be higher for those participants on the West Coast.)
7. Cooperation with the President's Commission's request for an appraisal of the Interchange Executive's performance. This is done every six months.
8. In keeping with the concept of the Interchange Program, hosts are reminded that offers of permanent employment to the Interchange Executive are not allowed.
9. Allowance to the Interchange Executive of up to 3 days of administrative leave to visit his sponsoring agency/department to discuss re-entry.

GPO 900-171

January 1976

4. A description of how candidate companies are chosen to receive notices of Interchange opportunities.....

-- During the year the Executive Director meets with the Chief Executive Officers (or those designated subordinates) to discuss their interest in becoming participants or continuing as participants in the program. This is done either by naming nominees and/or by hosting a position. (Conversely, the Deputy Director meets with Cabinet Officers or those designated subordinates with regard to the Federal agency/department participation.)

-- Announcements are made in periodicals such as those published by the National Association of Manufacturers, the U.S. Chamber of Commerce, Hospital Magazine, the Blue Cross-Blue Shield National Association, the American Council on Education etc. This is to insure that the program is exposed to a wide variety of private sector organizations.

-- The Presidential Interchange Executive Association (alumni) is active in its word-of-mouth support of the program.

All past participants and those private sector firms which have indicated an interest will receive a listing of those executives accepted into the program from the Federal Sector who, in the judgment of the Executive and Deputy Director, have a background which would be of value to the private sector organization. (Note: Those executives whose background might appear to be of conflict with the private sector organization are not referred to that organization.)

6. A description of any measures taken by the Commission to discover any potential conflicts of interest in the Executive Interchange Program, or similar programs, and of any steps taken to guard against such conflicts of interest...

A series of precautions are regularly taken to insure any placement of a nominee in his/her opposite sector does not have either the appearance of a conflict-of-interest or any actual conflict-of-interest.

-- Prior to nomination of candidate: that private sector organization or Federal department/agency is advised of Commission regulations and procedure with regard to conflict-of-interest.

-- Prior to admittance into the program, the candidate is briefed on conflict-of-interest procedures and is advised to review the Department of Justice Summary of Public Law 87-849 and the Excerpts from Executive Order 11222, prescribing Standard of Ethical Conduct for Government Officers and Employees and applicable to Presidential Interchange Executives.

-- Upon admittance to the program, the nominee acknowledges receipt of Public Law 87-849 and Excerpts from Executive Order 11222 and attests to the fact that he has completed his/her review of these regulations.

-- Upon admittance to the program and when choice of interchange assignment has been completed, the private sector organization or Federal agency/department submits a position description and biographical resume to the General Counsel of that organization for review and agreement that the assignment does not represent a conflict. The General Counsel so advises in writing, the President's Commission on Personnel Interchange his judgment. At the same time, the General Counsel of the organization sending the nominee into the opposite sector is asked to review all pertinent materials.

-- Upon initiation of assignment, all participants attend a one-week orientation seminar. One scheduled event at this seminar is a presentation by the Civil Service Commission of rulings and regulations on conflict-of-interest.

-- Mid-way through the Interchange Year, all participants are again exposed and reminded of conflict-of-interest regulations.

-- Upon completion of Interchange assignment, all participants attend a 3-day seminar, at which time the executives are debriefed as to their responsibility with regard to conflict-of-interest upon return to their home organization.

Descriptive materials attached.

Compliance with the laws on

Conflict of Interest

Commission Statements

Interchange Executive's Receipt Form

Department of Justice Summary of Public Law 87-849

Excerpts from Executive Order 11222, Prescribing Standards of Ethical Conduct for Government Officers and Employees and Applicable to Presidential Interchange Executives

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PRESIDENT'S COMMISSION ON PERSONNEL INTERCHANGE

1900 E Street NW *WASHINGTON, D.C. 20415*

July 1975

PCPI 1060

Acknowledgement of Receipt of Summary of Public Law 87-849 and Excerpts from Executive Order 11222 (Parts I and II)

Date _____ *Location* _____

Executive Director
President's Commission on Personnel Interchange

I have received a copy of the Summary of Public Law 87-849 which deals with conflicts of interest and excerpts from Executive Order No. 11222 which prescribe standards of ethical conduct for Government officers and employees and which are applicable to Interchange Executives.

I understand that during my appointment as an Interchange Executive, I will be subject to this Law and Executive Order. I further understand, that although my appointment as an Interchange Executive will be carefully screened for purposes of insuring compliance with this Law and Executive Order, should I at any time become aware of a possible conflict-of-interest situation or of a situation which gives rise to the appearance of a conflict of interest, I should bring the matter to the attention of the official designated for giving advice and counseling on such matters.

Signature _____

Print Name of Signer _____

Title or Position _____

Company or Agency/Department _____

I have delivered to the Executive whose name appears above a copy of Summary of Public Law 87-849 and excerpts from Executive Order 11222 (referred to above).

Signature _____

Print Name of Signer _____

Title or Position _____

Avoiding Conflicts of Interest

Here is a summary prepared by the Department of Justice of the main conflict of interest provisions of Public Law 87-849:

A regular officer or employee of the Government—that is, one appointed or employed to serve more than 130 days in any period of 365 days—is in general subject to the following major prohibitions (the citations are to the new sections of title 18):

1. He may not, except in the discharge of his official duties, represent anyone else before a court or Government agency in a matter in which the United States is a party or has an interest. This prohibition applies both to paid and unpaid representation of another (18 U.S.C. 203 and 205).

2. He may not participate in his governmental capacity in any matter in which he, his spouse, minor child, outside business associate, or person with whom he is negotiating for employment has a financial interest (18 U.S.C. 208).

3. He may not, after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and in which he participated personally and substantially for the Government (18 U.S.C. 207(a)).

4. He may not, for one year after his Government employment has ended, represent anyone other than the United States in connection with a matter in which the United States is a party or has an interest and which was within the boundaries of his official responsibility during the last year of his Government service (18 U.S.C. 207(b)). This temporary restraint of course, gives way to the permanent restraint described in paragraph 3 if the matter is one in which he participated personally and substantially.

5. He may not receive any salary, or supplementation of his Government salary, from a private source as compensation for his services to the Government (18 U.S.C. 209).

(This summary is taken from the Department of Justice memorandum Analyzing Provisions of Public Law 87-849, etc. It was reproduced as a part of the Committee Print, Senate Judiciary Committee, 88th Congress, 1st Session, March 1, 1963, p. 14. It will also be found in the note following 18 U.S.C. 201).

Standards of Ethical Conduct

EXECUTIVE ORDER 11222

PRESCRIBING STANDARDS OF ETHICAL CONDUCT FOR GOVERNMENT OFFICERS AND EMPLOYEES

By virtue of the authority vested in me by section 301 of title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows:

PART I—POLICY

Section 101. Where government is based on the consent of the governed, every citizen is entitled to have complete confidence in the integrity of his government. Each individual officer, employee, or adviser of government must help to earn and must honor that trust by his own integrity and conduct in all official actions.

PART II—STANDARDS OF CONDUCT

Section 201.(a) Except in accordance with regulations issued pursuant to subsection (b) of this section, no employee shall solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, from any person, corporation, or group which—

(1) has, or is seeking to obtain, contractual or other business or financial relationships with his agency;

(2) conducts operations or activities which are regulated by his agency; or

(3) has interests which may be substantially affected by the performance or non-performance of his official duty.

(b) Agency heads are authorized to issue regulations, coordinated and approved by the Civil Service Commission, implementing the provisions of subsection (a) of this section and to provide for such exceptions

therein as may be necessary and appropriate in view of the nature of their agency's work and the duties and responsibilities of their employees. For example, it may be appropriate to provide exceptions (1) governing obvious family or personal relationships where the circumstances make it clear that it is those relationships rather than the business of the persons concerned which are the motivating factors—the clearest illustration being the parents, children or spouse of federal employees; (2) permitting acceptance of food and refreshment available in the ordinary course of a luncheon or dinner or other meeting or on inspection tours where an employee may properly be in attendance; or (3) permitting acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities of employees, such as home mortgage loans. This shall be effective upon issuance of such regulations.

(c) It is the intent of this section that employees avoid any action, whether or not specifically prohibited by subsection (a), which might result in, or create the appearance of—

(1) using public office for private gain;

(2) giving preferential treatment to any organization or person;

(3) impeding government efficiency or economy;

(4) losing complete independence or impartiality of action;

(5) making a government decision outside official channels; or

(6) affecting adversely the confidence of the public in the integrity of the Government.

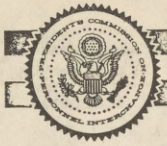
Sec. 202. An employee shall not engage in any outside employment, including teaching, lecturing, or writing, which might result in a conflict, or an apparent conflict, between the private interests of the employee and his official government duties and responsibilities, although such teaching, lecturing, and writing by employees are generally to be encouraged so long as the laws, the provisions of this order, and Civil Service Commission and agency regulations covering conflict of interest and outside employment are observed.

Sec. 203. Employees may not (a) have direct or indirect financial interests that conflict substantially, or appear to conflict substantially, with their responsibilities and duties as Federal employees, or (b) engage in, directly or indirectly, financial transactions as a result of, or primarily relying upon, information obtained through their employment. Aside from these restrictions, employees are free to engage in lawful financial transactions to the same extent as private citizens. Agencies may, however, further restrict such transactions in the light of the special circumstances of their individual missions.

Sec. 204. An employee shall not use Federal property of any kind for other than officially approved activities. He must protect and conserve all Federal property, including equipment and supplies, entrusted or issued to him.

Sec. 205. An employee shall not directly or indirectly make use of, or permit others to make use of, for the purpose of furthering a private interest, official information not made available to the general public.

Sec. 206. An employee is expected to meet all just financial obligations, especially those—such as Federal, State, or local taxes— which are imposed by law.



THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

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Nomination Guide for the Federal Department/Agency

ELIGIBILITY

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—have a high intellectual capacity and demonstrated leadership ability;
—have the potential to become a supergrade in the sponsoring agency or department; and
—are willing to relocate.

SPONSORING (SENDING) DEPARTMENT/AGENCY RESPONSIBILITIES

1. Absolute avoidance of a conflict-of-interest situation or the appearance of such a situation through
   —counseling the executive concerning his/her responsibilities and the need for ethical conduct and
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2. Designation of a liaison officer to work with the Commission and the Interchange Executive from nomination to re-entry into the sponsoring organization.
3. Development and execution of a suitable plan for re-entry to the sponsoring organization to insure proper recognition of the increased value and potential of the Interchange Executive (e.g., a position of increased responsibility and/or higher earnings).

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1. Payment of moving expenses to and from the location of the Interchange assignment. (Note: The President's Commission on Personnel Interchange will assume the cost of interview expenses.)
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3. Payment of one return visit of the sponsored executive to discuss assignment upon re-entry to the Federal Sector.
4. Continuation of fringe benefits normally extended a Federal employee on a leave-of-absence.

NOMINATION PROCEDURE

Completed nomination forms should be returned to the President's Commission on Personnel Interchange by March 31. Nominees will be interviewed by the Commission, and nominees will be notified by letter of acceptance or rejection.

GPO 900-172

January 1976

THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

Suite 1316, 1900 E Street, N.W., Washington, D.C. 20415 202-632-6834

RESPONSIBILITIES OF THE FEDERAL SECTOR HOST
(as concerns the employment of a Private Sector Executive through the Executive Interchange Program)

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2. Payment of a salary which is comparable to that earned prior to the assignment, adjusted for merit increases, bonuses, and loss of fringe benefits, if any. In no case will the salary exceed $37,800.
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4. Cooperation with the President's Commission's request for an appraisal of the Interchange Executive's performance. This is done every six months.
5. In keeping with the concept of the Interchange Program, hosts are reminded that offers of permanent employment to the Interchange Executive are not allowed.
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GPO 900-170

January 1976

THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

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SPONSORING (SENDING) ORGANIZATION FINANCIAL OBLIGATIONS

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GPO 900-173

January 1976

THE PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

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RESPONSIBILITIES OF THE PRIVATE SECTOR HOST
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   —counseling the executive concerning his/her responsibilities and the need for ethical conduct;
   —strict adherence to Federal and State conflict-of-interest laws and regulations (a summary is attached);
   —your General Counsel's review of nominee's background against official position description and any State or local conflict-of-interest laws or regulations. Subsequent written approval of the assignment to the President's Commission on Personnel Interchange; and
   —no reassignment of duties without prior review by the President's Commission and your General Counsel.
2. Payment of a salary which is comparable to that earned prior to the interchange assignment, adjusted for cost-of-living increases, anticipated Federal pay increases, etc. The Commission will advise on a fair and equitable salary.
3. Provision of a vacation allowance.
4. Introduction of the Interchange Executive to senior company officials to expose the Interchange Executive to the structure, policies, and operations of the host organization.
5. Participation in the "Host City Education Program," (if offered in your area). This program will provide a broader perspective of business and increase the participant's awareness of the effect of Government policies on industry.
6. Allowance of time away from the job for educational activities sponsored by the Commission: 5 days at the start of the assignment for Program Orientation: 10 days for the Mid-Year Study Tour/Seminar, and 3 days for the closing "Conference on National Issues." In addition, there is generally need of one day a month for "Host City Education Programs."
   Each host is responsible for payment of travel and living expenses for these Commission-sponsored education activities, which generally approximate $1,500 annually, depending on distance from the educational event. (Note: This amount will be higher for those participants on the West Coast.)
7. Cooperation with the President's Commission's request for an appraisal of the Interchange Executive's performance. This is done every six months.
8. In keeping with the concept of the Interchange Program, hosts are reminded that offers of permanent employment to the Interchange Executive are not allowed.
9. Allowance to the Interchange Executive of up to 3 days of administrative leave to visit his sponsoring agency/department to discuss re-entry.

GPO 900-171

January 1976

Presidential Interchange Executives
Orientation Program

Combined Sessions
Agenda

MONDAY, SEPTEMBER 15, 1975

Combined Sessions, unless otherwise specified, will be held at:

Watergate Conference Center
Chicago Room
Sterling Institute
11th Floor
2600 Virginia Avenue

9:00 a.m. — Introduction of Executives and general announcements

Allen E. Parmenter
Executive Director
President's Commission on
Personnel Interchange

9:30 a.m. — AVOIDING CONFLICTS OF INTEREST

Joseph Scott
Assistant General Counsel
Civil Service Commission

10:30 a.m. — Break

10:45 a.m. — WHITE HOUSE STAFF OPERATIONS

Richard B. Cheney
Deputy Assistant to the President

12:15 p.m.
Terrace Room
Watergate Hotel — Luncheon/ROLE OF THE LABOR LOBBYIST IN WASHINGTON

Evelyn Dubrow
Legislative Representative and
Executive Secretary of Political
Department
International Ladies' Garment Workers
Union

2:15 p.m. — COMPARATIVE ANALYSIS OF GOVERNMENTAL AND CORPORATE DECISION-MAKING

Robert W. Fri
Deputy Administrator
Energy Research & Development
Administration

3:30 p.m. — Break

Acknowledgement of Receipt of
Summary of Public Law 87-849 and Executive Order 11222

Date 5/6/72 Location WASH D.C.

Executive Director
President's Commission on Personnel Interchange

I have received a copy of the Summary of Public Law 87-849 which deals with conflicts of interest and Executive Order No. 11222 which prescribes standards of ethical conduct for Government officers and employees. I understand that during my appointment as an Interchange Executive, I will be subject to this Law and Executive Order. I further understand, that although my appointment as an Interchange Executive will be carefully screened for purposes of insuring compliance with this Law and Executive Order, should I at any time become aware of a possible conflict-of-interest situation or of a situation which gives rise to the appearance of a conflict-of-interest, I should bring the matter to the attention of the official designated for giving advice and counseling on such matters.

Signature Robert D. Patterson

Print name of Signer ROBERT D PATTERSON

Title or Position SENIOR CONTRACT PRICE ANALYST

Company or Agency/Department NAVAL AIR SYSTEMS COMMAND

I have delivered to the Executive whose name appears above a copy of Summary of Public Law 87-849 and Executive Order 11222 referred to above.

Signature

Print name of Signer JAY I. LEVINSON

Title or Position EX DIR PCPI

(this form when completed is to be placed in the personnel folder of the acknowledging executive)

The Applicability of Conflict-of-Interest Laws, Rules and Regulations to Presidential Interchange Executives

Presented
At The Brookings Orientation Program
September 9, 1974

by

Joan Slous
Office of the General Counsel
U. S. Civil Service Commission

I would like to take this opportunity to discuss with all of you the application of the various conflict of interest laws, rules, and regulations which apply to the Executive Interchange Program of which you all will be participating in this year. Since most of you have discussed, on an individual basis, with either the legal staff of the participating private companies or the ethics counsellor of the participating Federal agencies, I assume you are somewhat aware of the potential conflict of interest problems which may exist in this type of program, which is designed to facilitate an exchange between the Government and private industry of highly talented executives. The purpose of this discussion is to impress upon all of you the necessity to take all precautions to avoid being involved in any actual or apparent conflict of interest, not only during your participation in this program for the coming year, but also when you return to your former positions -- either in the Government or in private industry.

The term conflict of interest originated with the Biblical maxim that an individual cannot serve two masters and has been the foundation for all common-law rules governing such fiduciary relationships as master and servant, principal and agent, trustee and beneficiary, attorney and client. Conflict of interest in Federal Government employment has been the source for much legislation. The purpose for conflict of interest legislation in the Federal sector is to protect the impartiality of the Federal Government decision-making processes. This purpose can only be accomplished by insuring that an individual employed in the Federal service and engaged

in these processes is not influenced by any private and personal considerations in performance of his duties, such as to attempt to effect any particular Government action which will be advantageous to any of his personal interests.

What is important to recognize in discussing this subject-matter is that the Federal Government can only operate to serve the public if the actions of its own employees are above reproach. The principle proscribing conflicts of interest is aimed at activities and conduct which will impair the integrity of the Federal service and deprive the Federal Government of the full performance for which it has bargained for with its employees.

The Government-wide Ethics Program established under Executive Order No. 1122 of May 8, 1965, deals with the problems of apparent conflicts of interest in the Federal service. This program's purpose is to insure that all citizens can have confidence in the integrity of the Federal Government and its employees. That Executive Order and regulations issued pursuant to it require a Federal employee to avoid which might result in or create the appearance of:

1. Using public office for private gain;
2. Giving preferential treatment to any organization or person;
3. Impeding Government efficiency or economy;
4. Losing complete independence or impartiality of action;

5. Making a Government decision outside official channels;

6. Or affecting adversely the confidence of the Public in the integrity of the Federal Government.

In discussing the application of the conflict of interest provisions to the Executive Interchange Program, it is important for you to realize the almost competing interests of this program and the various conflict of interest laws. For instance, the objectives of the Executive Interchange Program includes the exchange of the best young executives from the public and private sector; the utilization of management expertise of the public sector in Federal agencies; and the development of a group of business executives with successful mid-career Government experience for service on advisory boards or as consultants and experts at some later date. To illustrate the competing interests which may be said to exist between the conduct and activity restricted by the conflict of interest laws and the basis and purpose of the Executive Interchange Program -- consider the following appointment:

John Doe is a mid-level executive with X Petroleum Company. While employed at this petroleum company he is primarily engaged in the research and development of new petroleum sources to meet expanding energy demands. His responsibilities include advising X Co. as to how new petroleum sources can best be exploited in view of the

company's present and planned refining capabilities. Mr. Doe must recommend which oil sources should be tapped and the amounts of oil which should be drawn from these sources to best serve the business demands of his private employer. Mr. Doe is selected to participate in the Executive Interchange Program and accepts a GS-15 position with the Federal Trade Commission. His responsibilities include studying available oil reserves and the extent to which these reserves are being utilized by the oil companies. The result of these studies will serve as input into an investigation by the FTC into charges of unfair competition against the major oil companies. The knowledge and expertise Mr. Doe has acquired through his employment at X petroleum company will be of great value to the FTC. Moreover, the knowledge and expertise he will acquire during his one year appointment at FTC will be valuable to both himself and his company when he returns to his private employer a year later. This appointment ideally meets the purposes of the petroleum industry. However, as you all are probably aware of from a conflict of interest standpoint, the appointment is untenable. During Mr. Doe's appointment at FTC, he will be providing input for Government decisions which may have a direct impact upon his private employer. Furthermore, upon his return to X Petroleum Company, Mr. Doe may posses certain information not otherwise available to the public which could be of tremendous value to X company. The

appointment to FTC certainly creates an appearance of a conflict of interest, thereby violating the pertinent Executive Order and could possibly lead to violation of the criminal conflict-of interest statutes.

I would like to discuss, for several minutes, the conflict of interest provisions which are applicable to all of you as participants in the Executive Interchange Program, regardless of whether your participation consists of an appointment to a government agency from a position in private industry or visa versa. Participants coming into the Federal service from private industry are within the purview of the conflict of interest laws. Your status during the one year appointment under the Executive Interchange Program is defined in title 5 of the United States Code as "regular officers and employees" of the Federal Government. Likewise, those of you going to private industry form the Federal Government to participate in this program are placed on a leave without pay status and therefore continue and are considered "officers and employees" of the Federal government during the year appointment. There is no special legislation or Executive Order which exempts participants of the Executive Interchange Program from any of these conflict of interest provisions either civilly or criminally.

The pertinent Executive Order prohibits Federal employees from participating in activities which appear to conflict substantially with their duties and responsibilities as employees in the Federal service. As mentioned earlier, this Executive Order is applicable to all of you since your status

is that of a Federal officer or employee, whether your appointment during the year is to the Federal Government or to a private company. Section 203 of the Executive Order prohibits employees from having direct or indirect financial interests that conflict substantially or appear to conflict substantially with their official responsibilities or to engage in direct or indirect financial transactions as a result of or primarily relying upon information obtained through their employment. This provision is intended to Prevent Federal employees from either intentionally or untentionally becoming involved in a situation which gives the appearance of impropriety in the performance of their Federal service. This Executive Order also directs the Civil Service Commission to issue regulations and instructions implementing the provisions of that Order concerning conflicts of interest and other matters concerned with the ethical behavior of Government employees. In addition, each Federal agency is required to issue its own ethical conduct regulations which must be approved by the Civil Service Commission.

The criminal conflicts-of-interest statutes which prohibit actual conflicts of interests appear in title 18 of the United States Code. Violations of these section may result in up to two years imprisonment or a fine of $10,000 or both. Section 208 of this title is the most important

provision to all of you since it proscribes certain activities on the part of Government employees. One of the basic concepts in the conflict of interest area is that a Federal Government employee should not act for the Government in particular matters in which he has a financial interest. Accordingly, all Government employees are prohibited from participating personally and substantially as a Government employee in any matter in which he, his spouse, minor child, outside business associate or person with whom he is negotiating for employment, has a financial interest. This statute is concerned with preventing a Government employee from self-dealing. It does not require that the Government employee dispose of his financial interest. Rather, it forces him to disqualify himself from participating in matters which might affect the financial interest. It is important to be aware that under this section you are not only disqualified because of your own financial holdings but also because of your status as an employee, spouse, parent or partner of someone who has a financial interest. This provision does allow the appointing official of the particular Federal agency to grant an ad-hoc exemption from the effects of this prohibition if it is determined that the financial interest is not so substantial as to be deemed likely to affect the integrity of the employee's service. This determination must be made in advance, in writing, and only after the employee has made a full disclosure of the financial interest.

This provision is particularly applicable to a participant coming into the Government since it specifically applies to his participation in any matter in which "an organization with whom he is negotiating or has any arrangement concerning prospective employment" has a financial interest. As a result, this section prohibits a participant from participating as a Government employee in any matter which would directly impact upon his private employer. For instance, this would forbid your participation in any contracts or subcontracts in which your private employer is involved in with the particular Federal agency you are employed with during the year. Therefore, any participant from private industry should disqualify himself from rendering advice or participating in particular matters in which his private employer is interested in.

Sections 203 and 205 of title 18 prohibit a Government employee, except in the discharge of his official Government duties, from acting as the agent or attorney for anyone other than the United States before a court of Federal agency in a matter in which the U.S. is a part or has an interest. This applies to paid and unpaid representatives. This prohibition is intended to primarily prevent an employee from serving in a representative capacity and is of utmost importance to those of you who are moving from Government to private industry. This provision would prevent you from representing your private employer in any matter which is

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before the Federal Government and in which the Government has an interest. Even though you will be employed in private industry you still retain your status as a Federal employee and therefore are within the ambit of these sections. These statutory provisions, for example, would preclude a participant from assisting his private employer in procuring a contract with a Federal agency and this prohibition would apply whether or not the participant was an employee of the particular contracting Federal agency. Accordingly, those of you who will be employed in the private sector are prohibited from this type of activity with any agency of the Federal Government during the entire year.

Section 209 of title 18 does not relate directly to the problems of actual or apparent conflicts of interest resulting from the activities of Federal employees. Rather, it relates to compensation for Government employees. This section is relevant for your purposes since it sets forth permissible benefits which may be accepted or retained as a participant of the Executive Interchange Program while in a Federal employee status. Under section 209(a), participants coming from private industry to the Government cannot receive compensation for their services as employees of the Federal Government from any source except the U.S. Government. This prohibition is unconditional in its application. It is not necessary to prove intent or improper motive to violate this provision. However, subsection (b) specifically

allows an officer or employee covered by subsection (a) which includes all of you coming to the Government, to continue your participation in any bona fide pension, retirement, group life, health or accident insurance, profit-sharing, stock bonus or other employee welfare or benefit plan maintained by your former private employer.

The previously discussed criminal provisions are applicable to all of you while you are employees of the Federal Government. Section 207, however, prohibits certain activities on the part of former Federal employees. This section therefore, is relevant to those of you who will return to private industry upon completion of your one year appointment. There are essentially two prohibitions contained in this section. The restraint in the first part of this law is against a former employee from ever acting as an agent or attorney for anyone other than the U.S. in connection with certain matters. These matters are those involving a specific party or parties in which the U.S. is one of the parties or has a direct and substantial interest AND in which the former employee participated personally and substantially while holding a Government position. There is no time limitation on this disqualification. The former employee is forever barred from participating in a representative capacity for anyone other than the U.S. Subsection (b) sets forth a one year post-employment prohibition in respect to those matters which were in the area of the former employee's official duties during the last year of his Federal service --

but which do not come within the restrictions of subsection (a) because he did not participate in them PERSONALLY AND SUBSTANTIALLY -- the two statutory criteria for restricting any of you permanently. Under subsection (b) those of you from private industry would be barred from appearing personally as an agent for your private employer before any Government agency or department in any particular matter which you were involved in as part of your official duties for the entire year following this one year term in the Executive Interchange Program. Subsection (a) bars permanently a greater variety of actions than what subsection (b) bars temporarily. The conduct made unlawful by subsection (a) is any action by a former Federal employee as an agent or attorney for anyone, while the conduct made unlawful by subsection (b) is any personal appearance as an agent or attorney for anyone for one year after termination of Federal employment. However, neither subsection precludes post-employment actvities which may be characterized as no more than aiding or assisting another. An example to illustrate the prohibitions of this law would be the following: A participant of the Executive Interchange Program from private industry returns to his former company after his one year service in the Federal sector. He immediately performs certain technical work in his company's plant in relation to a contract for which he had official responsibility for as a Federal employee, -- or let's say in relation to a contract in which he helped negotiate

for the particular Federal agency. He is forbidden for one year in the first situation-that-is-where the contract was part of his official duties, to appear personally before the former employing Government agency as the agent or attorney of his company in connection with a dispute over any of the terms of the contract. In the second situation where the individual helped negotiate the contract for the Federal agency, he may at no time appear personally before the Federal agency or otherwise act as agent or attorney for his company in a dispute over the contract terms. This second situation would bar him permanently from representing his company since negotiation of a contract would involve activities by the former Federal employee of which he participated in personally and substantially. Accordingly, individuals participating in this program should be aware of these prohibitions which may prevent you from engaging in certain activities upon completion of your appointment with the Executive Interchange Program.

I would like to conclude my presentation by telling all of you that it is your responsibility as participants of this program for the coming year, to consult with either the legal staff of the particular Federal agency or private company involved, anytime there is a question in your mind that your particular assignments or duties might involve either an actual or apparent conflict of interest

as a Federal employee. The legal staff is there to advise you as to whether any of your duties could be of a nature which would violate any of the conflict of interest rules, regulations and laws. You should not hesitate to speak to any of them at any point during the year.

NOMINATION OF

_____

for participation in
The President's Executive Interchange Program

Signature of Nominating Official*: _____

Name of Nominating Official _____
(Print)

Title of Above: _____

Agency/Company: _____

Date: _____

*This nomination must be made by Federal Agency head or company Chief Executive

PRESIDENT'S COMMISSION
ON PERSONNEL INTERCHANGE
1900 E Street, N.W.
Washington, D.C. 20415

(202) 632-6834

Note: Nominee's Biographical Form (PCPI 4120) is also required.

PCPI 4130 9/74

NOMINATION FORM

(To be used to nominate an executive for participation in the President's Executive Interchange Program)

1. Name of Nominee	2. How long has nominee been with your company/agency?
3. Describe your professional relationship with nominee	
4. Please state reasons for nominating this individual	

5. What are nominee's strengths?

6. What are nominee's weaknesses?

7. List accomplishments of nominee important to your company /agency

8. Does nominee possess the qualities to become a senior executive in the company/agency? ☐ Yes ☐ No *(Explain)*

9. What type of Executive Interchange assignment would be most valuable to the nominee in terms of his professional and personal development?

10. What type of Executive Interchange assignment *(e.g. functional specialty)* would be most valuable to the company/agency?

11. What position will nominee hold upon completion of the Interchange assignment?
Describe plans for reentry of executive into company/agency

12. Liaison designated to work with nominee and Commission

Name

Title

Address

Phone No.

GPO 883-338

PRESIDENT'S EXECUTIVE INTERCHANGE PROGRAM

President's Commission on Personnel Interchange
1900 E Street, N.W.
Washington, D.C. 20415

HOST POSITION DESCRIPTION

(to be used to describe a position that could be filled by an Interchange Executive)

1. COMPANY/AGENCY

2. ADDRESS

3. REFER CANDIDATES TO:
   - NAME
   - TITLE
   - ADDRESS
   - PHONE

4. POSITION TITLE OF PROPOSED ASSIGNMENT

5. DESCRIPTION OF PROPOSED EXECUTIVE ASSIGNMENT — *Include major duties and responsibilities, location of position in organization, and other pertinent information. Attach organization chart if available.*

6. IS THIS A NEW POSITION? ☐ YES ☐ NO

7. COMPENSATION RANGE/GS LEVEL

8. LOCATION OF POSITION *(City)*

9. EXECUTIVE WILL REPORT TO:
   - NAME
   - PHONE
   - TITLE

10. EXECUTIVE SUPERVISES:

	Directly	Indirectly
PROFESSIONAL STAFF	_____	_____
CLERICAL STAFF	_____	_____

11. POSITION TITLES OF OTHER WORKING ASSOCIATES

PCPI Form 4140 9/74

12. EXPERIENCE DESIRED:
13. SKILLS/EDUCATION DESIRED:

7. A description of any safeguards, above and beyond those applied generally, which were erected or suggested by the Commission in the case of Mr. Patterson's placement with Northrop...

Other than those precautions taken with nominees (see Question 6), the Commission did not perceive any special problem with the nomination and placement of Mr. Patterson.

○