

Washington Business Journal - February 9, 2009
<http://washington.bizjournals.com/washington/stories/2009/02/09/editorial1.html>

WASHINGTON BUSINESS JOURNAL

Friday, February 6, 2009

Time to get your ethical house in order

Washington Business Journal - by [Michael Tinsley](#)

Having procedures in place to ensure ethical business conduct is more important than ever. The palpable frustration of hardworking, honest Americans with the chicanery that wreaked havoc on our financial system is unmistakable. This has led to widespread sentiment that the U.S. government should undertake more aggressive regulation, indeed "policing" of businesses.

Combine this anger with the new president's stated policies and government regulations issued late last year and it becomes clear: Companies, especially federal contractors, better have their ethical houses in order.

Before his election, President Barack Obama outlined his position on transparency in government contracting in a Sept. 22 speech in Green Bay, Wis. He said massive changes are needed in contracting procedures. On the White House's Web site, the new administration pledges to "realize savings by reducing the corruption and cost overruns that have become all too routine in defense spending."

In November, federal regulators revised **General Services Administration** rules for disclosing fraud, theft, waste or abuse by companies working on government contracts.

Government contractors now must notify the contracting agency's inspector general and the contracting officer when a crime is suspected involving a government contract. It is no longer sufficient just to inform the contracting officer.

Additionally, government contractors need a system in place that effectively allows employees to "blow the whistle" if they see something that should be reported. Such systems, previously a "nice to have" in winning government business, are now essential.

Companies that fail to comply can be suspended or prohibited from working for the federal government. Indeed, "covering up" by not reporting an infraction may be worse than the infraction. Those companies able to demonstrate compliance or even the ability to exceed these new regulations will be able to keep existing government contracts and potentially obtain additional contracts.

Therefore, it is critical that the CEO and upper management drive a company's ethics policy. Companies must address ethics not only in the conduct and example of their leadership, but through established procedures. For small and emerging companies, which may be inclined to overlook these requirements as they deal with growth challenges, it would be shortsighted not to meet the government's guidelines.

Companies now can use technology to monitor adherence to ethical policies and procedures. Those that use such software can guarantee anonymity granted by law to whistle-blowers. Co-workers and supervisors cannot single out those who report fraud, waste and abuse because of the secure opportunity to make such reports.

Secure whistle-blowing policies also deter reckless, disgruntled employees from making false accusations. Indeed, effective policies protect those accused of unethical or illegal behavior as well as those who report wrongdoing.

Companies are protected when these policies are properly implemented, whether employees call an anonymous tip line or have access to new Web-based applications. Not only are employee reports one of the most effective ways to uncover fraud and theft, but these policies also protect the integrity and reputation of companies and eliminate the stigma attached to reporting a colleague.

The potential costs of failing to apply ethical procedures in the workplace far outweigh the costs of implementation.

High ethical conduct always has been the right thing to do. Now, thankfully, it is also critical to business success.

Michael TinSley is founder, CEO and president of NeoSystems Corp., a provider of accounting and financial management services.

All contents of this site © American City Business Journals Inc. All rights reserved.