

RESOURCE 2: SAMPLE COMPLIANCE TRAINING

Welcome & Purpose

This training provides an overview of key compliance obligations applicable to U.S. government defense contractors. It is intended for awareness and training purposes only. Employees should always consult current law, regulations, contract clauses, and company policies for specific requirements. This training reinforces the Company Code of Conduct — see the Code of Conduct for the full statement of expectations.

- Defense industry regulations are complex
- All providers are expected to be aware of and comply with the applicable rules. These expectations apply regardless of company size, contract value, or position in the supply chain
- Delivering quality services or goods includes being aware of and managing compliance risks. Compliance is an integral part of contract performance and quality delivery, not a separate administrative activity
- Laws and standards in countries outside the United States may vary; nevertheless, general awareness remains essential. Certain U.S. laws and contract requirements may continue to apply to overseas activities
- This training is intended to support awareness and risk recognition; specific obligations depend on contract terms and applicable law

Government Contracting Basics: Accuracy and Integrity

Be Accurate

- Perform due diligence before supplying information to anyone involved in government contracting. Employees involved in government contracting must ensure that information provided to the U.S. Government or prime contractors is accurate, complete, and not misleading, including:



Proposals, certifications,
and representations



Cost or
pricing data



Timekeeping and
labor charging



Technical and
performance data

- Explain clearly what the information does and does not include
- Estimates, projections and approximations must be presented as such

Comply with Policies & Procedures

- Company policies and procedures help employees meet contract requirements and protect from enforcement risk
- Following policies and procedures is an important aspect of performing US Government contracts correctly, as many requirements fall outside of the contract itself (i.e. FAR and DFARS clauses, statutes and regulations)

Abide by the Contract

- Includes all specifications, statements of work, and referenced documents
- Includes all contract clauses, including those incorporated by reference
- Fully explain and obtain customer concurrence for any contract requirements at risk of not being met before proceeding

Report Concerns

- Encourage employees to speak up
- Follow mandatory disclosure requirements

Mandatory Disclosures

- As a federal contractor, we have an obligation to make timely disclosures of certain misconduct
- Mandatory disclosures include violations of federal criminal law involving fraud, conflicts of interest, bribery, or gratuities under Title 18 of the United States Code; violations of the Civil False Claims Act related to the award, performance, or closeout of contracts or subcontracts; and significant overpayments received on a federal contract (other than contract financing payments)
- Certain conduct — such as inaccurate or improper time charging — may give rise to mandatory disclosure obligations when it involves fraud, false claims, false records, or knowing misrepresentations to the government
- Failure to make timely mandatory disclosure may lead to suspension or debarment
- Some agencies or contracts may impose broader or more specific disclosure requirements than the FAR baseline, based on mission needs or contractual terms

Procurement Integrity

The Procurement Integrity Act (PIA) and related rules protect the integrity of the federal competitive process by restricting access to procurement-sensitive information and regulating post-government employment activities.

- Do not seek or accept procurement-sensitive information about competitors, such as source selection information or contractor bid or proposal information, unless you are explicitly authorized and it legitimately relates to performance of your contract obligations.
- Be cautious in contacts with current and former government personnel. Certain information received directly from government acquisition officials may be procurement sensitive and restricted from broader distribution. If you inadvertently receive non-public procurement information (electronically, in conversation, or attached to a public document), stop reviewing it immediately and report it in accordance with company policy.
- Be mindful of cooling-off periods for former government employees the company hires. These individuals may be temporarily barred from representing the company before the government or from involvement in certain projects related to their former government roles.

Civil False Claims Act

The False Claims Act (FCA), also known as “Lincoln’s Law,” was enacted in 1863 to address rampant fraud during the Civil War. The FCA imposes treble damages and penalties on each count for knowingly submitting a false claim; causing a false claim (for example, falsifying a timecard even if you don’t send the invoice yourself); making a false statement or record material to a false claim; or concealing — or knowingly and improperly avoiding or decreasing — an obligation to pay money or property to the Government.

Knowledge in FCA cases includes reckless disregard and deliberate ignorance. The Department of Justice recovers billions of dollars under the FCA each year and publishes recovery statistics annually.

FCA liability does not require that an individual know an action violates the FCA, or have specific intent to submit a false claim to the government.

Recent FCA developments reflect an increased emphasis on compliance clauses that are material to contract performance or payment, where noncompliance may give rise to FCA liability

FCA cases may be brought by the government itself or, uniquely, by private whistleblowers known as qui tam relators

Human Rights and Workplace Obligations

Harassment-Free Workplace and Non-Discrimination

Harassment and discrimination undermine a professional work environment. Certain forms are prohibited by law.

Even conduct that may not be unlawful can be demeaning, disruptive, and damaging to workplace productivity.

All employees should conduct themselves professionally and respectfully. Conduct that is discriminatory, harassing, or otherwise inappropriate in the workplace is not acceptable.

Legal requirements may vary by jurisdiction. Concerns should be raised promptly through appropriate reporting channels so they can be reviewed and addressed.

Threats, intimidation, or violence in the workplace are not acceptable. Promptly report any threats, suspicious behavior, or violent incidents through company channels.

Working under the influence of alcohol, illegal drugs, or any substance that impairs job performance is prohibited. Misuse of legal medications in a way that affects work also raises safety concerns and should be addressed through appropriate channels.

Combating Human Trafficking

As a federal contractor, you may have an obligation to comply with FAR 52.222-50, Combating Trafficking in Persons, which implements federal anti-trafficking laws and policy through the government contracting process. Compliance plan thresholds and related requirements may vary based on contract terms and agency-specific deviations.

If this requirement applies to your business, it may include:

- Maintaining a compliance plan that includes an employee awareness program
- Informing employees about the U.S. Government’s policy prohibiting trafficking-related activities, the conduct that is prohibited, and the actions that may be taken for violations
- Implementing reporting and response processes consistent with contract requirements

FAR 52.222-50 references the Department of State Office to Monitor and Combat Trafficking in Persons as a source of information and examples of awareness programs.

Environmental Safety & Health

Providing a safe and healthy work environment is a shared responsibility and an important part of contract performance.

General expectations include:

- Maintaining a safe work environment for employees and applicable third parties
- Posting required safety warnings and notices
- Promptly reporting accidents, injuries, and environmental, safety, or health concerns
- Complying with applicable environmental, health, and safety standards, which may vary by country, location, and contract

Environmental responsibilities may also include managing materials appropriately and following requirements related to their storage, use, handling, and disposal.

Employees are expected to support responsible practices, including efforts to reduce waste and conserve energy, water, and raw materials.

International Trade Compliance

Export and import control laws are designed to protect national and economic security and foreign policy objectives.

What constitutes an export?

- Taking or sending an item or sensitive data out of the country
- Disclosing sensitive information (including oral or visual) to a foreign person — be mindful of electronic transmission

Penalties for export-control violations can be significant — to both the company and individual employees. When in doubt, contact your Trade Compliance or Legal function before sharing technical data, hosting foreign visitors, traveling internationally with sensitive items, or working with non-US suppliers. Obtain US government approval before sharing export controlled information with any non-US person in the US or abroad.

Responsibilities: To Business Partners

Quality

Strict compliance with all contract requirements — including conformance with specifications and quality requirements — is essential. FAR 52.246-2 imposes the following obligations on the contractor:

- Provide and maintain an inspection system acceptable to the Government
- Present for acceptance only supplies that have been inspected in accordance with that system and meet contract requirements
- Prepare records evidencing all inspections; those records must be complete and available to the Government during contract performance and for as long afterward as the contract requires

Any change to a contract requirement must be communicated to the customer in advance and approved before implementation.

Counterfeit Parts

Your counterfeit electronic part detection and avoidance system must meet specific criteria. Contract clause (DFARS 252.246-7007) requires the contractor to address the following areas:



Training of personnel



Electronic part traceability
back to the original
manufacturer



Reporting and quarantining
of suspect parts



Due diligence
of sources

Be sure your detection and avoidance system meets ALL the specific elements outlined in the clause.

Small Business Programs & Audit / Records Access

Small businesses, as well as primes who do business with SBA-certified small businesses under 8(a) and other programs, must understand unique compliance implications.

Small Business Program Compliance

When performing under a small business contract or joint venture:

- Work must be performed consistent with the representations made to the Government regarding size status, ownership, and control
- Limitations on subcontracting requirements may apply, restricting how much work can be subcontracted to other entities
- In a joint venture or mentor-protégé arrangement, employees should understand which entity is performing the work, how labor should be charged, and which company's systems and controls apply
- Reporting to the Government (e.g., subcontracting reports or program status reports) must be accurate and supported by underlying documentation

Misrepresentation of small business status or failure to comply with performance requirements can result in contract termination, False Claims Act exposure, or suspension and debarment.

Audits & Records Access

Government contracts often include audit and records access clauses. Agencies such as DCAA, DCMA, or Inspectors General may review:

- Timekeeping and labor charging
- Cost accounting and billing practices
- Subcontracting performance
- Compliance with small business program requirements

Employees are expected to:

- Maintain accurate, complete, and contemporaneous records
- Ensure time and costs are recorded correctly and supported
- Cooperate professionally with authorized auditors through proper company channels
- Never alter, conceal, or destroy records in anticipation of an audit

Records supporting contract performance must be retained in accordance with applicable contract clauses and regulatory requirements.

Cost Principles & Pricing Integrity

Not all government contracts are subject to the same cost accounting rules. Some contractors and contracts are subject to the Cost Accounting Standards (CAS), while others, particularly certain small businesses or commercial item contracts, may not be. Cost-reimbursable, negotiated contracts may be subject to specific pricing rules.

Allowable vs. Unallowable Costs

The Federal Acquisition Regulation (FAR Part 31) identifies which costs may be charged to the Government.

Common unallowable costs include:



Alcohol and entertainment



Certain advertising or promotional expenses



Fines and penalties



Costs not allocable to contract performance

Employees should ensure that only costs properly related to contract performance are charged to the appropriate project and that personal or unrelated expenses are never billed to the Government.

Truthful Cost or Pricing Data & Proposal Integrity

For certain negotiated contracts, the company may be required to certify that cost or pricing data submitted to the Government is accurate, complete, and current. While employees may not sign these certifications, their work often supports the data submitted.

Examples of information that may be included in proposals or negotiations:



Labor rates and historical time data



Vendor quotes or subcontractor pricing



Bills of materials



Cost estimates and projections

Providing materially incomplete or misleading data, intentionally or through reckless disregard, can lead to defective pricing claims, contract price reductions, or enforcement action.

Responsibilities: To Corporate Citizens

Antitrust Laws

- Antitrust laws promote open and fair competition and protect against unlawful restraints, monopolies, and unfair business practices
- Antitrust laws, sometimes referred to as competition laws, prohibit conduct that undermines fair competition, including price fixing, bid rigging, market allocation, price discrimination, and other improper coordination or unfair trade practices
- Anticompetitive conduct can undermine the integrity of the procurement process and may result in investigations, significant civil or criminal penalties, contract remedies, and suspension or debarment
- Employees must avoid engaging in or discussing activities that may violate antitrust laws or create the appearance of improper coordination, such as:
 - Discussing pricing, bid strategies, or terms with competitors
 - Sharing non-public or competitively sensitive information

- Agreeing informally to divide customers, contracts, or markets
- Coordinating who will bid, how bids will be structured, or whether a company will bid at all

Anti-Boycott Laws

US anti-boycott laws prohibit and penalize participating in or cooperating with, or agreeing to participate in or cooperate with, any boycott not sanctioned by the US government — most notably the Arab boycott of Israel.

- The United States government has identified Iraq, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Syria, and Yemen as boycotting countries
- Other countries not listed by the US government, such as Oman, Pakistan, Bangladesh, and Indonesia also may impose boycott requirements — the Department of the Treasury maintains a list that is updated periodically
- Boycott-related requests may be reportable and prohibited or penalized under US law

Don't make any boycott-related agreement or provide any suspected boycott-related information. Report any suspected boycott-related requests.

Anti-Corruption Laws

- Anti-corruption laws prohibit offering or providing money or anything of value to government officials or others to win new business, retain existing business, or obtain an improper business advantage
- Corruption can take many forms, including bribery, kickbacks, conflicts of interest, falsification of records, or misuse of government information, and may involve interactions with government officials, customers, subcontractors, suppliers, or other third parties
- Employees must comply with applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act
- Violations of anti-corruption laws can result in serious consequences, including investigations, suspension or debarment, loss of export privileges, and significant civil or criminal penalties, including imprisonment

Look for “red flags” and conduct due diligence before engaging the services of international sales representatives, consultants, distributors or other third parties.

Kickbacks

- A kickback is any money, fee, commission, credit, gift, gratuity, thing of value, loan, entertainment, service, or other compensation provided, directly or indirectly, to a prime contractor, prime contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment
- Kickbacks may involve prime contractors, subcontractors, employees, or agents at any tier
- Kickbacks are prohibited and may constitute criminal offenses under U.S. law and the laws of other countries

Do not offer, give, solicit or receive any form of bribe or kickback.

Conflicts of Interest

A conflict of interest generally exists when you have divided loyalties — meaning personal, financial, or other interests interfere, or appear to interfere, with your ability to act objectively and in the best interests of the company.

A conflict of interest may arise when you have a direct or indirect personal interest that could:

- Influence, or reasonably appear to influence, your actions or judgment on behalf of the company
- Cause you to place personal or family interests ahead of the company's business interests

Conflicts of interest may arise in a variety of situations, including:

- Relationships with customers, competitors, suppliers, or business partners
- Relationships with current or prospective employees
- The acquisition or use of company assets, information, or opportunities for personal gain
- Outside employment, consulting, or other business activities

General Guidelines

- Avoid actual conflicts of interest as well as situations that may create the appearance of a conflict
- Do not pursue personal or family interests that conflict, or appear to conflict, with company business interests
- Do not use your position, authority, or business relationships to advance personal or outside interests
- Do not use company property, information, or opportunities for personal benefit
- Be fair and impartial in all business dealings and disclose actual or potential conflicts of interest

Gifts, Business Courtesies

- Avoid the perception that favorable treatment is being sought, received, or given in exchange for gifts or business courtesies
- Ensure that any gift or business courtesy offered or received is permitted by law and consistent with reasonable marketplace customs
- Confirm that a gift or business courtesy does not violate the rules, policies, or standards of conduct applicable to the recipient or the recipient's organization

US Government Officials

Specific guidance located at the Standards of Ethical Conduct for Employees of the Executive Branch (5 CFR 2635) imposes stricter limitations on the giving or offering of business courtesies to certain US government political appointees.

US Executive Branch (including military personnel)

- \$20 USD or less on a single occasion, and collectively no more than \$50 USD in a calendar year from your entire company
- The \$20 USD / \$50 USD limit cannot be adjusted by allowing that individual to pay the dollar amount that exceeds either threshold
- Modest refreshments at a business meeting are allowed, but generally the contractor cannot pay for government employees' meals absent specific, narrow exceptions (i.e. widely attended gathering)

US Legislative Branch Employees (Congressional Representatives and Senators and their staffs)

- The default is no gifts, with narrow, fact-specific exceptions including widely attended gatherings and commemorative items
- Modest value food and refreshments may be acceptable, provided they are offered to a broad group and not targeted to influence a specific individual
- Dollar thresholds and exceptions vary based on the source, the nature of the event, and applicable ethics rules; employees should not assume permissibility based on value alone

US Judiciary (US Supreme Court, US Courts of Appeals, and US District Courts)

- Strict rules and generally prohibited

Foreign Officials

- Do not provide hospitality to foreign officials, except as authorized by local hospitality policies and hospitality rules for foreign officials for each country where you do business
- Subject to the requirements of local law, certain expenses incurred by foreign government officials in order to explain, demonstrate or promote company business are acceptable if they are reasonable and bona fide
- Facilitating or “grease” payments are generally prohibited
- Seek legal guidance to distinguish between dealing with foreign officials covered under the Foreign Corrupt Practices Act and commercial partners (private or state-owned) governed by other laws and policies

Responsibilities: To Shareholders and Other External Stakeholders

Accurate Business Records

We are responsible for creating and maintaining accurate and complete business records, including reports filed with the Securities and Exchange Commission or other regulatory authorities, as well as information used for internal decision-making, contract performance, and billing.

Ensuring accurate business records includes:

- Understanding and following applicable timekeeping and labor-charging policies at your work location
- Properly recording and accounting for all costs, including labor, travel, materials, and other expenses
- Ensuring that statements, communications, and representations to customers, suppliers, and partners are accurate and not misleading
- Never misrepresenting facts, omitting material information, or falsifying records

Information Protection

We are entrusted with sensitive information belonging to our company, customers, suppliers, and other partners.

Mishandling sensitive information can harm national security, damage our reputation and relationships, and expose both individuals and the company to legal risk, including fines and penalties.

When conducting business internationally, additional requirements may apply, such as export controls, privacy laws, and specific information handling and safeguarding obligations.

Handle, store, and protect sensitive information in accordance with applicable laws, contracts, and company policies:

- Obtain proper authorization before disclosing or receiving such information, internally or through a third party (like a supplier, customer or competitor)
- Only access personal information or personal data for legitimate business purposes
- Safeguard the confidentiality of employee records and information
- Prior to disclosing classified or other controlled information, ensure that recipients are properly authorized, have a valid need to know, and that the information is shared only through approved systems and methods
- Controlled Unclassified Information has become a heightened area of risk because it is less obvious than classified information and can span many aspects of contract performance, including technical data
- Use caution when communicating or posting on social media to avoid disclosing sensitive or proprietary information

Artificial Intelligence (AI)

AI tools can support productivity, but introduce new compliance risks when used carelessly.

- Do not enter confidential, personal, export-controlled, or other sensitive information into public AI tools (such as consumer chatbots)
- Treat AI outputs as drafts to review and verify — AI can produce inaccurate or biased information
- Follow Company AI policy and any function-specific restrictions on AI use

Cybersecurity Hygiene

Day-to-day security habits protect Company, customer, and contract information.

- Use strong passwords and multi-factor authentication on company accounts
- Recognize and report phishing or suspicious messages—do not click unknown links or open unexpected attachments
- Use removable media (USB drives, external storage) only as authorized by Company policy
- Report suspected cyber incidents promptly through company channels

Treat cybersecurity as part of contract performance — small lapses can have significant consequences.

Insider Trading

- Insider trading laws prohibit buying or selling securities while in possession of material, nonpublic information
- “Securities” include stocks, stock options, bonds, notes, debentures, put or call options
- “Trading” means buying or selling a security — for example, trading in the open market, or in company plans, like employee stock options or retirement savings plans
- Information, both positive and negative, is “material” if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to trade a security
- Information may be material even if it relates to events that are expected or merely possible
- Information is considered “nonpublic” until it has been widely disseminated, such as through the news or an official announcement, and enough time has passed for the information to be assimilated by the general public, typically one business day
- Do not buy or sell securities while you are in possession of material, nonpublic information

Responsibilities: Doing the Right Thing

Suspension and Debarment

Suspension and debarment are administrative actions used to protect the Government from contractors that lack present responsibility.

- Suspension is a temporary exclusion from new Government contracts while an investigation or legal proceeding is pending
- Debarment is an exclusion from Government contracting for a specified period, often three to five years, based on a determination of lack of business integrity or responsibility

Causes for suspension or debarment may include:

- Criminal convictions or civil judgments involving fraud or false claims
- False statements or falsification of records
- Other conduct indicating a lack of business honesty or integrity

A contractor may be suspended or debarred for misconduct even if it does not arise directly from Government contract performance, such as export control violations, environmental noncompliance, tax offenses, or false records.

Evidence of a strong ethics and compliance program helps mitigate the risk of misconduct and potential suspension or debarment if misconduct does occur.

Whistleblower Protection Act

Whistleblower protection laws prohibit retaliation against employees or applicants who raise concerns or report suspected misconduct.

Protected disclosures may include reports of:

- Violations of law, rule, or regulation
- Gross waste of funds or gross mismanagement
- Abuse of authority
- Substantial and specific dangers to public health or safety

Retaliation or threats of retaliation are prohibited. Employees are encouraged to raise concerns in good faith and in accordance with company policy.

Applicable poster and notice requirements, including Department of Defense hotline postings, must be followed.

Conclusion

Government contracting rules, regulations and procedures prescribe how you do business with the government and...

The rules for supporting US Government contracts are complex.
The penalties for non-compliance can be severe.

Establishing and promoting a strong ethics and compliance program is a proven approach.

The Defense Industry Initiative Ethics & Compliance Playbook can help..

Disclaimer: This document is for reference only and to be used at the consumer's own risk. The Defense Industry Initiative (DII) disclaims any and all liability for any consequences arising out of your use of this document. DII does not guarantee that any or all aspect of this document has been updated to reflect any changes or developments in the law. As such, DII is not responsible for any subsequent regulatory or legal changes that may render this document obsolete. By posting this document, DII is not providing legal advice and is not agreeing to enter into Conclusionionship. Please consult with legal counsel to advise you on establishing, maintaining, and auditing your compliance program.