

The Newspaper for Executives in the Manufacturing Industries

# MANUFACTURING WEEK

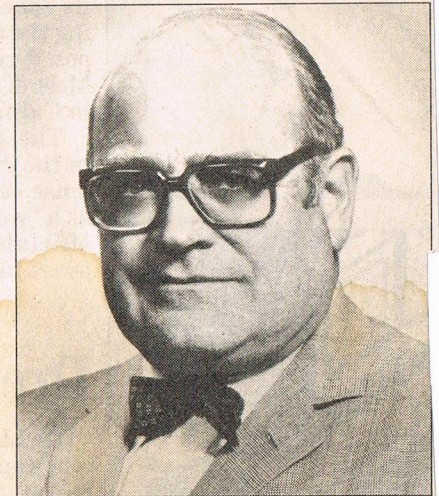
## *Fraud Case Chills DOD?* **Air Force Hits Rockwell**

By Philip Burgert

LOS ANGELES — The recent indictment of Rockwell International Corp. for contract fraud has defense manufacturers fearing a chilling effect on the self-policing program for ethics put into force two years ago.

The Air Force is expected to rule next week on whether Rockwell should be suspended from government contract awards. The indictment charges Rockwell and two of its former managers with double-billing, as well as numerous other charges, under the Air Force Navstar Global Positioning Satellite contracts.

The Jan. 26 indictment, based on



Rockwell's Harff questions if the Pentagon is committed to its own policy.

information given to the government by Rockwell, was described by officials at Rockwell and other defense industry companies as threatening

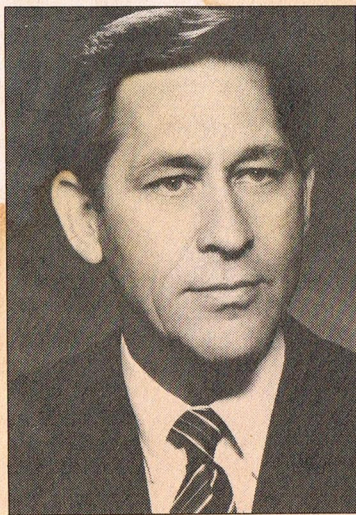
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*Judgment Due Within A Week*

2/8/88

# DOD To Rule On Barring Rockwell From Defense Work



United Technologies' McAbee: Voluntary disclosure goes both ways.

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to have a chilling effect on a voluntary 2-year-old self-governing program joined by 45 defense contractors.

Charles H. Harff, Rockwell's senior vice president, general counsel and secretary, said the company "has vigorously supported the government's voluntary disclosure policy" which had led defense contractors to believe that criminal processes would not be used to resolve contract irregularities.

"Since Rockwell believes that it fulfilled all requirements of the voluntary disclosure program, this indictment calls into question the government's commitment to its own policy."

Executives at other contractors in the program, which sprang from a recommendation of the Packard Commission study of defense management and is known as the Defense Industry Initiatives, said they do not plan to withdraw from the program although the indictment may keep more contractors from joining.

"We have made a firm commitment to voluntary disclosure," said Frank W. McAbee Jr., vice president for government contracts and compliance at United Technologies Corp., Hartford, Conn. "We think it is the proper thing to do but it needs to be a two-way street."

McAbee said the voluntary

disclosure process had been hurt a few months ago by similar charges brought against the Redondo Beach, Calif.-based space and defense businesses of TRW Inc. "That (investigation) did have a chilling effect," he said.

Crossen R. Anderson, an assistant U.S. Attorney who helped prepare the Rockwell indictment, said the Department of Defense had decided "this was not a voluntary disclosure case." He said that Rockwell had attempted to hide the fraud from government investigators before revealing the result of an internal investigation.

Voluntary disclosure has been "specified by the Depart-

ment of Justice as one of the factors that would be taken into consideration before filing an indictment," said George Hage, vice president for business practices at Northrop Corp.

The 45 contractors now in the ethics program accounted for about half of the contracts awarded by the government in 1986, according to the first annual report on the program issued late last month by the independent Ethics Resource Center Inc. in Washington. The report found that companies that joined the program before last June were in nearly full compliance with the principals of business ethics and conduct established by the initiatives.