

## The Compliance Mentor-Protégé Program: Improving Compliance in Small to Mid-Sized Contractors

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Over the past decade, the anti-corruption, ethics and compliance landscape has changed dramatically. This is a direct consequence of a robust anti-corruption enforcement effort by the United States and other countries. This increase in enforcement has also been spurred by the passage of several multilateral anti-corruption agreements, such as the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention against Corruption (UNCAC), which prohibit, among other things, the bribery of foreign government officials. They also require companies to dedicate resources to anti-corruption compliance measures.

The increase in anti-corruption enforcement has had a profound impact on large, multinational corporations. Many of these companies have responded to this increase in enforcement by investing heavily in robust and sophisticated compliance programs designed to prevent or reduce liability for anti-corruption violations. This development has been most pronounced in the defense industry where large, U.S. defense contractors have developed rigorous compliance programs.

Unfortunately, in contrast to their large counterparts, many small to mid-sized government contractors remain largely disconnected to the rapidly evolving trends and best practices in ethics and compliance. Their inattention to this critical area leaves smaller contractors at risk for compliance failures, fraud and corruption. As a result, small to mid-sized contractors are more likely to be debarred from the U.S. procurement system than their large counterparts.

Despite the harsh consequences that stem from these compliance deficiencies, few small contractors dedicate resources to the development of critical compliance policies and internal controls. This has resulted in a critical gap in the defense industry supply chain, as many large contractors regularly partner with small, compliance-deficient companies. One possible solution to this growing problem is to incentivize large government contractors to work with their small partners to help develop their compliance programs. To be effective, the incentives must be

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substantial so that large contractors are willing to share their confidential and proprietary programs with other companies.

Fortunately, a model for this type of arrangement exists: the U.S. government's Mentor Protégé Program. The U.S. government designed the Mentor-Protégé program to help small businesses navigate the immense government contracts regulatory system. Under this program, the larger, more experienced contractor serves as a "mentor" to the smaller contractor (the "protégé"). Among other things, the mentor guides the protégé through the complex procurement regime by sharing expertise and resources. In return, the mentor is provided with contractual opportunities and incentives.

A "Compliance Mentor-Protégé" program could successfully foster the development of robust and effective anti-corruption, ethics and compliance programs that are currently lacking in many small businesses. Moreover, large contractors would similarly benefit from new financial and contractual incentives provided under the program. Together, this program could enhance the U.S. procurement system by ensuring that the government's business partners, large and small, establish and maintain effective ethics and compliance programs.