



DIRECTOR OF ADMINISTRATION AND MANAGEMENT
1950 DEFENSE PENTAGON
WASHINGTON, DC 20301-1950

The Honorable Charles E. Grassley
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

JUN 21 2023

Dear Senator Grassley:

I write in response to your letter of March 16, 2023, to Secretary of Defense Lloyd J. Austin III, regarding the Department of Defense's (DoD) use of consultants designated as Special Government Employees (SGEs). I am responding on Secretary Austin's behalf. This response reflects our diligent efforts to collect, synthesize, and coordinate information regarding SGEs across the Department.

The Department is deeply committed – from the very top down – to ensuring that all DoD personnel carry out their duties and responsibilities ethically. DoD is fortunate to have an array of professionals who provide advice across the Department as SGEs. These professionals play a vital role in ensuring our nation's security. DoD SGEs are subject to the criminal conflict of interest laws which address: (1) financial conflicts of interest; (2) representational activities; and (3) limits on representational activities after leaving DoD.¹ The primary conflict of interest statute, Section 208, specifically, prohibits SGEs from participating personally and substantially in particular matters in which they, their spouse, or any organization in which they serve as an officer, director, or employee, have a financial interest. Further, regulations issued by the U.S. Office of Government Ethics applicable to SGEs include prohibitions intended to prevent employees from using their public office for private gain. SGEs receive training on these rules from DoD ethics officials using guidance developed by the DoD Standards of Conduct Office, which can be found at: <https://dodsoco.ogc.osd.mil/>.

DoD has earned a strong reputation for administering effective training and compliance programs across the Department. DoD ethics officials, all of whom are attorneys, annually train more than 3,000 SGEs throughout the Department. Most SGEs, except those exempted by the agency because they do not work on matters that raise conflict of interest concerns, file a Confidential Financial Disclosure Report which is reviewed by an ethics official. Ethics officials work with SGEs individually to remedy any potential conflicts of interest identified in this review.

All SGEs in the Office of the Secretary of Defense (OSD) must sign a Disqualification Statement certifying the prospective employee's understanding that he/she is recused from participating in any particular matter that would present a conflict of interest or impartiality issue, to include any matters where a current non-Federal employer or client is a party or has financial interests that would be affected by the matter. These documents are reviewed by ethics

¹ See 18 U.S.C. §§ 203, 205, 207, and 208.

counsel prior to appointment. Additionally, all SGEs in OSD receive written interactive training on the ethics rules that apply to them. In order to be appointed, each SGE must certify that they have reviewed the training. This certification is submitted as part of their onboarding package. Live ethics training is also provided for most Federal Advisory Committee Act boards at least once a year. The DoD Standards of Conduct Office in the DoD Office of General Counsel tracks compliance with these training requirements for OSD.

DoD works diligently to promote compliance with both the letter and spirit of the ethics regulations and conflict of interest laws that apply to SGEs. It is very rare that SGEs at DoD present conflicts of interest that cannot be addressed using the processes provided in the Standards of Ethical Conduct for Employees of the Executive Branch.

Thank you for your continued support of the men and women of the Department of Defense.

Sincerely,

A handwritten signature in black ink that reads "Michael B. Donley". The signature is written in a cursive, flowing style. The "M" is large and loops around the "i". The "B" is also large and loops around the "y". The signature is positioned above the printed name.

Michael B. Donley