

# Subpart 3.10 - Contractor Code of Business Ethics and Conduct

**Parent topic:** [Part 3 - Improper Business Practices and Personal Conflicts of Interest](#)

## 3.1000 Scope of subpart.

This subpart-

- (a) Implements [41 U.S.C. 3509](#), Notification of Violations of Federal Criminal Law or Overpayments; and
- (b) Prescribes policies and procedures for the establishment of contractor codes of business ethics and conduct, and display of agency Office of Inspector General (OIG) fraud hotline posters.

## 3.1001 Definitions.

As used in this subpart-

*Subcontract* means any contract entered into by a *subcontractor* to furnish *supplies* or services for performance of a prime contract or a *subcontract*.

*Subcontractor* means any supplier, distributor, vendor, or firm that furnished *supplies* or services to or for a prime contractor or another *subcontractor*.

*United States* means the 50 States, the District of Columbia, and *outlying areas*.

## 3.1002 Policy.

- (a) Government contractors *must* conduct themselves with the highest degree of integrity and honesty.
- (b) Contractors *should* have a written code of business ethics and conduct. To promote compliance with such code of business ethics and conduct, contractors *should* have an employee business ethics and compliance training program and an internal control system that-
  - (1) Are suitable to the size of the company and extent of its involvement in Government *contracting*;
  - (2) Facilitate timely discovery and disclosure of improper conduct in connection with Government contracts; and
  - (3) Ensure corrective measures are promptly instituted and carried out.

### 3.1003 Requirements.

(a) *Contractor requirements.*

(1) Although the policy at [3.1002](#) applies as guidance to all Government contractors, the contractual requirements set forth in the clauses at [52.203-13](#), Contractor Code of Business Ethics and Conduct, and [52.203-14](#), Display of Hotline Poster(s), are mandatory if the contracts meet the conditions specified in the clause prescriptions at [3.1004](#).

(2) Whether or not the clause at [52.203-13](#) is applicable, a contractor *may* be suspended and/or debarred for knowing failure by a principal to timely disclose to the Government, in connection with the award, performance, or closeout of a Government contract performed by the contractor or a *subcontract* awarded thereunder, credible evidence of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the *United States Code* or a violation of the civil False *Claims Act*. Knowing failure to timely disclose credible evidence of any of the above violations remains a cause for *suspension* and/or *debarment* until 3 years after final payment on a contract (see [9.406-2\(b\)\(1\)\(vi\)](#) and [9.407-2\(a\)\(8\)](#)).

(3) The Payment clauses at FAR [52.212-4\(i\)\(5\)](#), [52.232-25\(d\)](#), [52.232-26\(c\)](#), and [52.232-27\(l\)](#) require that, if the contractor becomes aware that the Government has overpaid on a contract financing or *invoice* payment, the contractor *shall* remit the overpayment amount to the Government. A contractor *may* be suspended and/or debarred for knowing failure by a principal to timely disclose credible evidence of a significant overpayment, other than overpayments resulting from contract financing payments as defined in [32.001](#) (see [9.406-2\(b\)\(1\)\(vi\)](#) and [9.407-2\(a\)\(8\)](#)).

(b) *Notification of possible contractor violation.* If the *contracting officer* is notified of possible contractor violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 U.S.C.; or a violation of the civil False *Claims Act*, the *contracting officer shall*-

(1) Coordinate the matter with the agency Office of the Inspector General; or

(2) Take action in accordance with agency procedures.

(c) *Fraud Hotline Poster.*

(1) Agency OIGs are responsible for determining the need for, and content of, their respective agency OIG fraud hotline poster(s).

(2) When requested by the Department of Homeland Security, agencies *shall* ensure that contracts funded with disaster assistance funds require display of any fraud hotline poster applicable to the specific contract. As established by the agency OIG, such posters *may* be displayed in lieu of, or in addition to, the agency's standard poster.

### 3.1004 Contract clauses.

(a) Insert the clause at FAR [52.203-13](#), Contractor Code of Business Ethics and Conduct, in *solicitations* and contracts if the value of the contract is expected to exceed \$7.5 million and the

performance period is 120 days or more.

(b)

(1) Unless the contract is for the *acquisition* of a *commercial product* or *commercial service* or will be performed entirely outside the *United States*, insert the clause at 52.203-14, Display of Hotline Poster(s), if-

(i) The contract exceeds \$7.5 million or a lesser amount established by the agency; and

(ii)

(A) The agency has a fraud hotline poster; or

(B) The contract is funded with disaster assistance funds.

(2) In paragraph (b)(3) of the clause, the *contracting officer shall*-

(i) Identify the applicable posters; and

(ii) Insert the website link(s) or other contact information for obtaining the agency and/or Department of Homeland Security poster.

(3) In paragraph (d) of the clause, if the agency has established policies and procedures for display of the OIG fraud hotline poster at a lesser amount, the *contracting officer shall* replace "\$7.5 million" with the lesser amount that the agency has established.