DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Supplier Risk Management Through Standard Contract Surveillance

Engineering and Analysis Directorate  DCMA-INSTR 219
DCMA-EA  May 22, 2013

1. PURPOSE. This Instruction:

   a. Establishes policy, assigns responsibilities, and provides instruction to govern Contract Administration Service (CAS)/Contingency Contract Administration Service (CCAS) mission execution in accordance with DoD Directive 5105.64 (Reference (a)).

   b. Describes the process foundation for consistent and credible communications with DoD components on issues related to supply chain risk.

   c. Defines a supplier risk rating methodology and a consistent surveillance process to fulfill DCMA’s vision to become “DoD’s leading expert in supply chain predictability.” (DCMA Strategic Plan FY 09-13, Vision, Reference (b)).

2. APPLICABILITY. This Instruction applies to DCMA components that develop direct mission policy. (DCMA components as used in this Instruction include Aircraft Operations (AO), Contracts (AQ), Engineering and Analysis (EA), Program Management and Integration (PI), and Quality Assurance (QA)). This Instruction describes the high-level surveillance process and supplier risk rating model to be incorporated into Instructions and Annexes, as appropriate.

3. MANAGERS’ INTERNAL CONTROL PROGRAM. In accordance with DCMA Instruction (DCMA-INST) 710, “Managers’ Internal Control Program” (Reference (c)), this Instruction is subject to evaluation and testing. The process flowchart is located at Appendix A.

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODE. 191 – Plans and Policy Development.

6. POLICY RESOURCE WEB PAGE.  https://home.dcma.mil/policy/219r

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective immediately.

Karron E. Small
Executive Director, Engineering and Analysis
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(b) DCMA Strategic Plan for FY 09-13, Vision
(c) DCMA-INST 710 “Managers’ Internal Control Program,” September 12, 2011
(f) DCMA-INST 118, “Contract Receipt and Review,” October 2010
(g) Section 1905 of title 18, United States Code, Trade Secrets Act
(h) DCMA-INST 552, “Information Security Program,” August 2004
(i) DCMA-INST 209, “Preaward Surveys,” December 2011
(k) Federal Acquisition Regulation (FAR)
(l) Defense Federal Acquisition Regulation Supplement (DFARS)
(m)DCMA-INST 1201, “Corrective Action Process,” December 4, 2010
CHAPTER 1

POLICY

1.1. POLICY.

1.1.1. This Instruction defines a DCMA supplier risk rating methodology and a standard surveillance process. DCMA is globally positioned to gather insight on suppliers through the execution of our CAS oversight mission. With consistent data collection, DCMA can provide an overall risk rating for each supplier the Agency oversees.

1.1.2. DCMA’s ability to add value to the defense acquisition enterprise is greatly enhanced by providing a credible supplier risk rating. Within the agency the supplier risk rating will be used as a factor in developing surveillance plans and allocating resources. Furthermore, identifying high risk suppliers by program, commodity, and/or geography becomes a significant input to industrial base assessments for our customers.

1.2. SUPPLIER RISK RATING.

1.2.1. Supplier Risk. The “Risk Management Guide for DoD Acquisition” (Reference (d)), identifies risk as “a measure of future uncertainties in achieving program performance goals within defined cost and schedule constraints. It has three components: a future root cause, a likelihood assessed at the present time of that future root cause occurring, and the consequence of that future occurrence.” Although that model is designed for program risk, the essence of its philosophy applies to supplier risk as well. In general, to assess the risk of a supplier disrupting the supply chain in the near future DCMA shall implement an objective methodology to assess consequence and likelihood using the risk reporting matrix (Risk Management Guide for DoD Acquisition, (Reference (d))).

1.2.2. Risk Reporting Matrix. The risk reporting matrix as applied to supplier risk, Figure 1, is a two dimensional model using consequence and likelihood as the independent variables. Since consequence and likelihood are typically subjective assessments, DCMA shall use the following objective methods to measure supplier risk. To determine likelihood, DCMA shall (in development) develop and calculate a performance index on a scale from 0 to 100 based on supplier performance where 100 is the best performance and 0 is the worst. Performance was chosen since a supplier performing well today is likely to perform well in the near future. Consequence, on the other axis, is best described through a criticality index based on characteristics that make contracts and the contractor’s processes important. Example characteristics may include Defense Priorities and Allocations System (DPAS) (part 700 of title 15, Code of Federal Regulations (Reference (e))) rating assigned to those programs of the highest national priority, higher level quality requirements, acquisition category designation, critical safety item, sole source, etc. DCMA shall develop and calculate a criticality index on a scale from 0 to 100 based on contract criticality characteristics where 100 is the most critical and 0 is the least.
1.2.3. **Supplier Risk Rating.** Plotting the two indices on a risk reporting matrix will pictorially show the supplier risk. The standard red, yellow, green assessment from the “Risk Management Guide for DoD Acquisition” (Reference (d)) shall be used. DCMA shall implement automated information technology (IT) to calculate and display supplier risk using the risk reporting matrix format. In addition, DCMA shall develop an integrated supplier risk rating that consolidates the criticality and performance indices into a single rating. The supplier risk rating shall also be on a scale from 0 to 100 where 100 is the highest risk (worst performance and most critical) and 0 is the lowest risk (best performance and least critical). Lower level root cause data detailing the information included in the indices’ algorithms shall also be available through a drill down mechanism incorporated into data reporting tools.

1.2.4. **Key Supplier.** The term key supplier universally refers to importance; however, the criteria for defining importance can vary significantly. The use of the risk reporting matrix provides an opportunity to have a consistent definition of key supplier. Since key tends to mean high risk or high criticality, then a key supplier would be any supplier with a supplier risk rating that falls in either the high risk (red) portion of the matrix, or those suppliers that are high criticality but good performers (two yellow boxes on the right side of the matrix).

1.3. **STANDARD SURVEILLANCE PROCESS.**

1.3.1. An important aspect of DCMA’s CAS oversight activity is assessing a supplier’s ability to perform to the terms of a contract, and to identify, analyze, and mitigate risk. This process also allows for the collection and calculation of the supplier risk rating described in paragraph 1.2. In order to collect data useful in calculating an index, consistent supplier oversight processes and data collection must be utilized. DCMA components shall follow the standard surveillance process described in this Instruction.

1.3.2. The process DCMA uses to accomplish CAS supplier oversight is a risk management process (Figure 2). When workload (either a contract or delegation) is assigned, DCMA’s responsibility is to identify, analyze, and mitigate risk. Expanding the identify, analyze, and mitigate supplier risk process element unveils the major elements of DCMA’s standard surveillance process (Figure 3). DCMA’s standard surveillance process closely mirrors the risk management definition found in Reference (d). The Guide defines risk management as “An
overarching process that encompasses identification, analysis, mitigation planning, mitigation plan implementation, and tracking of future root causes and their consequence.” Specific to DCMA, we identify risk, assess risk, plan surveillance to mitigate risk, execute that surveillance, then analyze the results in an iterative method that continues to assess risk and adjust surveillance activities. The detailed description of the individual process is in Chapter 3, Procedures.

**Figure 2. Risk Management Process**

**Figure 3. Standard Surveillance Process**
1.4. STANDARD SURVEILLANCE POLICY AND SUPPLIER RISK RATING.

1.4.1. The supplier risk rating requires both a performance index and a criticality index as described in paragraph 1.2.2. The indices require an algorithm and the algorithm requires data. The data is collected through the standard surveillance process as applied over multiple contracts, purchase orders, or delegations at a given supplier (prime contractor, first tier, or sub-tier). Figure 4 shows the interface of data between the Standard Surveillance Process and the Supplier Risk Rating.

(NOTE: Supplier Risk Rating data is not the only information used or gleaned from the Standard Surveillance Process.)

Figure 4. Supplier Risk Data Interface

1.4.2. Criticality Index Data. Criticality data shall be identified as part of the receive and review workload process element (includes contract receipt and review (DCMA-INST 118, “Contract Receipt and Review” (Reference (f) Reference (i)) and contract technical review). DCMA components that publish direct mission policy shall develop a template to identify criticality data that should be incorporated into an automated criticality index associated with each contract or internal delegation under surveillance. Template items should be yes/no
questions or finite data elements that identify the critical components of a contract within a given function and are easily obtained from review of contract requirements. Additional criteria based on non-contract specific criteria may also be included (e.g., industrial base, contractor systems, or financial criticality).

1.4.3. **Performance Index Data.** Performance data is collected during the execution of contract administration and typically assesses the supplier’s overall performance. It can be a reflection of the supplier’s aggregated recent past performance (e.g., on-time delivery rate) or DCMA’s current assessment of the supplier’s performance (e.g., business system assessment). DCMA components shall work together to identify the measures and algorithm to calculate the supplier performance index.

1.4.4. **Supplier Risk Rating.** The supplier risk rating and the associated data from which it is derived shall be an input to the risk assessment process element. Each DCMA component shall incorporate the supplier risk data when assessing risk and identifying processes needing surveillance and the level of contract surveillance required. In addition, the supplier risk rating shall be a critical input to cross supplier assessments by program, sector, commodity, customer, etc.

1.5. **DISCLOSURE OF INFORMATION.** This Instruction directs the aggregation and sharing of suppliers’ financial, technical, or business propriety and competitive sensitive data, which is protected by the Trade Secrets Act (section 1905 of title18, United States Code (Reference (g))) and/or other information protection legislation. Employees must not disclose or release this data to any third party without first consulting the DCMA’s Office of General Counsel. Unauthorized release of proprietary data constitutes a criminal offense. Further guidance on the control, handling, and destruction of controlled unclassified information (CUI) and classified information can be found in DCMA-INST 552, “Information Security Program” (Reference (h)).

1.6. **SECURITY.** If a DD Form 254, Contract Security Classification Specification, is attached to the contract being evaluated, personnel will be required to consult applicable security classification guidance to ensure that the information compiled does not reveal classified or sensitive aspects of the programs being supported. Consult DCMA INST-552 (Reference (h)) for guidance in the control and handling of classified information and CUI. In addition, it must be determined that personnel assigned to these contracts have the applicable personal security clearance needed to support their work on the assigned contracts.
CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. EXECUTIVE DIRECTOR, ENGINEERING AND ANALYSIS (EA) DIRECTORATE. The Executive Director, EA shall:

2.1.1. Maintain and update this Instruction as necessary.

2.1.2. Incorporate the standard surveillance process elements, performance index, criticality index, and supplier risk rating into functional policy.

2.1.3. Establish a functional criticality index (see paragraph 1.4.2.) for the criticality index algorithm.

2.1.4. Develop the supplier risk, performance risk, and criticality index algorithms and criteria for all levels.

2.2. EXECUTIVE DIRECTOR, QUALITY ASSURANCE (QA) DIRECTORATE. The Executive Director, QA shall:

2.2.1. Incorporate the standard surveillance process elements, performance index, criticality index, and supplier risk rating into functional policy.

2.2.2. Establish a functional criticality index (see paragraph 1.4.2.) for the criticality index algorithm.

2.2.3. Support EA with the development of supplier risk model algorithms.

2.3. EXECUTIVE DIRECTOR, CONTRACTS (AQ) DIRECTORATE. The Executive Director, AQ shall:

2.3.1. Incorporate the standard surveillance process elements, performance index, criticality index, and supplier risk rating into functional policy.

2.3.2. Establish a functional criticality index (see paragraph 1.4.2.) for the criticality index algorithm.

2.3.3. Support EA with the development of supplier risk model algorithms.

2.3.4. Develop and recommend financial criticality and performance measures for possible inclusion in index algorithms.

2.4. EXECUTIVE DIRECTOR, PROGRAM MANAGEMENT AND INTEGRATION (PI) DIRECTORATE. The Executive Director, PI shall develop and recommend industrial base, program, corporate, and other criticality measures for possible inclusion the criticality algorithm.
2.5. EXECUTIVE DIRECTOR, INFORMATION TECHNOLOGY (IT). The Executive Director, IT shall develop data architecture and reporting capability to collect, analyze, and display the supplier risk index as described in Chapters 1 and 3.

2.6. EXECUTIVE DIRECTOR, AIRCRAFT OPERATIONS (AO) DIRECTORATE. The Executive Director, AO shall incorporate the standard surveillance process elements into functional policy, as appropriate.
CHAPTER 3

PROCEDURES

3.1. STANDARD SURVEILLANCE PROCESS. Each of the ten process elements in Appendix A shall be incorporated into Agency policy, as appropriate. The following paragraphs identify the primary inputs, outputs, and functionality for each process element. They also describe the major categories of data necessary to support supply chain predictability and establishing a supplier risk rating. The ten process elements of the standard surveillance process are:

- Conduct Pre-Award Activities (if applicable)
- Receive and Review Workload
- Correct Deficiencies
- Assess Risk
- Plan Surveillance
- Delegate Workload
- Execute Surveillance
- Request Corrective Action
- Analyze Results
- Close Out Contract

3.2. CONDUCT PREAWARD ACTIVITIES.

3.2.1. The purpose of the conduct preaward activities process element is to collect information about suppliers for assessing risk prior to contract award. The primary conduit for collection is through a preaward survey, DCMA-INST 209, “Preaward Surveys” (Reference (i)), requested by the buying office or government customer. The following major categories of supplier profile data shall be validated/collection and stored for Agency access as part of preaward activities. Suggested data elements in parenthesis are provided for clarification.

- Supplier Identifier (e.g., name, Commercial and Government Entity Code (CAGE), Data Universal Numbering System (DUNS), physical address/geographic location, corporate parent and child relationships)
- Product Line(s) (name/type, national stock number (NSN), North American Industry Classification System (NAICS), Federal Stock Class, Weapon System Code, Program Code, Air Operations, National Aeronautics and Space Administration (NASA), Navy Special Emphasis Program (NSEP), as applicable)
- Certifications (International Organization for Standardization, Aerospace Standards, Capability Maturity Model Integration) with approval and expiration date)
- Significant Manufacturing Processes and Material (Heat Treat, Shot Peen, etc.)
- Supplier Type (Design Authority, Build to Print, Distribution, Repair, Special Processes)
- Supplier Capacity (manufacturing square footage, percent utilized, workforce size, number of shifts, etc.)
• DD Form 254, Contract Security Classification Specification

3.2.2. Data collected during preaward activities shall be used for supplier risk assessment and industrial base assessments. Where no or outdated preaward data is available in authoritative data tables, data that is obtained as a result of surveillance activities shall be collected or updated during receive and review workload or assess risk process elements as most appropriate.

3.3. RECEIVE AND REVIEW WORKLOAD.

3.3.1. The purpose of the receive and review workload process element is to accept workload within DCMA’s mission, DCMA-INST 402, “Workload Acceptance” (Reference (j)); to evaluate the criticality of the workload; and to identify and correct deficiencies in contracts, DCMA-INST 118 (Reference (f)), or delegations. It is important that visibility of workload is treated consistently within a contract management office (CMO) independent of whether the workload originates as a direct contract, a place of performance contract, or a delegation.

3.3.2. Data collected during receive and review workload is typically derived from a contract or a purchase order (in the case of a delegation). DCMA components shall maintain checklists that identify the objective characteristics important for understanding the criticality of the work. Since much of the data needed to assess criticality is embedded in the contract, it is desirable to leverage data systems to automate or prepopulate the information for technical and contract specialists to review.

3.3.3. Based on each of the checklists, an associated criticality index shall be developed by contract and delegation. The index shall be on a scale from 0 to 100 with 100 being the most critical. An overall supplier criticality index shall be derived based upon all criticality indices for a given supplier and the criticality indexes for the contractor’s systems as appropriate, giving appropriate weight to the highest individual critical rating.

3.4. CORRECT DEFICIENCIES. The purpose of the correct deficiencies process element is to identify problems in workload that may hinder DCMA from executing our oversight. For contracts, this process involves identifying inconsistent, inappropriate, or missing contract clauses; administrative deficiencies; or mechanization of contract administration (MOCAS) data integrity errors (DCMA-INST 118 Reference (f)). For delegations, this involves understanding the specific oversight needed from the delegating CMO. In either case, the correct deficiencies process requires communications with customers, both internal and external. The desired result of the correct deficiencies process is a corrected workload document (contract or delegation), which can be used to update receive and review workload checklists as appropriate.
3.5. ASSESS RISK.

3.5.1. The purpose of the assess risk process element is to identify, assess, and document risks to current and future contract performance. Risks are based on consequence and likelihood and can be categorized as financial, business, quality, manufacturing, program, etc. All functional risk assessments shall consider the supplier risk rating and its associated components of criticality (consequence) and past performance (likelihood). Assessing risk is an iterative activity that should be reassessed as changes occur in contract requirements or execution.

3.5.2. The output of a risk assessment is the identification of supplier processes and systems that require surveillance planning; the identification of sub-tier suppliers and associated risks; the level of contract surveillance required and a recommendation for, if applicable, a post-award conference.

3.5.3. Manufacturing risk should include an assessment of capacity data. Capacity data should prepopulate when available. If not available, or outdated, it should be collected and included in the risk assessment.

3.5.4. Assessing supply chain risk requires the identification of first/sub-tier suppliers and an assessment of their supplier risk index. The identification of suppliers is a necessary component to providing supply chain maps and determining where delegations are prudent to mitigate risk. Suppliers shall be identified independent of whether a delegation is issued.

3.6. PLAN SURVEILLANCE.

3.6.1. The purpose of the plan surveillance process element is to identify the resources (hours) and the frequency and intensity (schedule) necessary to provide the appropriate level of oversight of the supplier’s processes and contract surveillance identified during the assess risk process and identify the areas where surveillance activities are required, but resources are not available to perform these activities.

3.6.2. Surveillance plans shall become standardized by function and incorporated within an information system. The information system shall be used to integrate surveillance schedules and roll up organizational resource requirements (future state).

3.6.3. The surveillance planning process shall identify those first/sub-tier locations where DCMA oversight is necessary in accordance with FAR 42.202(e)(2) and DFARS 242.302 (References (k) and (l)). Delegations shall be initiated for such oversight.

3.7. DELEGATE WORKLOAD. The purpose of the delegate workload process element is to flow specified workload to the location where it is most effective for mitigating risk. Delegated workload shall be treated the same as direct contract workload, therefore, delegated workload requires the identification of data elements similar to those used to assess criticality of direct contract workload. Some of those data elements could include: purchase order value, critical safety item, DPAS rating, etc. (also see paragraph 1.2.2.). Specific data elements shall be
identified by function, based on function’s criticality index identified in receive and review workload.

3.8. EXECUTE SURVEILLANCE.

3.8.1. The purpose of the execute surveillance process element is to mitigate risk and document the results of all functional product examinations, process reviews, and system audits. The data and information resulting from executing a surveillance plan shall be used for the following: to request supplier corrective action; to communicate with our customers, supplier contract/program performance and risks as an input to calculate the performance index; adjusting contractor risk, influence contractor performance, and for analyzing and adjusting surveillance plans.

3.8.2. Surveillance results for delegated work shall be documented in the same way as direct contract work.

3.8.3. Internal to DCMA, resources (hours) consumed during surveillance activities shall be compared to planning estimates to validate resources and adjust future surveillance plan estimates.

3.9. REQUEST CORRECTIVE ACTION. The purpose of the request corrective action process element is to notify contractors of DCMA discovered contract nonconformities at all supplier levels and ensure a Corrective Action Plan (CAP) is developed and implemented in accordance with DCMA-INST 1201, “Corrective Action Process,” (Reference (m)). All functional specialists shall use a common corrective action request (CAR) methodology to request corrective actions by prime contractors. Data and information from the CAR, the CAP, and the CAP’s closure shall be available for analysis and should be used as an input to the supplier performance index.

3.10. ANALYZE RESULTS. The purpose of the analyze results process element is to:

3.10.1. Assess and communicate supplier contract performance in the areas of cost, schedule, and technical performance.

3.10.2. Provide a basis of confidence in a supplier’s continued performance.

3.10.3. Determine the effectiveness of a supplier’s quality and business systems in accordance with FAR and DFARS (References (k) and (l)).

3.10.4. Provide a basis for a decision to concentrate or increase surveillance on those areas in a supplier’s facility where nonconformities or process variation casts doubt on the processes’ ability to meet requirements (feedback loop to assess risk).

3.10.5. Provide a basis for a decision to reduce or increase surveillance.

3.10.6. Provide the basis for consistent assessment of applicable performance indicators.
3.10.7. Provide a basis for decisions related to the allocation of Government resources.

3.10.8. Provide consistently measured information for use in operational and strategic level analysis and reporting.

3.11. CLOSE OUT CONTRACT. The purpose of the close out contract process element is to close contract files within the FAR-mandated time standards. This includes the termination of any delegations associated with a closed contract.
APPENDIX A

STANDARD SURVEILLANCE PROCESS

 Conduct Pre-Award Activities

 Contract or Delegation

 Correct Deficiency

 Receive and Review Workload

 Assess Risk

 Delegate Workload

 Plan Surveillance

 Request Corrective Action

 Execute Surveillance

 Analyze Results

 Close out Contract

 Stop

 Criticality Data

 Criticality and Past Performance Data

 Performance Data

 1.4.2

 1.4.4

 3.2

 3.3

 3.5

 3.6

 3.8

 3.10

 3.11

 3.4

 3.7

 3.9
### Table 1. Process Control Points

<table>
<thead>
<tr>
<th>Key Control</th>
<th>Functional Area</th>
<th>Risk</th>
<th>Possible Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AQ/EA/QA</td>
<td>Lack of criticality data inhibits the automated determination of supplier risk</td>
<td>Ensure functional criticality indices are being calculated based on contract receipt and review checklists</td>
</tr>
<tr>
<td>2</td>
<td>AQ/EA/QA</td>
<td>Lack of supplier risk ratings allows high risk suppliers to potentially be overlooked during surveillance planning</td>
<td>Ensure the supplier risk index is being considered in the overall contract/supplier/program risk assessment</td>
</tr>
<tr>
<td>3</td>
<td>AQ/EA/QA</td>
<td>Lack of performance data inhibits the automated determination of supplier risk</td>
<td>Ensure data integrity of data elements used in the calculation of the performance index algorithm</td>
</tr>
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</table>
GLOSSARY
DEFINITIONS

Capacity. The physical facilities, personnel and process available to meet the product or service needs of customers. Capacity generally refers to the maximum output or producing ability of a machine, a person, a process, a factory, product, or a service.

Critical Items. Those items (e.g., functions, parts, software, characteristics, processes) having significant effect on the product realization and use of the product; including safety, performance, form, fit, function, produce-ability, service life, etc., that require specific actions to ensure they are adequately managed. Examples of critical items include safety critical items, fracture critical items, mission critical items, key characteristics, etc.

Critical Supplier. Any supplier that has a criticality index above established levels according to the criticality criteria on the risk matrix (independent of performance).

High Risk Supplier. Any supplier that has a criticality index above established levels according to the criticality criteria in combination with a performance index below established levels according to the performance criteria on the risk matrix. High risk suppliers fall in the red portion of the risk matrix.

Industrial Capability. Skills, knowledge, facilities, equipment, processes, and technology necessary to research, develop, manufacture, repair, and maintain products in support of DoD programs.

Key Supplier. Any supplier that is either a high risk supplier or a critical supplier. Includes high risk suppliers that fall in the red portion of the risk matrix plus the two highest (yellow) critical suppliers.

Oversight. The DCMA process that reduces risk through assessment of a supplier’s ability to perform to the terms and condition of a contract.

Risk Management. An overarching process that encompasses identification, analysis, mitigation planning, mitigation plan implementation, and tracking of future root causes and their consequence.

Single Source. A company or facility that is designated as the only accepted source for the supply of parts, components, materials, or services, even though other sources with equivalent technical know-how and production capability exist.

Sole Source. A company or facility that is the only source for the supply of parts, components, materials, or services. No alternative domestic or foreign suppliers exist other than the current supplier.

Sub-tier Supplier. The supplier (subcontractor) that holds a contract obligation below the First Tier Supplier level.
Supplier. An entity that provides products, goods, and/or services. Suppliers can be prime contractors, subcontractors, first tier suppliers, or sub tier suppliers as defined herein.

Supplier Criticality. A supplier’s capability to satisfy the requirements of a contract. It is the component of supplier risk that best identifies consequence or impact, and is always independent of performance.

Supplier Criticality Index. A mathematical roll up of contract criticality indicators for all contracts and processes at a given supplier based on a scale of 0 to 100 where 100 is the highest criticality.

Supplier Management System. A supplier’s processes and management systems that oversee the procurement of services and products from first tier suppliers. This would include all design, quality, and production activities. A supplier management system could encompass all or part of other systems (e.g., Purchasing, Material Management and Accounting System (MMAS), earned value, vendor rating, and quality).

Supplier Performance. A supplier’s effectiveness in satisfying the requirements of a contract. It is the component of supplier risk that best identifies a probability of occurrence, and is always independent of criticality.

Supplier Performance Index. A mathematical roll up of contract and supplier performance indicators based on a scale of 0 to 100 where 100 is the best performance.

Supplier Profile. The primary variables that establish a supplier’s business and/or economic outline. These data fields include: Identification, Location, Product, Processes, Certifications, Service Types, Capacity, and Corporate Linkage.

Supplier Risk. A measure of the future potential impact of a supply chain disruption using a two dimensional model based on criticality and performance. Supplier criticality is derived from consequence, and supplier performance is derived from likelihood.

Supplier Risk Rating. A mathematical roll up of the combination of the supplier criticality and performance indices based on a scale of 0 to 100 where 100 is the highest risk.

Supply Chain. The linked activities associated with providing materiel from a raw material stage to an end user as a finished product.

Supply Chain Management. Supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with suppliers, intermediaries, third-party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies. Supply chain management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance and information technology. Supply chain management is the responsibility of the prime contractor.
Supply Chain Map. A combination of three data sets: supplier profile, supplier risk rating, and supplier relationship.

Supply Chain Mapping. DCMA process for identifying the 1st/sub-tier suppliers for a given platform/program/contract and ascertaining the three data sets (supplier profile, risk assessment and supplier relationship) as they relate to the aforementioned population. The intent of the process is to support DCMA’s contract administration mission. The process will increase DCMA insight into the risk areas within the supply chain to aid in the oversight of the prime contractor’s management of their supply base.

Supply Chain Predictability. Understanding what risks there are in the supply chain and delivering that information to our customers so they can make smart decisions.

Supply Chain Risk Management. The systematic identification, assessment, and quantification of potential supply chain disruptions with the objective to control exposure to risk or reduce its negative impact on supply chain performance.
### GLOSSARY

### ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AO</td>
<td>Aircraft Operations Directorate</td>
</tr>
<tr>
<td>AQ</td>
<td>Contracts Directorate</td>
</tr>
<tr>
<td>AS</td>
<td>Aerospace Standards</td>
</tr>
<tr>
<td>CAGE</td>
<td>Commercial and Government Entity Code</td>
</tr>
<tr>
<td>CAP</td>
<td>corrective action plan</td>
</tr>
<tr>
<td>CAR</td>
<td>corrective action request</td>
</tr>
<tr>
<td>CAS</td>
<td>contract administrative services</td>
</tr>
<tr>
<td>CMO</td>
<td>contract management office</td>
</tr>
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<td>CUI</td>
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<tr>
<td>DCMA-INST</td>
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<td>DFARS</td>
<td>Defense Federal Acquisition Regulation Supplement</td>
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<tr>
<td>DPAS</td>
<td>Defense Priority and Allocations System</td>
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<tr>
<td>DUNS</td>
<td>Data Universal Numbering System (Dun and Bradstreet number)</td>
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<td>EA</td>
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<td>Material Management and Accounting System</td>
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<tr>
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<td>Mechanization of Contract Administration</td>
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