Wisconsin Procurement Institute

A Procurement Technical Assistance Center (PTAC)

UNDERSTANDING AND PROTECTING THE DOD SUPPLY CHAIN

ACQUISITION HOUR WEBINAR

April 8, 2020




WEBINAR ETIQUETTE

PLEASE

- Log into the GoToMeeting session with the name that you registered with online
- Place your phone or computer on MUTE
- Use the CHAT option to ask your question(s).
  - We will share the questions with our guest speaker who will respond to the group

THANK YOU!

ABOUT WPI
SUPPORTING THE MISSION

Celebrating 32 Years of serving Wisconsin Business!

Assist businesses in creating, developing and growing their sales, revenue and jobs through Federal, state and local government contracts.

- **INDIVIDUAL CONSELING – At our offices, at clients facility or via telephone/GoToMeeting**
- **SMALL GROUP TRAINING – Workshops and webinars**
- **CONFERENCES to include one on one or roundtable sessions**

Last year WPI provided training at over 100 events and provided service to over 1,200 companies

WPI is a Procurement Technical Assistance Center (PTAC) funded in part by the Defense Logistics Agency (DLA), WEDC and other funding sources.

WPI OFFICE LOCATIONS

- **MILWAUKEE**
  - *Technology Innovation Center*
- **MADISON**
  - *FEED Kitchens*
  - *Dane County Latino Chamber of Commerce*
  - *Wisconsin Manufacturing Extension Partnership (WMEP)*
  - *Madison Area Technical College (MATC)*
- **CAMP DOUGLAS**
  - *Juneau County Economic Development Corporation (JCEDC)*
- **STEVENS POINT**
  - *IDEA Center*
- **APPLETON**
  - *Fox Valley Technical College*
- **OSHKOSH**
  - *Fox Valley Technical College*
  - *Greater Oshkosh Economic Development Corporation*
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  - *Indianhead Community Action Agency*
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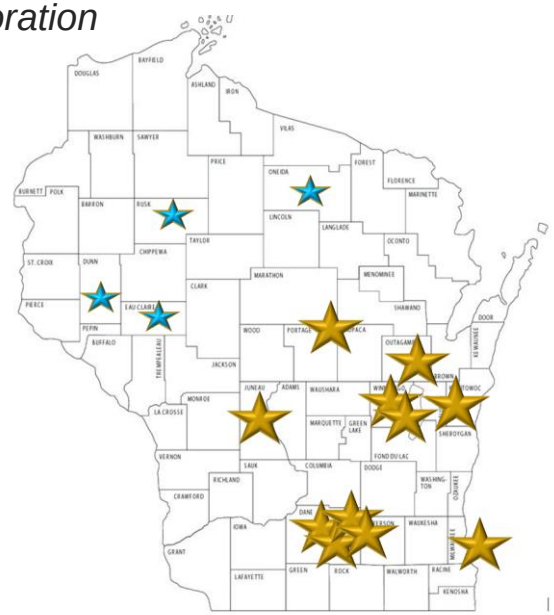

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UPCOMING EVENTS
WED 21
Acquisition Hour: Government Property Management for Federal Contractors and Subcontractors
August 21 @ 12:00 pm - 1:00 pm
THU 22
Advancing Cybersecurity in the Industry, Energy, Water Nexus – Oshkosh, WI
August 22 @ 9:00 am - 3:00 pm
Oshkosh WI
THU 22
NDIA Great Lakes Chapter 10th Anniversary – Milwaukee, WI
August 22 @ 12:30 pm - 7:30 pm
Brookfield Wisconsin
SEP 11
Acquisition Hour: The End of the Fiscal Year is Here – What is Hot and What is Not
September 11 @ 12:00 pm - 1:00 pm
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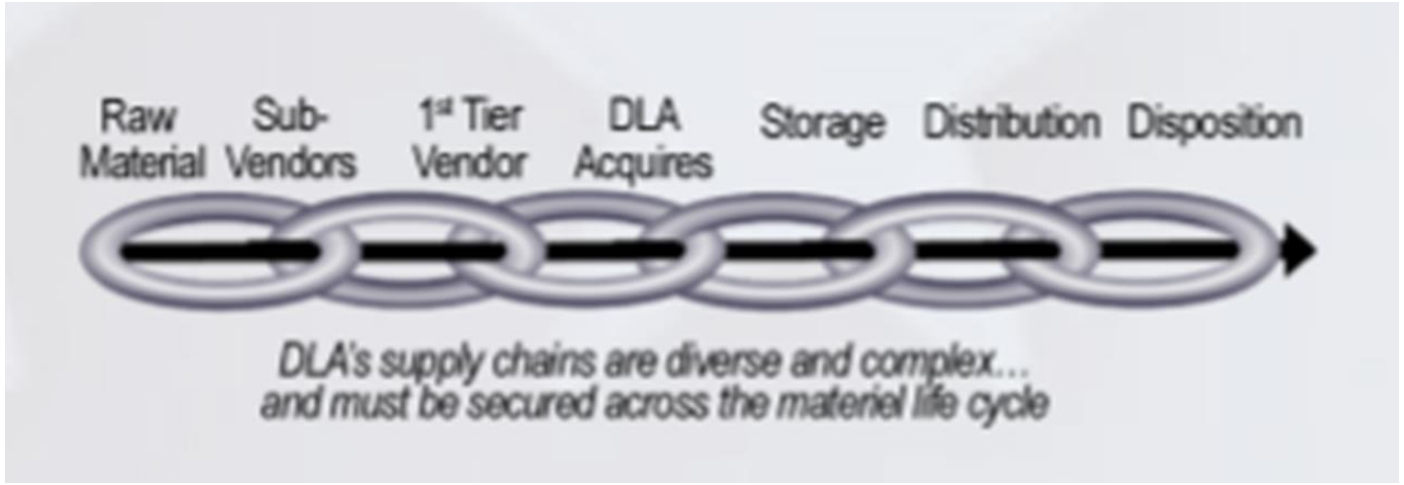
One of our staff of experts is available to answer your questions.

Understanding and Protecting the DOD Supply Chain

Marc N. Violante

April 8 2020

WPI Wisconsin Procurement Institute
A Procurement Technical Assistance Center (PTAC)



Why is understanding DoD's Supply Chain important to your business?

Being a good contractor

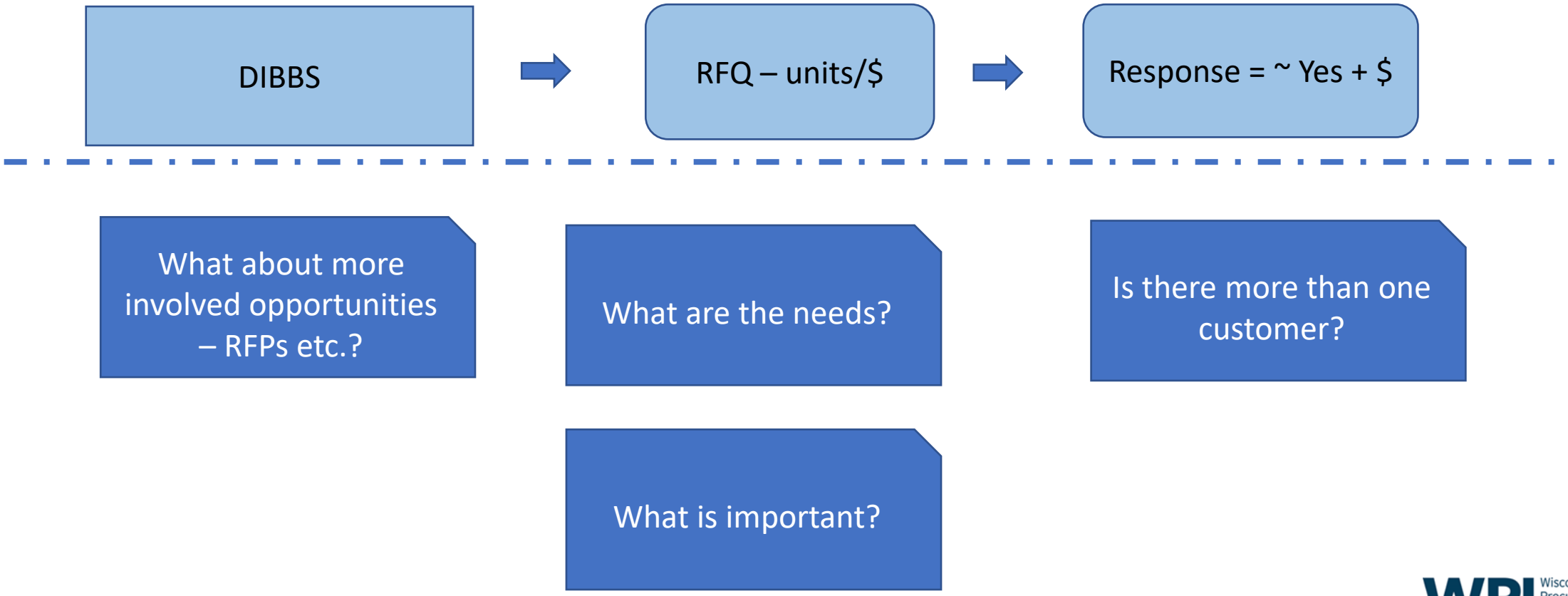
It’s required

Compliance/Responsibility

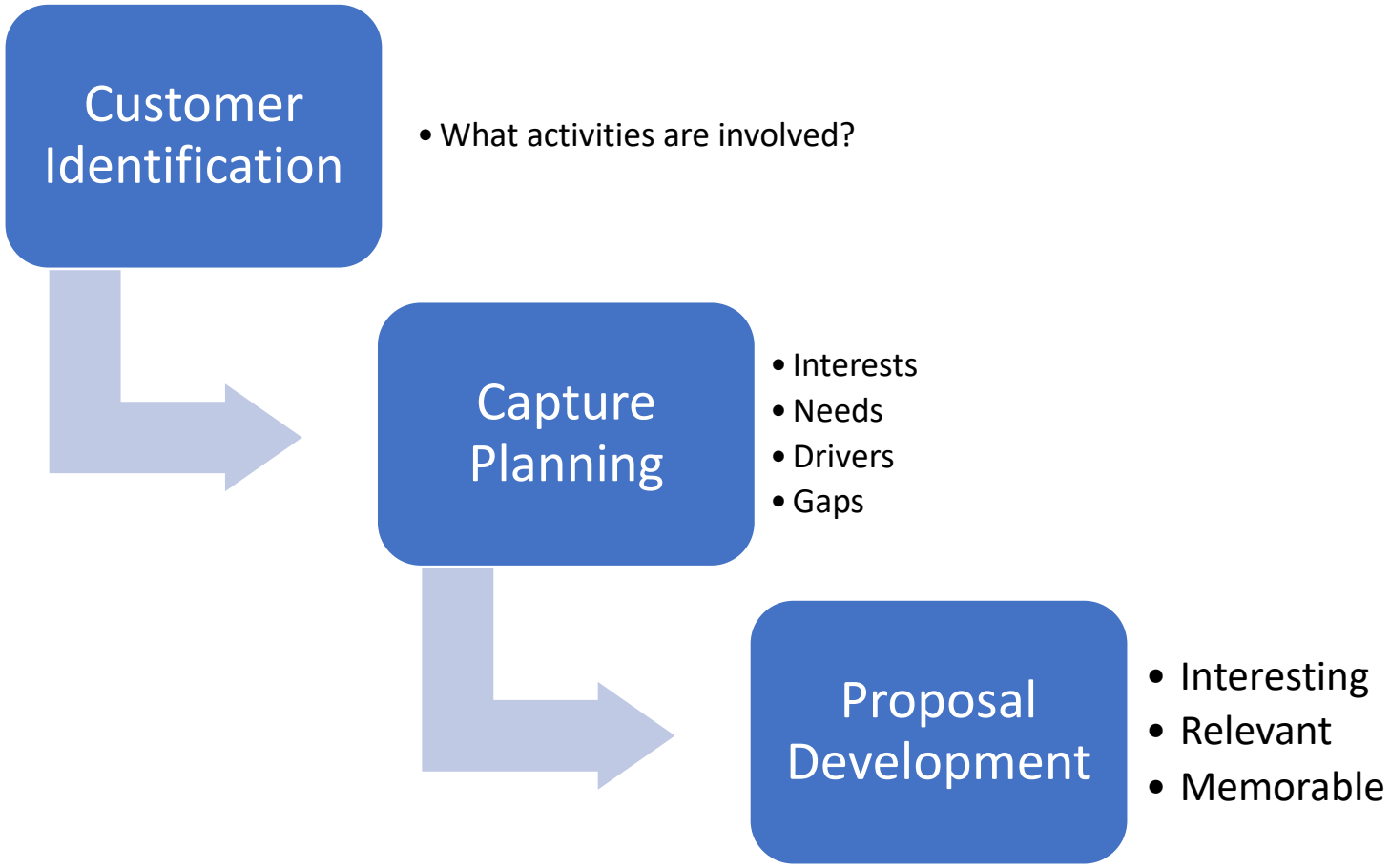
It’s good for business

Business Development
Capture Planning
Proposal Development

So, what do I mean



Business Development



Supply Chain – elements - complexity

Figure 5. Supply Chain Elements

Supply Chain - definition

- The linked activities associated with providing materiel to end users for consumption. Those activities include supply activities (such as organic and commercial ICPs and retail supply activities), maintenance activities (such as organic and commercial depot level maintenance facilities and intermediate repair activities), and distribution activities (such as distribution depots and other storage locations, container consolidation points, ports of embarkation and debarkation, and ground, air, and ocean transporters).

DoDI 4140.01, March 6, 2019 ; Glossary

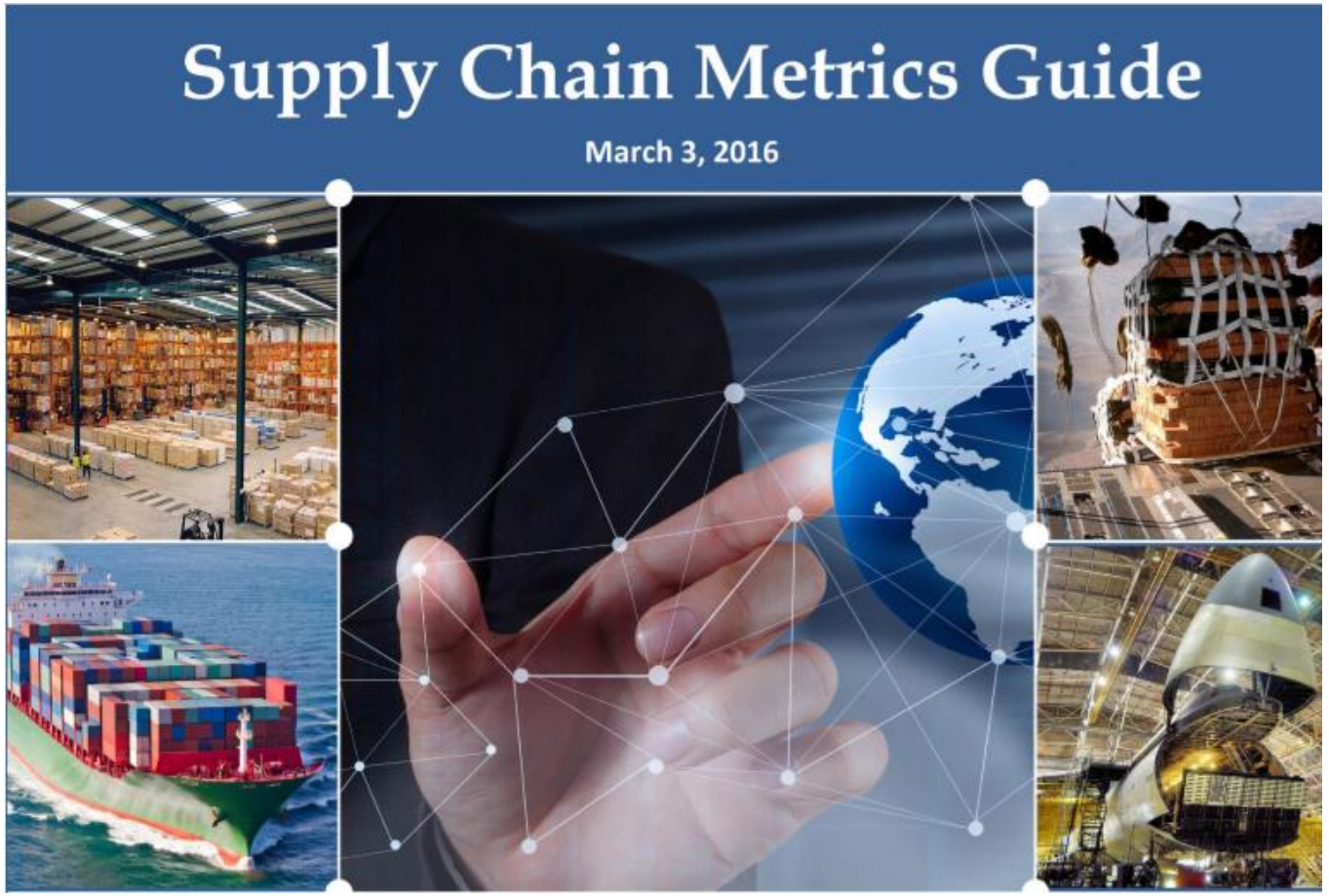
Supply Chain – definition >> activity types

- Supply activities
  - 4/8/20204/8/2020organic and commercial ICPs
  - retail supply activities
  - maintenance activities
    - organic and commercial
      - depot level maintenance facilities
      - intermediate repair activities
  - distribution activities
    - distribution depots
    - other storage locations
    - container consolidation points
    - ports of embarkation and debarkation
    - ground, air, and ocean transporters).

DoDI 4140.01, March 6, 2019 ; Glossary

“You get what you measure”

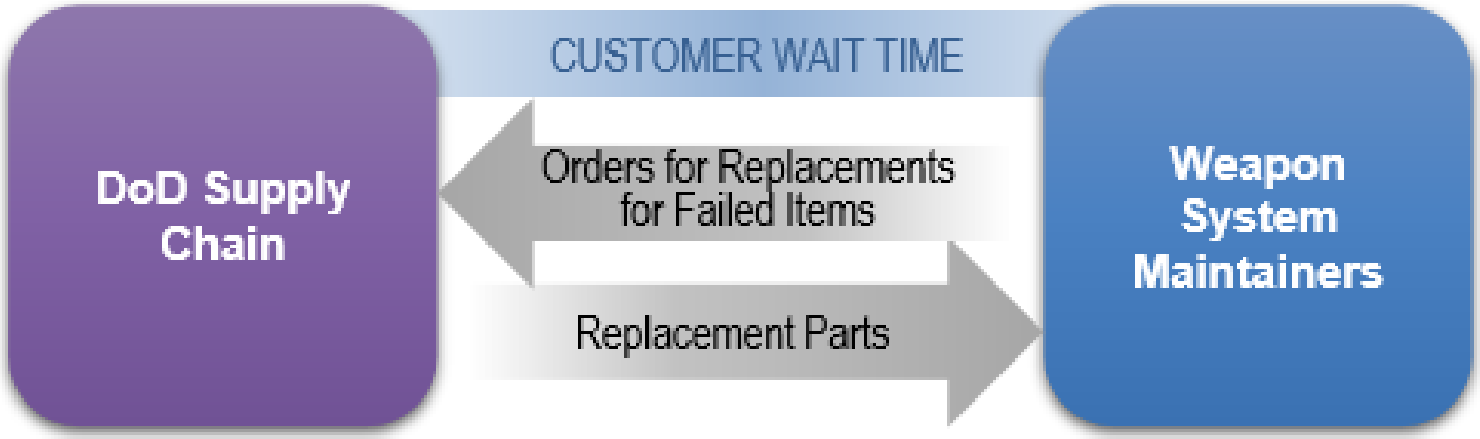
The Guide provides a description of each metric and how it is used to assess supply chain performance throughout the DoD enterprise. The metrics in this guide include enterprise level metrics that cross supply chain functions to describe the overall effectiveness of the supply chain.



Out of the Crises, Deming

Why? – Why is understanding the supply chain important?

Figure 5. The Role of the Customer Wait Time



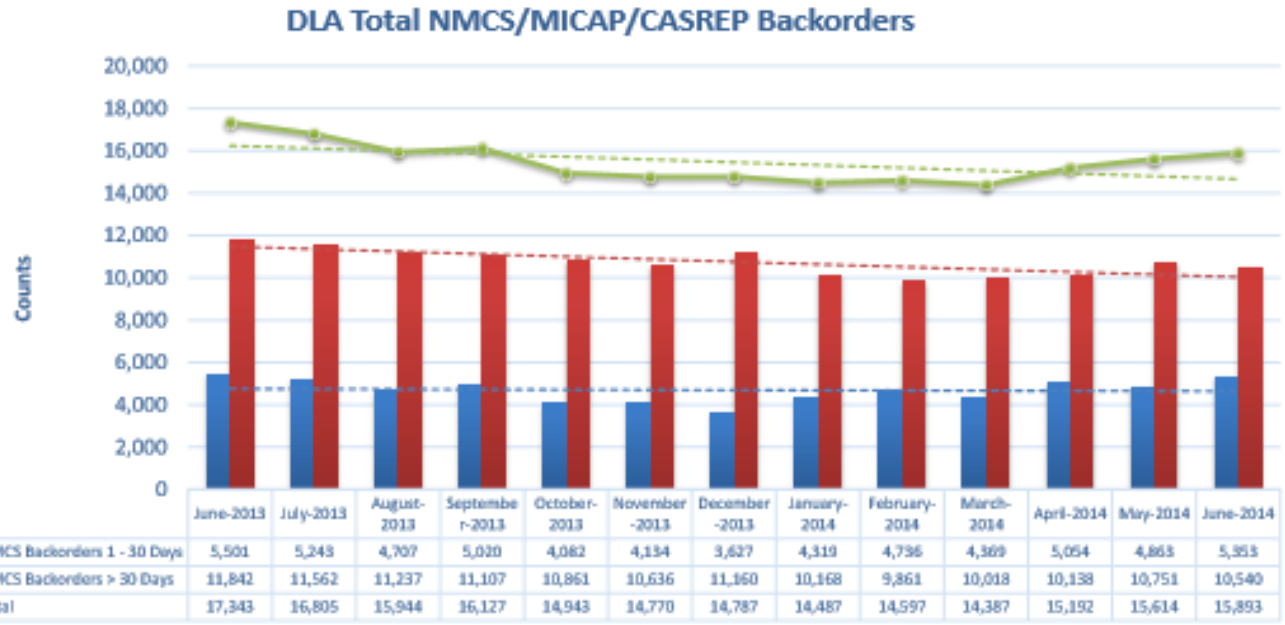
CWT is the key enterprise metric used to evaluate the responsiveness of the supply chain to customers who are maintaining the readiness of weapon systems.

DoD Supply Chain Metrics Guide, March 3, 2016; page 11

Why? – Insight into key ideas – drivers.

Growth in the backorder counts above can be an indication of future readiness problems. As the number of backorders greater than 30 days increases, the probability increases that NMC rates will rise

Figure 8. Not Mission Capable Supply Backorders



	June-2013	July-2013	August-2013	September-2013	October-2013	November-2013	December-2013	January-2014	February-2014	March-2014	April-2014	May-2014	June-2014
NMCS Backorders 1 - 30 Days	5,501	5,243	4,707	5,020	4,082	4,134	3,627	4,319	4,736	4,369	5,054	4,863	5,353
NMCS Backorders > 30 Days	11,842	11,562	11,237	11,107	10,861	10,636	11,160	10,168	9,861	10,018	10,138	10,751	10,540
Total	17,343	16,805	15,944	16,127	14,943	14,770	14,787	14,487	14,597	14,387	15,192	15,614	15,893

DoD Supply Chain Metrics Guide, March 3, 2016; page 13

Defense Logistics Manuals

The DoD Components will comply with DoD supply chain materiel management technical procedures published in the Defense Logistics manuals listed in Table 1 and other applicable publications, such as the Federal Logistics Information System technical procedures.

Table 1

Defense Logistics Manual Number	Defense Logistics Manual Title
Defense Logistics Manual 4000.25	Defense Logistics Management Standards (DLMS)
Volume 1 of Defense Logistics Manual 4000.25	Defense Logistics Management Standards (DLMS): Concept and Procedures
Volume 2 of Defense Logistics Manual 4000.25	Defense Logistics Management Standards (DLMS): Supply Standards and Procedures
Volume 3 of Defense Logistics Manual 4000.25	Defense Logistics Management Standards (DLMS): Transportation
Volume 4 of Defense Logistics Manual 4000.25	Defense Logistics Management Standards (DLMS): Military Standard Billing System (MILSBILLS) - Finance
Volume 6 of Defense Logistics Manual 4000.25	Defense Logistics Management Standards (DLMS): Logistics Systems Interoperability Support Services
Volume 7 of Defense Logistics Manual 4000.25	Defense Logistics Management Standards (DLMS): Contract Administration
Defense Logistics Manual 4000.25-1	Military Standard Requisitioning and Issue Procedures (MILSTRIP)
Defense Logistics Manual 4000.25-2	Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP)
Defense Logistics Manual 4000.25-4	Defense Automatic Addressing System (DAAS)

DoDI 4140.01, March 6, 2019; page 16

Supply Chain Risks

Geopolitical

Cyber

Nefarious actors

Natural Disasters

Diminishing Manufacturers

Sole Source

SUPPLY CHAIN SECURITY STRATEGY Strengthening Operational Resiliency - Appendix 1 to DLA's 2018 - 2026 Strategic Plan; Introduction

SUPPLY CHAIN SECURITY VS. SCRM

- **Supply Chain Security**
  - is DLA's comprehensive approach to protect supply chains, key infrastructure and critical assets in order to assure uninterrupted delivery of proactive global logistics in peace and war.
- **Supply Chain Risk Management (SCRM)**
  - is the process for managing risk by identifying, assessing and mitigating threats, vulnerabilities and disruptions to the DOD supply chain from beginning to end to ensure mission effectiveness. DODI 4140.01

DoDI 4140.01, March 6, 2019

Supporting Technologies

a. To ensure a high-performing and agile supply chain, DoD materiel managers will:

(1) Leverage modern technologies, such as enterprise resource planning systems, to enhance materiel management processes.

(2) Use modern technologies to automatically identify items in storage and movement that will provide better product support for weapon systems in accordance with the procedures in Volume 7 of DoDM 4140.01.

(3) Implement internal controls on the quality of performance metric generating data used by decision-makers.

(4) Use automatic identification technology to assist in property accountability, effectively manage costs, and implement the DoD policies cited in this issuance.

DoDI 4140.01, March 6, 2019; Section 3.7 – page 12

Threat of Fraudulent Exploitation

- Fraudulent exploitation still exists
  - Sheer volume of purchases
  - business transactions
  - automation required to support them
- Further complicating this
  - The complexity of sub-vendor relationships that support DLA's primary vendor base.
  - DLA has limited insight into these relationships which often times have several upstream providers, foreign dependencies and a multitude of potential entry points for counterfeit and non-conforming

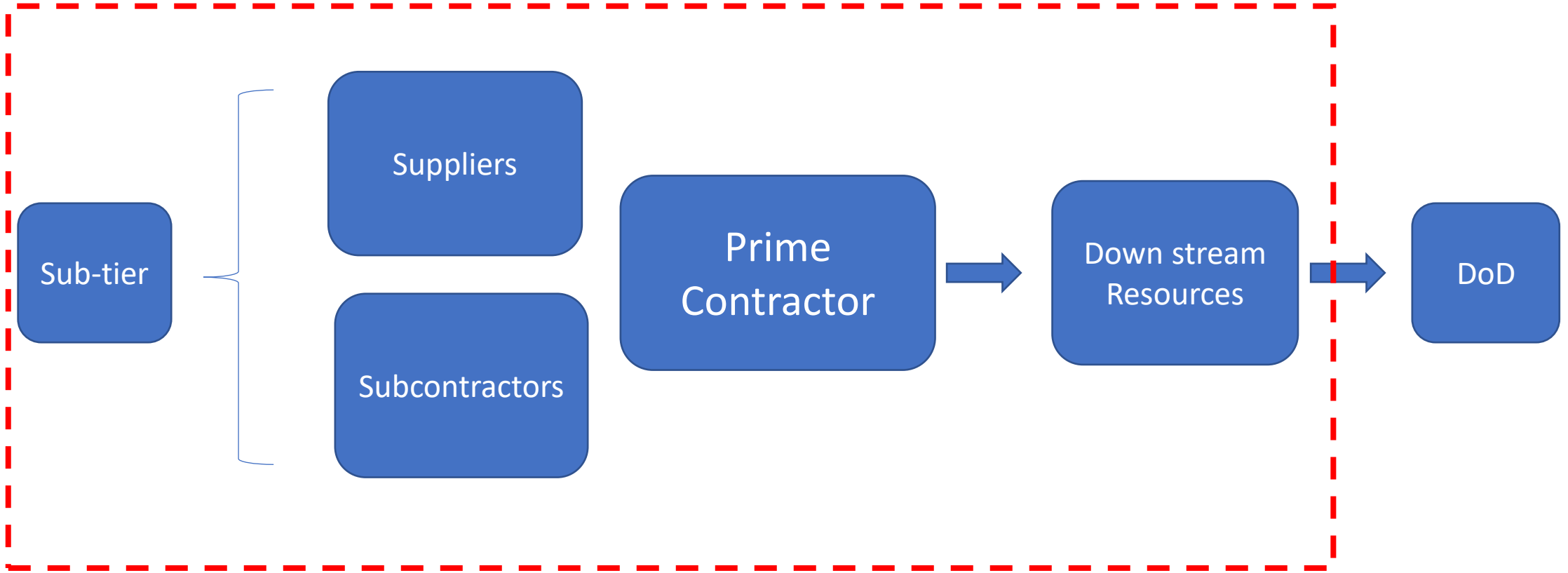
Supply Chain –

- DoD
  - From source to DoD
- Contractor
  - From source to the company
  - Efforts to broaden the view
    - Gain better understanding
    - Understand threats
    - Become more vigilant

Operational Environment

- Plan and operate as if the environment is –
  - Contested
  - Degraded
- Company's should (align with DLA's view/actions) –
  - Build awareness – threats/activities/indicators/communicate
  - Monitor
  - Establish processes/procedures to –
    - Detect
    - Protect
    - Continue operations

Performance Chain



Different but related issues

- Issues related to materials – e.g. products
- Issues related to information

DLA's Strategic Focus

- Institutionalize Supply Chain Security across the DLA enterprise
- Maintain integrity and access to key data
- Partner with valid, reputable vendors who produce quality supplies and services
- Strengthen the resiliency of systems, processes, infrastructure and people

DLA - actions

- strengthens technical data controls across the enterprise
- instituting an enhanced validation procedure for suppliers requiring access to export controlled technical data
- develops the capability to block foreign Internet
- Protocol addresses from accessing export controlled data stored in DLA's data repository.
- This initiative also assigns the highest level of restriction to the data repository for exportable data that includes a TDP and minimizes the amount of time a TDP is made available in the repository.

DLA Actions - programs

- **DNA Marking of Microelectronics**: To counter the growing sophistication of counterfeiters, DLA launched an anti-counterfeiting program to improve delivery time, reduce costs, strengthen supply chain controls and enhance quality assurance. DNA marking consists of applying a botanical DNA identifier to the surface of a microcircuit to authenticate originality. The DNA mark cannot be replicated and deters counterfeiters. A hand-held scanner for easy identification within the supply chain can detect the DNA mark. The mark can also be used for forensic testing by providing detailed information about the microcircuit, such as supplier, CAGE code, part and lot number.
- **Vendor Network Mapping**: Relationships in DLA supply chains are complex. However, DLA is employing a powerful tool to map vendor networks from Tier 1 through Tier 3 suppliers called Vendor Network Mapping. This capability makes it possible to look upstream in vendor networks to identify risks in areas such as vendor financial position, compliance, legal and foreign relationships.

Protecting Sensitive Data

- Much of DLA's data is sensitive in nature.
- For example –
  - Military specifications and standards,
  - technical data packages (TDP),
  - schematics,
  - customer delivery destinations
  - many other forms of exportable data
  - -- subject to exploitation if in the wrong hands.

Controlled Inventory Item (CII)

- CII
  - Those items designated as having characteristics that require that they be identified, accounted for, secured, segregated, handled or transported in a special manner to ensure their integrity and that they are safeguarded. The list of CII codes includes NWRM, CC, non-nuclear missiles and rockets, arms, ammunition and explosives. CII categories in descending order of the degree of control normally exercised are classified items, sensitive items, and pilferable items.

DoDI 4140.01, March 6, 2019; page 19

Critical component

- Critical component
  - A component which is or contains information and communications technology including hardware, software, and firmware, weather custom, commercial, or otherwise developed and delivers or protects mission critical functionality of a system or which, because of the system's design, may introduce vulnerability to the mission critical functions of an applicable system as described in DoDI 5200.44.

DoDI 4140.01, March 6, 2019; page 19

Critical Safety Item (CSI)

- CSI
  - A part, assembly, support equipment, installation or production system containing a critical characteristic whose failure, malfunction, or absence may cause a catastrophic or critical failure resulting in loss or serious damage, unacceptable risk of personal injury or loss of life, or an unsafe condition.

DoDI 4140.01, March 6, 2019; page 19

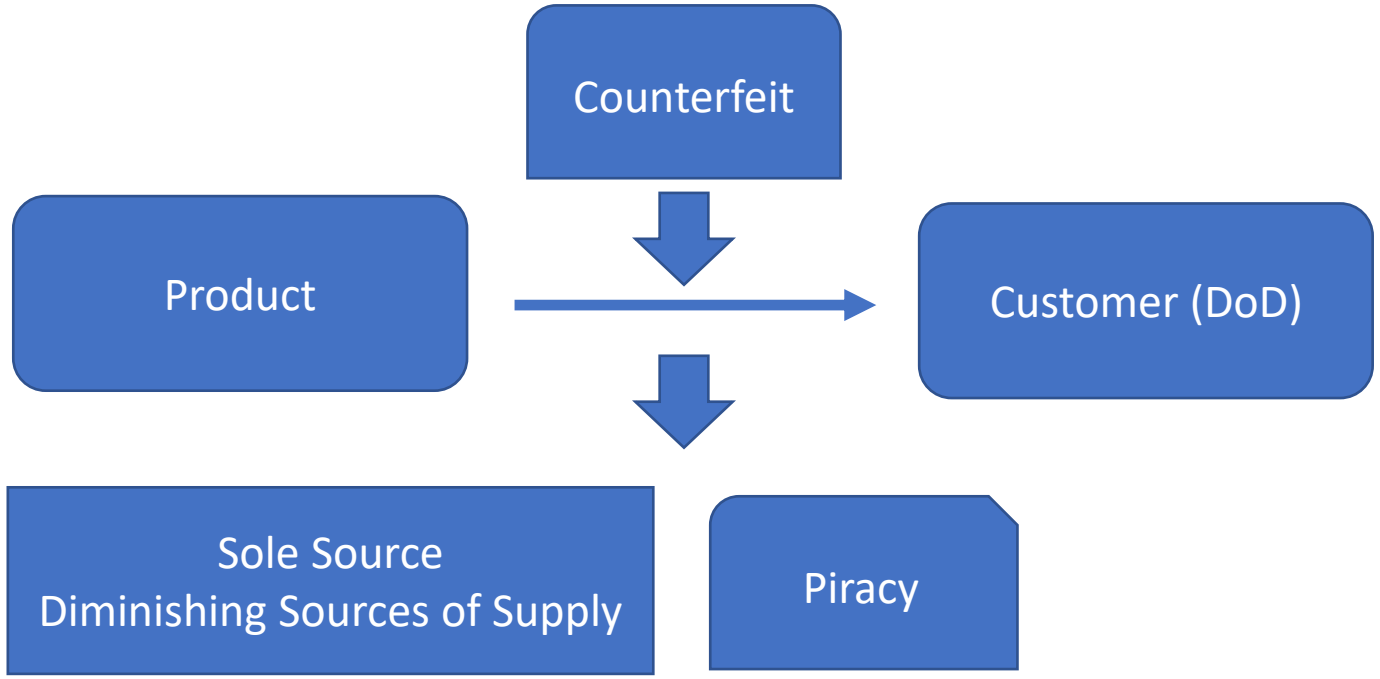
What does it mean to know your vendors

- It depends on the sensitivity (program relationship) of the information
  - Joint Certification Program
  - Export Controlled – ITAR
  - Covered Defense Information (includes CUI)
  - Federal Contract Information
- Solicitation/contract requirements

Operations Security

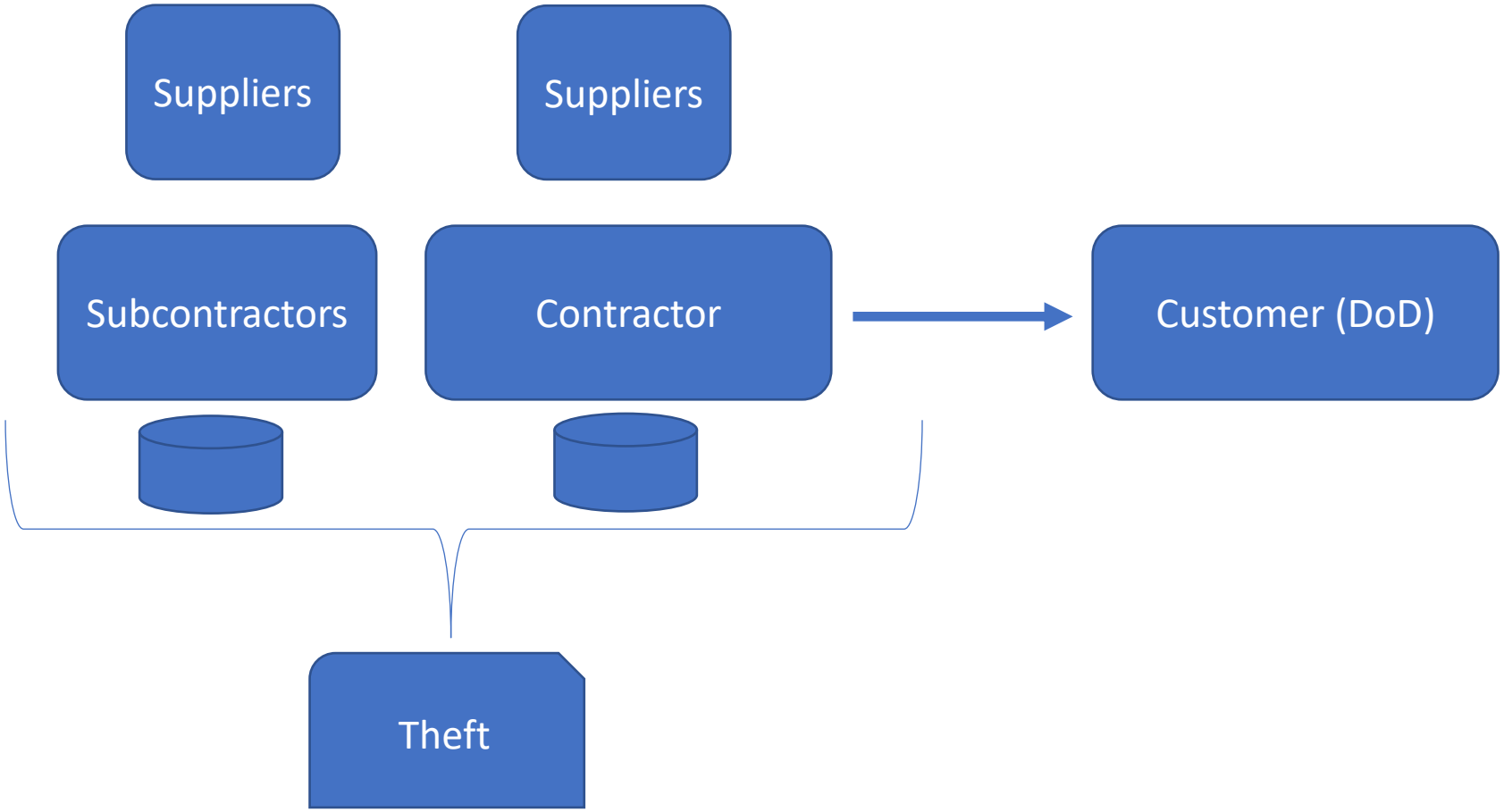
- Operations Security (OPSEC) is a systematic process to preserve friendly essential secrecy by identifying, controlling and protecting critical information and indicators that would allow adversaries or potential adversaries to identify and exploit friendly vulnerabilities. DLA must be ever vigilant when handling logistics information and must protect it at all times, especially when interacting with its vendor network. Each DLA organization maintains Critical Information and Indicators Lists that identify unclassified but sensitive information that must be protected from disclosure.

Type 1 threats (product)



SUPPLY CHAIN SECURITY STRATEGY Strengthening Operational Resiliency - Appendix 1 to DLA's 2018 - 2026 Strategic Plan

Type 2 threats (information)



Cyber/Other

- Growing threats – various program requirements
- Requirements
  - FAR 52.204-21
  - DFARS 252.204-7008
  - DFARS 252.204-7012
  - CMMC (Levels 1 through 5) will likely be rolled into new/revised DFARS
  - DFARS 252.204-7000 – Disclosure of Information
  - DOD Directive 5230.25 Withholding of Unclassified Technical Data from Public Disclosure
  - DOD Instruction 5230.24 Distribution Statements on Technical Documents
  - International Traffic in Arms Regulations - 22 CFR (120-130)
  - Controlled Unclassified Information 32 CFR Part 2002 – Implementing Directive

Situational Awareness

- Target fixation – tunnel vision approach to
- Simpler/overlooked threats
  - Mishandling of data
  - Blind business relationships
  - Business first approach – if it “ain’t broke; don’t fix it”
  - Rigorous identification/marking program
  - No/weak/”punch the ticket” training

Threats

- Over-reliance
- Lack of duplication
- Disruption
- Cyber
- Confidentiality
- Integrity
- Availability
- Counter-feit
- Piracy

Looking beyond the first tier

- Programs
- Identifying program relationships
- Marking and marking requirements
- Requirements
- Managing relationships
- Determining who is eligible
- Identifying what is required transfer information

Flow-down clauses

- Active involvement
- Identify
- Inform – discuss
- Know – research
- Can’t be a “and dump” – hidden in documents
- Vague reference to
- Partner – a resource

Knowing your suppliers

- Vetting
- Communications
- Active involvement

Research/Resources

- Defense Supply Chain Security: Current State and Opportunities for Improvement –
  - http://www.cpppe.umd.edu/publications/defense-supply-chain-security-current-stateand-opportunities-improvement
- **A Quantitative Approach by Item Number and Commercial Entity Code**
  - **https://www.rand.org/pubs/research_reports/RR902.html**
- U.S. Drug Supply Chain Security Act
- Supply Chain Risk Management Practices for Federal Information Systems and Organizations
  - NIST Special Publication 800-161

UPCOMING TRAINING - EVENTS

ACQUISITION HOUR LIVE WEBINARS SERIES

- April 8, 2020

  Understanding and Protecting DOD Supply Chain
  CLICK HERE for additional information
  Presented by Marc Violante, Wisconsin Procurement Institute (WPI)

- April 15, 2020

  Focus on the 1st Principles of Fed Contract Mgmt During Unsettled Times
  CLICK HERE for additional information
  Presented by Marc Violante, Wisconsin Procurement Institute (WPI)

- April 17, 2020

  Intro to CMMC Level 1
  CLICK HERE for additional information
  Presented by Marc Violante, Wisconsin Procurement Institute (WPI)

- April 21, 2020

  How to Quickly Analyze Solicitations
  CLICK HERE for additional information
  Presented by Helen Henningsen, Wisconsin Procurement Institute (WPI)

ACQUISITION HOUR LIVE WEBINARS SERIES

- April 24, 2020

  How the CyberSecurity Maturity Model Certification (CMMC) Will Impact Your Business
  CLICK HERE for additional information
  Presented by Marc Violante, Wisconsin Procurement Institute (WPI)

- April 29, 2020

  Economic Espionage – Awareness of Threats & Resources for Gov't Contractors
  CLICK HERE for additional information
  Presented by Marc Violante, Wisconsin Procurement Institute (WPI)

- May 5, 2020

  Learning About the Surety Bond Guarantee from the US SBA
  CLICK HERE for additional information
  Presented by the US Small Business Administration

- May 19, 2020

  Pieces of the Proposal Puzzle
  CLICK HERE for additional information
  Presented by Helen Heningsen, Wisconsin Procurement Institute (WPI)

14TH ANNUAL WISCONSIN GOVERNMENT BUSINESS OPPORTUNITIES CONFERENCE (GOBC)

June 24 - June 25

Details

Start:
June 24

End:
June 25

Event Categories:
Conference, WPI Events

Organizer

Hilary DeBlois

Phone:
(414) 688-3882

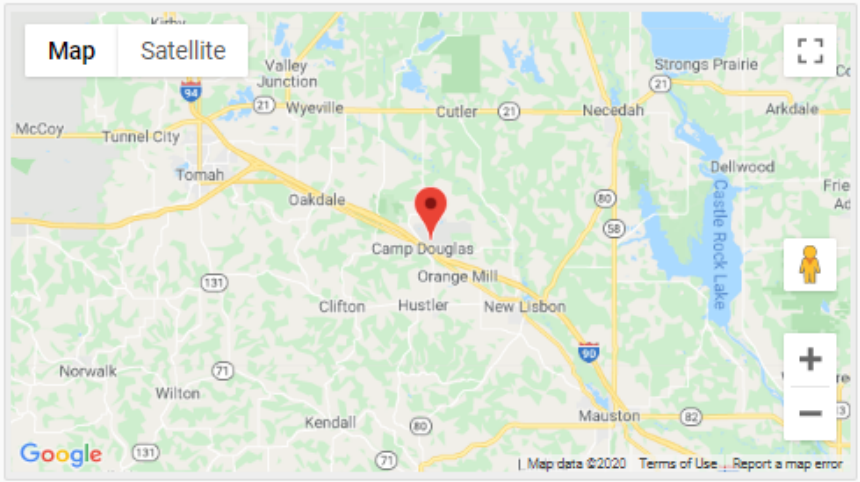
Email:
hilaryd@wispro.org

Save the Date for the 14th Annual Wisconsin Government Business Opportunities Conference (GOBC) in partnership with Volk Field ANG and Fort McCoy, June 24 and 25th, 2020.

Venue

Volk Field Air National Guard Base

100 Independence Drive, Building 475
Camp Douglas, WI 54618 United States + Google Map



A CRITICAL NOTICE FROM WPI

- If you are a current **FEDERAL / DOD CONTRACTOR or SUBCONTRACTOR** – you may have **CYBER – DATA SECURITY REQUIREMENTS** in your contract.
- If you are responding to any **CURRENT FEDERAL SOLICITATIONS** - be aware of your obligations:
  - Key clauses are 52.204-21, 252.204-7008 and 252.204-7012
  - Review for other possible requirements
- If you are a **DOD CONTRACTOR or SUBCONTRACTOR** – you will have new **CYBER COMPLIANCE – CERTIFICATION REQUIREMENTS** that may impact your business as early as the end of this calendar year.
  - See: https://www.acq.osd.mil/cmmc and https://www.cmmcab.org for more up to date information.
  - *Contact Marc Violante at WPI - marcv@wispro.org or 920-456-9990*

QUESTIONS?

Wisconsin Procurement Institute
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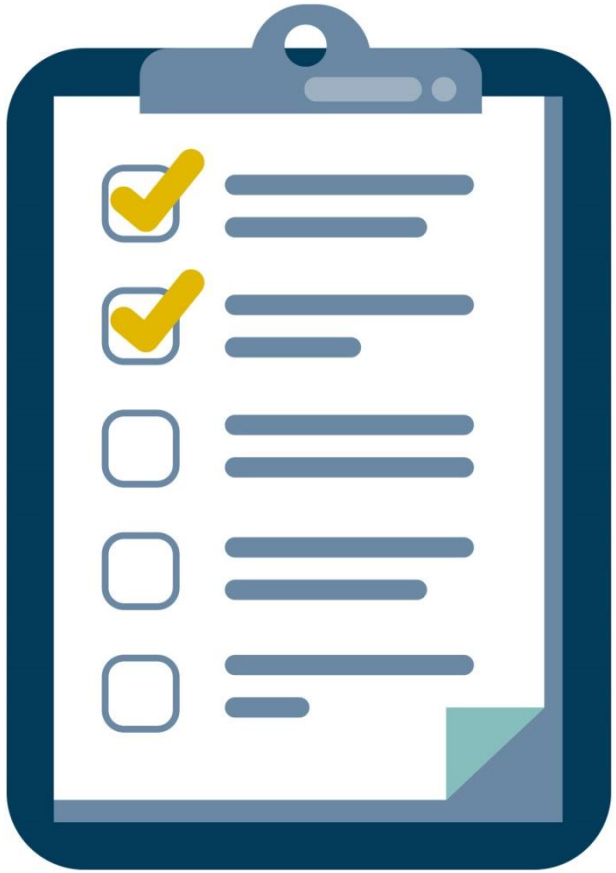
SURVEY



CONTINUING PROFESSIONAL EDUCATION

CPE Certificate available, please contact:

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