




Supply Chain Risk Management

A data driven approach to protecting your organization

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At KPMG LLP, we recognize that managing and responding to the ever-changing supply chain risk landscape can be a complex and challenging process. You undoubtedly have several questions:

- Where and at what level should your SCRM program reside within the organization?
- How can you gain meaningful insight into complex supply chains to identify risk?
- How should you prioritize and assess your organization's supply chain risk and exposure?
- How can you implement a SCRM program in alignment with your organization's goals and requirements?
- What tools and technologies should your organization use to manage supply chain risk?

For federal agencies, we have created a comprehensive and integrated approach to help your organization address these questions and manage risks effectively. Our unique approach provides you with the necessary tools and resources to protect your organization's reputation, fortify the integrity of your procurements, and prevent supply chain disruptions.

With years of experience and a deep understanding of the industry, we're equipped to help you minimize risk, streamline production capacities and costs, and make the most of the benefits of a modernized and resilient supply chain. The result is peace of mind knowing your organization is prepared for any supply chain challenges.



What is SCRM?

Supply Chain Risk Management (SCRM) is an emerging organizational discipline with varying accepted definitions based on the nature of the scope and risks being managed. For the purpose of this document SCRM should be considered as the systematic identification, assessment, mitigation, and management of potential supply chain disruptions with the objective of reducing their negative impact on the supply chain's performance.

The global supply chain landscape is rapidly evolving, leading to faster and more efficient delivery of goods and services to customers. However, with this increased velocity comes a heightened risk. The need for flexible supply chains has introduced more "moving parts" into the product lifecycle, making supply chains more vulnerable to unexpected factors such as COVID-19, natural disasters, and political instability.

Federal mandates and industry best practices dictate that federal agencies implement comprehensive SCRM programs to ensure compliance, security, and resilience in their supply chains. Many agencies struggle with a lack of visibility into critical assets, insufficient SCRM programs, and limited technology for SCRM operations. These challenges can make it difficult to implement effective risk management solutions. **Figure 1 below illustrates some of the challenges federal agencies face in managing supply chain risk.**

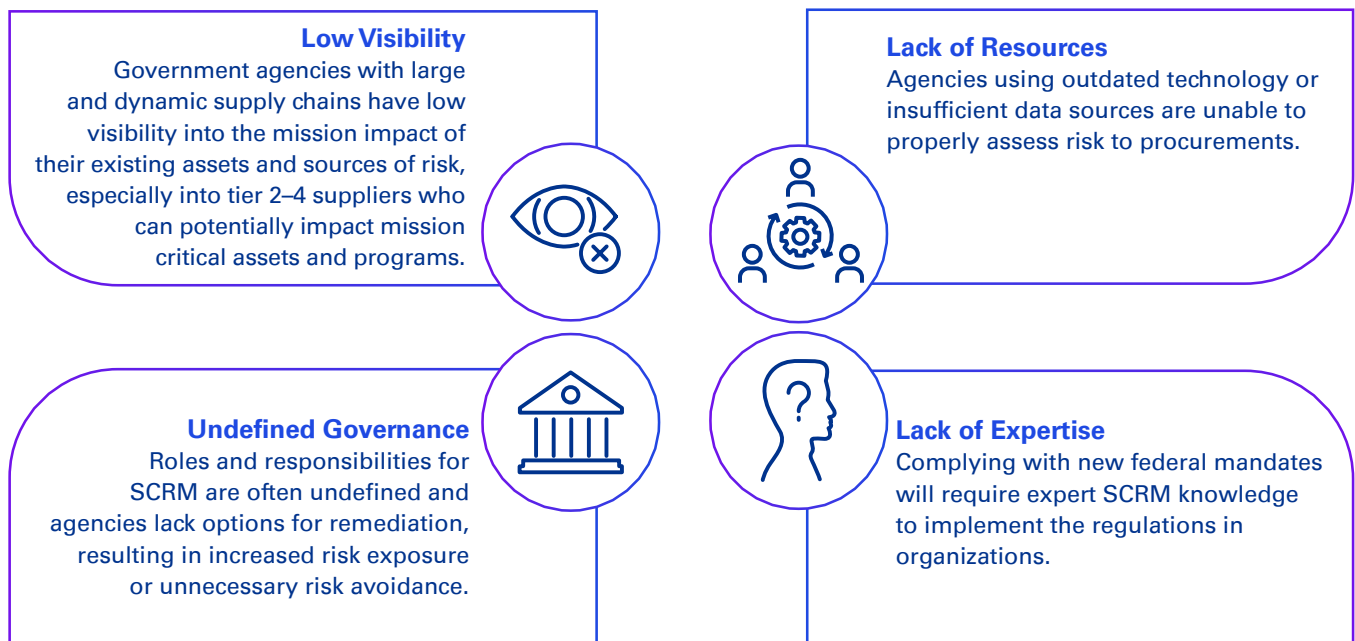


Figure 1. Complications for SCRM in Federal Agencies

From day one, KPMG teams with your organization to help integrate and enhance your supply chain risk management efforts. We establish lines of communications, identify individuals within the organization to assist with risk identification and remediation, and codify the organization's risk appetite. Through

our comprehensive and integrated approach, your organization is empowered with the skills and knowledge to appropriately identify and manage risk, track progress, validate information, understand key partners and assets, and comply with federal guidelines and industry standards.

KPMG has developed an end-to-end SCRM approach to assist your organization with meeting these challenges to effectively address supply chain risk. Our holistic SCRM approach can enable your organization to safeguard its integrity and avoid supply chain disruptions. The KPMG method for federal agencies allows you to establish a SCRM program, manage your organization, evaluate your successes, assess your supply chain risk, verify your data, and know your critical supply chain network and assets, all while in compliance with federal mandates, guidance, and industry benchmarks. Figure 2 illustrates the framework for the KPMG approach to SCRM.

KPMG incorporates commercial supply chain resilience experience with the Cybersecurity & Infrastructure Security Agency's SCRM essential steps to build a comprehensive, flexible Supply Chain Risk Management Program to address a shifting risk landscape.

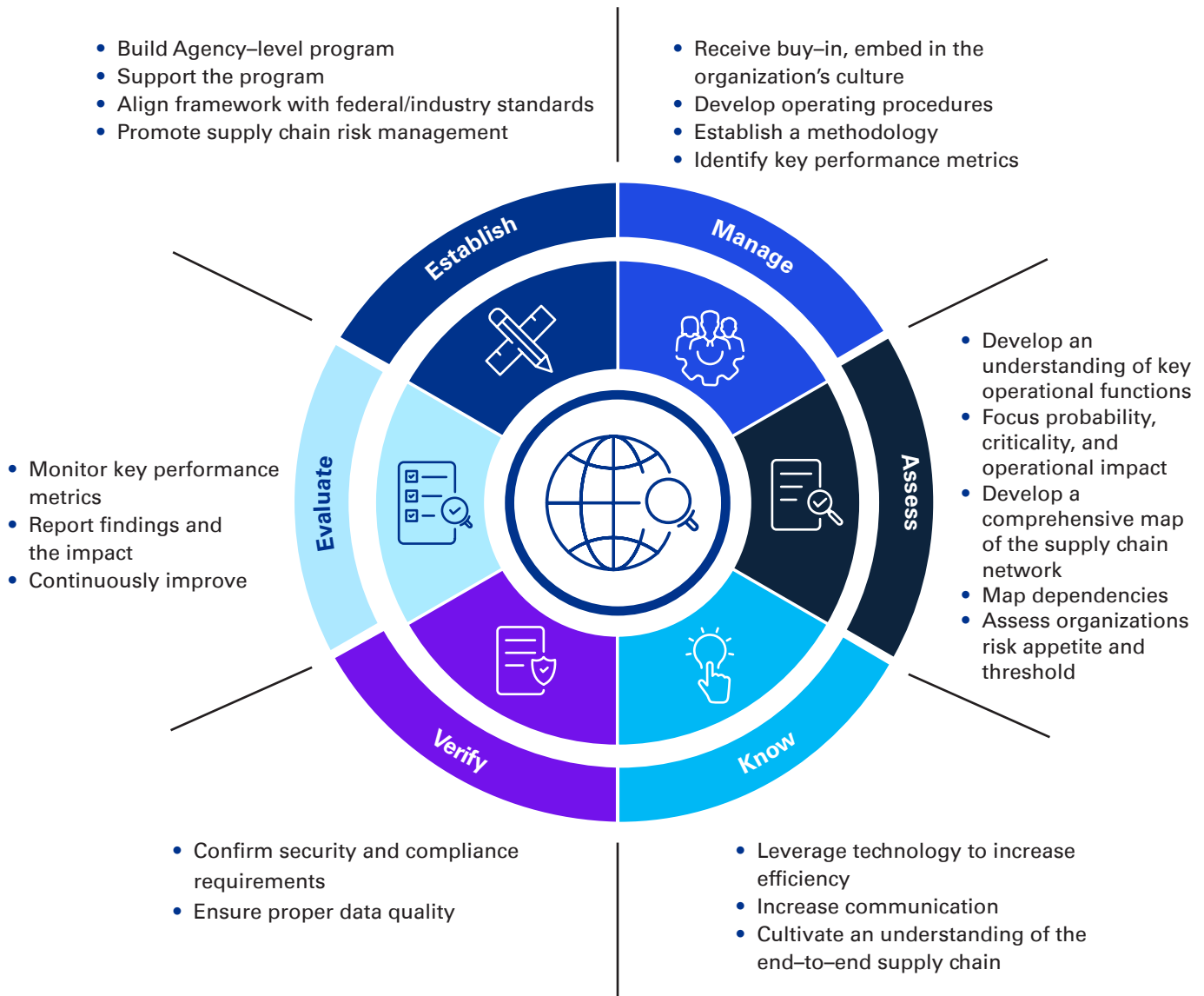


Figure 2. The KPMG approach to SCRM for Federal Agencies

The KPMG approach to SCRM is the baseline for the SCRM program we will help implement and operate in your organization. In creating a tailored solution for your unique SCRM challenges, we will set up or improve upon your existing SCRM program in accordance with the steps outlined in Figure 3 below.

Step 1 Conduct Internal Assessment, Establish Governance Structure

An effective SCRM program should be custom-tailored to the unique requirements of the organization it supports. Using proprietary KPMG tools and templates, our team of professionals will conduct an initial Supply Chain Risk Management maturity assessment to identify the current state of operations. Together with your stakeholders, we will use this data to determine where and at what level your SCRM program will reside within the organization. We can assist in the development of a governance structure to ensure that the objectives of the organization align with the SCRM program, authoritative guidance, and industry benchmarks to provide leadership effective oversight of the program.



Figure 3. The KPMG approach to SCRM Program At-a-Glance

Step 2 Develop the Program and Implementation Plan

Once the SCRM governance structure is established, we can create a customized program plan that helps meet your organization's needs. We can work with your leadership to identify what is important to your organization and what might change in your risk environment. Working in partnership with your stakeholders, we tailor the analytics behind our recommendations to align with the unique operating requirements of your organization. Whether your agency's SCRM program is undeveloped, developing, established, advanced, or leading—the KPMG approach can help your organization achieve its goals for improving risk management. Once we have developed the planned program, we then develop a plan for implementation, along with mapping the resources required for execution.

The KPMG SCRM Program in Action:

KPMG has performed a supply chain risk assessment for a federal client and worked hand-in-hand to evaluate internal processes and controls related to SCRM. KPMG is using that assessment to evaluate the agency's supply chain operations and capabilities, identify its capability gaps and quantify their impacts, develop and prioritize improvement opportunities, and build the agency a supply chain transformation roadmap.

Step

3

Implement SCRM Program

KPMG can work with your organization to assist in the implementation of a tailored SCRM program. Our SCRM practitioners come prepared with proven tools, technologies, frameworks, and experience, and will team with you to assess your organization's risk appetite to prioritize your supply chain risk and exposure. Our professionals will work with you to establish a chain of ownership over existing SCRM controls and thereby ensure your program is established to meet the unique needs of your organization as well as legal and regulatory requirements.

KPMG has already succeeded in building such a model for a federal client. KPMG has implemented a SCRM program for an agency with oversight of \$10 billion+ distributions, helping it build out SCRM operations that are reasonable for its size and manage risk in compliance with the Federal Information Security Modernization Act (FISMA) and other mandates.

Step

4

Active Monitoring and Execution

Your SCRM program can focus on preventive and active risk management. The first aspect of our approach is through the assessment of supplier and product risk, from a pre-acquisition standpoint. This is conducted through a due diligence process to investigate suppliers and products before they enter the supply chain.

Our approach combines proprietary tools, process automation, artificial intelligence, open source data, and a tried and tested approach to support an organizations acquisition community in determining the risk of introducing a product into the supply chain. In addition to pre-acquisition assessments, our approach also consists of the active monitoring of an organizations supply chain using digital twin, modeling and simulation, and real-time data ingest. These tools assist our SCRM practitioners with the development and sustainment of a risk control matrix, which is used to prevent or address an organization's risk landscape.

In the recent past, KPMG has helped a federal agency codify metrics through automation to enhance the long-term health and resilience of their supply chain. The KPMG approach enabled the agency to redirect resources to value-added efforts and re-orient SCRM processes around measurable and attainable goals.

Step

5

Continuous Improvement

Continuous improvement starts with reliable, accurate data. KPMG can use proven methods of responsible data collection to allow for the ongoing assessment of the SCRM program's efficacy. Our approach is then tailored to identify improvement opportunities to streamline the program, improve risk identification timelines, and optimize risk response planning.

Potential Benefits of the KPMG Approach to Supply Chain Risk Management

- **Risk aware decision making due to improved visibility:** KPMG will map your essential mission functions to the acquisition of items or services, then operationalize our SCRM framework to identify qualified, vetted vendors who can achieve your mission requirements. We can also map out your value stream and assess your internal evaluation capability to identify risks to the performance of your supply chain. KPMG will enable your agency to generate supply chain risk assessments to inform smart mitigation strategies that address risks and make sense for your mission needs.
- **Defined Governance:** KPMG can implement and integrate SCRM across your organization. We address acquisition, cybersecurity, contract compliance, privacy, risk management and regulatory compliance.
- **Mitigation tools built from experience:** We will discuss leading market solutions and engage in cost-benefit analyses to assist your decision process to identify the right technology solution for your SCRM requirements. Many supply chain illumination tools exist, and KPMG advise you on the appropriate tool that is interoperable with your systems and interprets data on your sources of risk for the best value.
- **Increased compliance:** With decades of advisory experience, we have the strategic depth to guide federal clients to achieving accountability and compliance with new guidance and regulations, such as NIST controls and FISMA, for SCRM.



How KPMG can help...

KPMG has knowledgeable leaders with experience in the military and commercial industries that can help you navigate your organizations specific SCRM challenges, while unlocking the full potential of your supply chain.

Don't let supply chain risk hold you back. We strive to provide peace of mind through effective management, efficiency, and security. Team with KPMG and experience the peace of mind that comes with a well-managed, efficient, and secure supply chain. Contact us today to learn more!

Learn more about our Federal Supply Chain practice at: read.kpmg.us/fedsupplychain



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