

**DEFENSE CONTRACT MANAGEMENT AGENCY**

18901 S. WILMINGTON AVE.  
BUILDING DH2, SUITE 224N  
CARSON, CA 90746

June 21, 2015

Ms. Marilyn A. Hewson  
Chief Executive Officer and President  
Lockheed Martin Corporation  
6801 Rockledge Drive  
Bethesda, Maryland 20817

Dear Mrs. Hewson

Congratulations! The results of your Small Business Subcontracting Program review performed on May 18-20, 2015 in accordance with Section 834 of Public Law 101-189 and is pursuant to Federal Acquisition Regulations (FAR) Subpart 19.7, DFAR 252.219-7004 resulted in a final rating of Acceptable. Based on the current rating received, your subcontracting program will be scheduled for a review within the next twelve months.

The enclosed DCMA Small Business Subcontracting Program Compliance report (DCMA 640 Form) provides complete details of the review.

If you have questions or concerns, my point of contact is Luz M. Vasquez, who can be reached at (b) (6) or via email (b) (6)

(b) (6)

Margaret Trimble-Williams  
Assistant Director  
DCMA Small Business Center, (CSP)

Enclosures:  
DCMA Compliance Review Form

cc:  
Susannah Raheb, Corporate SBLO  
Dan Pleshko, VP Global Supply Chain Operations  
James Whitehead, DCMA DACO  
Mary Robinson, DCMA CACO  
Sophia Chou, CMR, SBA

LMC0000750  
MSJ002079

## Military Services:

Carol White, Air Force

Patricia Krabacher, Air Force

Jean Smith, Air Force

Pamela Monroe, Army

Donald Wagoner, Army

Lee Rosenberg, MDA

Jerrol Sullivan, MDA

Laura Anderson, MDA

Kenneth Carkhuff, Navy

Emily Harman, Navy

Brad Taylor, Navy

Patricia Obey, Navy

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Gregory S. Lee, Navy

Janice Buffler, OSD

Steven Puckett, LT Col Navy

# DEFENSE CONTRACT MANAGEMENT AGENCY (DCMA) REVIEW OF CONTRACTOR'S COMPREHENSIVE SUBCONTRACTING PROGRAM

## PART I – GENERAL INFORMATION

<b>1. CONTRACTOR:</b> Name: Lockheed Martin Missiles Fire Control Address 1: 1701 W Marshall Dr. Address 2: City/State/Zip: Grand Prairie, TX CAGE: 64059(Grand Prairie)/04939(Orlando) DUNS: 794571448/196189385	<b>1.a. SMALL BUSINESS LIAISON OFFICER (SBLO)</b> Name: Suzanne Raheb Phone: (b) (6) FAX: 407-625-6513 E-mail: (b) (6) <b>1.b. ALTERNATE SMALL BUSINESS LIAISON OFFICER (SBLO)</b> Name: Phone: FAX: E-mail:
<b>2. PROGRAM MANAGER, COMPREHENSIVE SUBCONTRACTING PROGRAM</b> Name: Luz M. Vasquez Phone: (b) (6) FAX: E-mail: (b) (6)	<b>3. DIVISION CHIEF, COMPREHENSIVE SUBCONTRACTING PROGRAM</b> Name: Margarette Trimble-Williams Phone: (b) (6) FAX: (310) 900-6025 E-mail: (b) (6)
<b>4. SMALL BUSINESS ADMINISTRATION (SBA) COMMERCIAL MARKETING REPRESENTATIVE (CMR) <a href="http://www.sba.gov/GC/cmr.html">http://www.sba.gov/GC/cmr.html</a></b> Name: Sophia Chou Phone: (b) (6) FAX: (202) 481-4850 E-mail: (b) (6)	<b>5. ADMINISTRATIVE CONTRACTING OFFICER</b> Name: Mary Margaret Robinson Phone: (b) (6) FAX: E-mail: (b) (6)

DCMA/SMALL BUSINESS ADMINISTRATION (SBA), JOINT REVIEW:  
☒ Yes ☐ No IF NOT, WHY NOT:

Review setting: on-site review ☒ virtual review ☐

<b>6. PERIOD COVERED BY THIS REVIEW:</b> 6.a. From: 1 October 2013 6.b. To: 30 September 2014	<b>7.a. DATE OF THIS REVIEW:</b> May 18-20, 2015 <b>7.b. TYPE OF REVIEW:</b> Full Program <b>7.c. RATING OF THIS REVIEW DATA:</b> Acceptable <b>7.d. RISK OF THIS REVIEW DATA:</b> Moderate	<b>8.a. DATE OF LAST REVIEW DATA:</b> February 25-27, 2014 <b>8.b. TYPE OF LAST REVIEW DATA</b> Full Program <b>8.c. RATING OF LAST REVIEW DATA:</b> Outstanding <b>8.d. RISK OF LAST REVIEW DATA</b> Moderate
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**9. DOD RATIOS:**  
 a. Total Annual Company Sales: \$45,600,000,000  
 b. Total dollar value of contracts that are with DoD (including those without plans): \$25Billion in DoD orders, \$27 Billion in DoD sales and \$43Billion in DoD Backlog

**10. TYPE OF SUBCONTRACT PLAN(S):**  
☐ Individual Plan(s): Number of plans:  
☐ Commercial Plan: Approving authority: Period Covered From: Period Covered To:  
☒ Comprehensive Plan: Approving authority: Margarette Trimble-Williams Period Covered From: 1 Oct 13 Period Covered To: 30 Sept 14  
☐ Master Plan: Approving authority: Period Covered From: Period Covered To:  
☐ Other: Specify Type

## PART II – CONTRACTOR’S COMPREHENSIVE SUBCONTRACTING PERFORMANCE

### SUBCONTRACTING PERFORMANCE FACTORS

*Compliance with FAR requirements in this part establish the basic requirements for an acceptable rating*

#### 1. OVERALL SUBCONTRACTING PERFORMANCE – SUMMARY SUBCONTRACTING REPORT (SSR) SUBMISSION (FAR 52-219-9(d) (1), (2) & (10) (iii) & (iv))

- a. WERE SSR REPORTS SUBMITTED IN ACCORDANCE WITH FAR REQUIREMENTS AND SSR INSTRUCTIONS?  
☒ YES    ☐ NO. Identify deficiencies:

The SSR report was submitted on time and in accordance with FAR requirements. This business unit uses the P2P Electronic System for purchase order retention and documentation. The system captures suppliers by size, purchase order dollars and other factors.

- b. VERIFY ACCURACY OF SSR REPORTS:

As a result of this review, the FY14 SSR report is considered not accurate. The purchase order sampled noted various errors with the supplier's size classification. The DCMA reviewer informed LM that the FY14 SSR will be rejected in the system so they can make necessary corrections to disallow the total dollars reported into the erroneous categories for FY14. LM was proactive on gathering the total dollars in question and will correct the SSR accordingly.

Additionally, it was found that LM suppliers are not validating their size at time of award and the contractor relies on their last submission into their own electronic system. [REDACTED]

[REDACTED]; however, the only electronic system allowed to be used by regulation is SAM. The regulations do not allow the contractor to rely on their own electronic system for size purposes at this time.

Other references:

*“13 CFR 121.411 What are the size procedures for SBA's Section 8(d) Subcontracting Program?*

*(a) Prime contractors may rely on the information contained in the System for Award Management (SAM) (or any successor system or equivalent database maintained or sanctioned by SBA) as an accurate representation of a concern's size and ownership characteristics for purposes of maintaining a small business source list.*

*(b) Even if a concern is on a small business source list, it must still qualify and self-certify as a small business at the time it submits its offer as a section 8(d) subcontractor. Prime contractors may accept a subcontractor's electronic self-certifications as to size, if the subcontract contains a clause which provides that the subcontractor verifies by submission of the offer that the size or socioeconomic representations and certifications made in SAM (or any successor system) are current, accurate and complete as of the date of the offer for the subcontract. Prime contractors or subcontractors may not require the use of SAM (or any successor system) for purposes of representing size or socioeconomic status in connection with a subcontract.*

*It is our responsibility under 13CFR125.3(f)(2)(i) to evaluate whether the prime contractor assigned the proper NAICS code and corresponding size standard to a subcontract, and a review of whether small business subcontractors qualify for the size or socioeconomic status claimed”.*

*“13CFR125.3(c)(v) The contractor must assign each subcontract the NAICS code and corresponding size standard that best describes the principal purpose of the subcontract (see §121.410). The prime contractor may rely on subcontractor self-certifications made in SAM (or any successor system), if the subcontract contains a clause which provides that the subcontractor verifies by submission of the offer that the size or socioeconomic representations and certifications in SAM (or any successor system) are current, accurate and complete as of the date of the offer for the subcontract. A prime contractor or subcontractor may not require the use of SAM (or any successor system) for purposes of representing size or socioeconomic status in connection with a subcontract”.*

c. PERFORM TREND ANALYSIS OF PAST PERFORMANCE (*Last 5 years, if available*) AND DISCUSS TRENDS, POSITIVE OR NEGATIVE: 6 years data is presented to expand trend

(To copy over data use Paste "overwrite cells" option)

	Total Subcontracting Dollars (per the SSR)		Small Business			
Fiscal Year	\$ Goal	\$ Actual	\$ Goal	\$ Actual	% Goal	% Actual
FY09	\$14,037,397,703	\$12,908,423,771	\$3,647,703,940	\$3,269,320,439	26.0%	25.3%
FY10	\$17,429,732,154	\$15,342,885,627	\$4,010,780,695	\$3,982,899,169	23.0%	26.0%
FY11	\$18,688,799,649	\$18,520,382,554	\$3,569,560,733	\$4,261,491,321	19.1%	23.0%
FY12	\$17,199,685,096	\$16,989,991,052	\$3,319,539,224	\$4,003,522,849	19.3%	23.6%
FY13	\$16,704,423,289	\$16,548,938,868	\$3,107,022,732	\$3,787,130,352	18.6%	22.9%
FY14	\$15,074,000,072	\$19,528,707,044	\$2,788,690,013	\$3,353,250,726	18.5%	17.2%

	Small Disadvantaged Business				Women-Owned Small Business			
Fiscal Year	\$ Goal	\$ Actual	% Goal	% Actual	\$ Goal	\$ Actual	% Goal	% Actual
FY09	(b) (4)							
FY10								
FY11								
FY12								
FY13								
FY14								

	HBCU/MI				Hub-Zone Businesses			
Fiscal Year	\$ Goal	\$ Actual	% Goal	% Actual	\$ Goal	\$ Actual	% Goal	% Actual
FY09	(b) (4)							
FY10								
FY11								
FY12								
FY13								
FY14								

	Veteran-Owned Small Business				Service Disabled Veteran-Owned Small Business			
Fiscal Year	\$ Goal	\$ Actual	% Goal	% Actual	\$ Goal	\$ Actual	% Goal	% Actual
FY09	(b) (4)							
FY10								
FY11								
FY12								
FY13								
FY14								

The total subcontracting dollars reported for FY14 show an increase of \$3 Billion dollars from FY13 data. This marks the largest increase in total subcontracting dollars for the past six fiscal years. It also marks LM lowest Small Business performance across all

socio-economic categories for the same period of time. LM FY 14 SB dollar goal was \$2.7B and they achieved \$3.3B but still missed the percentage goal by 1.3%. This anomaly can be observed when there is an unpredicted increase in the total subcontracting base with the majority of allocations going to large, which is the case seen here with LM. Small Business shows a downward trend. [REDACTED]. A recovery plan was requested by OSD and DCMA to be included in their FY15 CSP plan.

This report also covers LM Missile Fire Control (MFC) business unit SB performance. (b) (4)  
[REDACTED]

## 2. FOR COMPREHENSIVE SUBCONTRACTING PLANS ONLY INITIATIVES:

- a. Describe the efforts the firm uses to achieve all negotiated initiatives? Describe: LM identified three initiatives for FY13. Efforts for each initiative are discussed below. Outreach is the main contributor in achieving the negotiated initiatives.

### 1. Indian Incentive Program: Objective: Submit a minimum of 5 IIP proposals to OSBP office: Complete

- Lockheed Martin submitted a total of 32 IIP proposals. LM received listing of approved payment submittals from DoD OSBP IIP Office.

### 2. SnapOn Tools Corporate Agreement: Restrict competition to Small Business only and release RFP to identified SB: Complete

- Competed procurement restricted to Small Business and narrowed down from ten to four small businesses of which (b) (4) got awarded the contract. Redirection of spend in process for this follow on contract. Awarded in Feb 2014 with spend of (b) (4) as of Sept 2014. This initiative is considered successful and complete.

### 3. Mentor Protégé Program: Identify and submit for two new MP agreements with focus on developing (SDB< HUBZone, and SDVOSB) and two other industries: Complete

- LM submitted two proposals: TIME Systems, LLC to the Army on 01/02/2014 and G2 Ops to the Navy.
- LM held a total of 3 supplier information sessions and multiple chat/webinars. ROI on suppliers information session a total of (b) (4) Number of suppliers receiving subcontracts (b) (4)

### 4. SBIR Program: Identify and add proven SBIR firms to the know Supplier Database to provide new training and engagement opportunities. Report number of SBIR partnerships

[REDACTED]

Is the firm making adequate progress to meet all milestones for all negotiated initiatives? ☒ Yes ☐ No The contractor was extremely successful with all 3 of their initiatives efforts.

## b. TARGET INDUSTRIES:

Has the contractor met, or are they on track to meet all selected industry category goals? ☒ Yes ☐ No

[REDACTED]. The contractor met all the negotiated goals. [REDACTED]

[REDACTED] The contractor efforts to switch spend from large to small are considered a success. [REDACTED]

	SB Goal %	SB Actual %	SB Goal \$	SB Actual \$
FY 2013	(b) (4)			
FY 2014				

	SDB Goal %	SDB Actual %	SDB Goal \$	SDB Actual \$
FY 2013	(b) (4)			
FY 2014				

	VOSB Goal %	VOSB Actual %	VOSB Goal \$	VOSB Actual \$
FY 2013	(b) (4)			
FY 2014				

	Large Goal %	Large Actual %	Large Goal \$	Large Actual \$
FY 2013	(b) (4)			
FY 2014				

	Estimated Spend %	Estimated Spend Actual %	Estimated Spend Goal \$	Estimated Spend Actual \$
FY 2013	(b) (4)			
FY 2014				

2.

(b) (4). LM met and exceeded all negotiated goals. (b) (4)  
The efforts made to switch spend from large to small were not significant to create a change in favor of SB. (b) (4)  
(b) (4) however no return on investment (b) (4)

	SB Goal %	SB Actual %	SB Goal \$	SB Actual \$
FY 2012	(b) (4)			
FY 2013				
FY 2014				

	WOSB Goal %	WOSB Actual %	WOSB Goal \$	WOSB Actual \$
FY 2012	(b) (4)			
FY 2013				
FY 2014				

	SDB Goal %	SDB Actual %	SDB Goal \$	SDB Actual \$
FY 2012	(b) (4)			
FY 2013				
FY 2014				

	Large Goal %	Large Actual %	Large Goal \$	Large Actual \$
FY 2012	(b) (4)			
FY 2013				
FY 2014				

	Estimated Spend Goal %	Estimated Spend Actual %	Estimated Spend Goal \$	Estimated Spend Actual \$
FY 2012	(b) (4)			
FY 2013				
FY 2014				

Describe the method the firm uses to improve performance by small business in the selected industry categories?

LM continued to utilize the methods as established in their objectives section of their FY14 CSP plan to include Supplier Information Sessions, adding new suppliers to their known supplier database, reviewed procurement spend with large businesses to identify opportunities to switch spend to small, chat sessions, and release of media to create awareness and exposure among buyers and decision makers.

- c. List the major programs (s) the firm is monitoring as requested by the customer.

Program Name	Discuss:	Add/Remove
Global Positioning System (GPS)	USAF program / LM Space Systems business unit	<input checked="" type="checkbox"/> Add <input type="checkbox"/> Remove
F-22 Raptor Aircraft	USAF program/LM Aeronautics	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Spaced Based Infrared System (SBIRS)	USAF program/LM Space Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Joint Air-to-Surface Standoff Missile (JASSM)	USAF program/LM Electronic Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
C-130J (Hercules Aircraft)	USAF program/LM Aeronautics	<input type="checkbox"/> Add <input type="checkbox"/> Remove
C-130J (Hercules Aircraft)	Navy program/LM Aeronautics	<input checked="" type="checkbox"/> Add <input type="checkbox"/> Remove
Flexible Acq. Sustainment Tool (FAST)	USAF program/LM Electronics Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Advanced Extra High Frequency (AEHF)	USAF program/ LM Space Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Design Engineering Support Program (DESP II)	USAF program/LM IS&GS	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Terminal High Altitude Air Defense (THAAD)	MDA program/ LM Space Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Aegis Ballistic Missile Defense Program (Aegis BMD AWS)	MDA program/ LM Electronics	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Targets and Countermeasures	MDA program/ LM Space Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Multi Mission Helo-H-60 Romeo & H-60 Sierra (H-60 R&S)	Navy program/ LM Electronics Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
F-35 Joint Strike Fighter (JSF)	Navy program/LM Aeronautics.	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Joint Air-to-Ground Missile (JAGM)	Army program/LM Electronic Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Future Flexible Acquisition & Sustainment tool (F2AST)	USAF program/LM Electronic Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Next Generation Aegis Missile (NGAM SM3 blk. IIB)	MDA program/LM Space Systems	<input type="checkbox"/> Add <input type="checkbox"/> Remove
Aegis BMD AWS	Navy program/LM Moorestown	<input checked="" type="checkbox"/> Add <input type="checkbox"/> Remove
C2BMC	MDA program	<input checked="" type="checkbox"/> Add <input type="checkbox"/> Remove

- d. Did the firm fully comply with the request to provide program specific information as requested by the customer?

☒ Yes ☐ No

- e. PERFORM **INTERIM** ANALYSIS OF COMPREHENSIVE SUBCONTRACTING PLAN (SF 295).

Indicate by analysis and contractor concurrence, one or more of the plan's goals **may not be** attained by end of performance.

COMPREHENSIVE PLAN	Goal May Not Be Met – Check Box(es) where goals may not be met						Demonstrated Good Faith Effort
	SB	SDB	WOSB	HUBZ	VOSB	SDVOSB	
Midyear SF295/SSR Date Range: 1Oct12-30Mar13	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Recommended Action:

## f. PERFORM FINAL ANALYSIS OF COMPREHENSIVE SUBCONTRACTING PLAN (SF 295).

COMPREHENSIVE PLAN	All Goals Were Met	Goals Not Met – Check Box(es)						Demonstrated Good Faith Effort
		SB	SDB	WOSB	HUBZ	VOSB	SDVOSB	
Year End SF295/SSR Date Range: 1 Oct 13 - 30 Sep 14	<input type="checkbox"/> YES <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> No

Recommended Action:

Lockheed Martin	FY14 CSP Negotiated Goals \$\$\$	FY14 CSP Negotiated Goals %	FY14 End-Year Achievement Actual \$\$\$	FY14 End-Year Achievement Actual %
SB	(b) (4)			
LB				
Total				
SDB				
WOSB				
HUBZone				
VOSB				
SDVOSB				

The [REDACTED] contributions to the Small Business spend is minimal and almost non-existent for most Small Business subcategories. LM MFC exceeded all of their business unit goals.

A breakdown of LM achievement by socio-economic categories follows:

1. SB goal: Not met. Lockheed Martin failed to meet the SB goal by [REDACTED]. The actual dollars are higher than negotiated showing the added effort in trying to meet the goal. [REDACTED] MFC is beig in outreach participation.
2. SDB goal: [REDACTED]. The strategies in place to increase SDB spend are considered ineffective as it did not result in a favorable increase in spend. The contractor did not meet their long term goals. [REDACTED]

	FY '10	FY '11	FY '12	FY '13	FY '14
<b>LM SDB Goals</b>	(b) (4)				
<b>Negotiated</b>					
<b>Actual</b>					

LM SDB goal for FY14 was missed by [REDACTED]

3. WOSB goal: LM missed the WOSB goal by [REDACTED]
4. HUBZone goal was met at exactly [REDACTED]
5. VOSB goal was met at [REDACTED]. Even when they met the goal, LM VOSB percentage dropped significantly when compared to previous years. [REDACTED]
6. SDVOSB: [REDACTED] LM performance through FY13 was on target with meeting the 3% increase in spend for this category. FY14 shows a big drop in spend attributed to [REDACTED] LM was not able to reach their goal but made satisfactory progress in increasing spend for this category.

#### SDVOSB Strategy Plan Milestones

Revised	FY '10	FY '11	FY '12	FY '13	FY '14
<b>SDVOSB Goals</b>	(b) (4)				
<b>Negotiated</b>					
<b>Actual</b>					

LM MFC actual was 3.6%, the overall performance for this segment is considered satisfactory and on track.

### PART III – CONTRACTOR'S COMPREHENSIVE SMALL BUSINESS PROGRAM ADMINISTRATION PROGRAM ADMINISTRATION FACTORS

*Compliance with FAR requirements in this part establish the basic requirements for an acceptable rating*

**REVIEW OF SMALL BUSINESS PROGRAM (FAR 52.219-9):** The contractor continues to comply with FAR 52-219-9. There are no changes with their methodology and procedures as described in LM FY13 640 report except for items e, g, m, n, o and v below.

1. ARE THERE WRITTEN PROCEDURES IN PLACE REGARDING SMALL BUSINESS PROGRAM ADMINISTRATION FOR:
  - a. FAR 52.219-9 (d) (1) Does the firm express goals in terms of percentage of totals planned subcontracting dollars for each small business category, in all plans? ☒ YES ☐ NO DESCRIBE HERE:
 

LM has procedures in place to establish and monitor subcontracting goals. LM breaks down the total planned subcontracting dollars for each small business category and its corresponding percentage based on their total subcontracting base. LM complies with this requirement.
  - b. FAR 52.219-9 (d) (2) Are there statements of total dollars planned to be subcontracted for each small business category in all plans? ☒ YES ☐ NO DESCRIBE HERE:
 

LM is in compliance with this requirement. Indirect dollar allocations are included with their goal projection.
  - c. FAR 52.219-9 (d) (3) Is there a description of the principal types of supplies and services to be subcontracted for each small business category? ☒ YES ☐ NO DESCRIBE HERE:

A detailed description of the principal types of supplies and services is contained in their FY14 CSP plan. LM is organized into five business units: Aeronautics, Information Systems & Global Solutions, Missiles & Fire Control (review site), Mission Systems & Training and Space Systems. LM is in compliance with this requirement.

- d. FAR 52.219-9 (d) (4) Briefly describe and analyze the methodology used by the firm to develop subcontracting goals. Is the firm adhering to the method described in the plan to develop subcontracting goals? ☒ YES ☐ NO  
DESCRIBE HERE:

LM utilizes a "bottoms up" forecasting process from all the Business Areas, business development, procurement, material planning and finance. The goals are then rolled up to the Corporate Director, Category Management & Supplier Diversity and are aggregated to determine corporate performance targets. The DCMA analyst has reviewed their basis for establishing goals described in their CSP plans and entered into numerous discussions to determine any variations from the procedures because their forecast seems to not be at par with their goal achievement. It is noted that the disparity on the negotiated goals vs. actual achievement in FY14 was due mainly to [REDACTED] an internal leadership decision.

- e. FAR 52.219-9 (d) (5) Briefly describe and analyze the methodology utilized by the firm to identify small business sources. Is the firm adhering to the method described in the plan to develop small business sources? ☒ YES ☐ NO  
DESCRIBE HERE:

Outreach is used extensively throughout the LM organization. LM participated in over 60 outreach events in FY14. LM keeps records of attendance for all their outreach efforts. LM is adhering to their method as described in their FY14 CSP plan.

- f. FAR 52.219-9 (d) (6) Briefly describe and analyze the methodology utilized by the firm to determine and allocate indirect subcontracting dollars for the SF295 (and the SF 294, if applicable). Are they adhering to the policy, and or the method described in the plan to determine indirect costs? ☒ YES ☐ NO DESCRIBE HERE:

This methodology has been reviewed and considered acceptable by the current and previous DCMA analysts. The following is the methodology Lockheed Martin uses to determine and allocate indirect subcontracting dollars (FY14 CSP).

Indirect Allocations: (b) (4)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- g. FAR 52.219-9 (d) (7) Briefly describe and analyze the small business related duties of the individual who administers the subcontracting program/plan. Are they fulfilling the small business duties as described in the plan ?  
☒ YES ☐ NO DESCRIBE HERE:

Nancy Deskins held the Corporate SBLO chair in FY14. She had many years of experience and was fully engaged with this program. Suzanne Raheb is the newly assigned SBLO and former deputy SBLO under Nancy Deskins. She is

equally experienced to manage this program. In fact, the supplier wire tool addition to the corporate SB vision was an idea brought forward by Suzanne. LM is completely engaged with the SBIR program, Mentor-Protégé program, outreach events and/or adapting changes and new ways to procure supplies. The SBLO duties have been reviewed and considered acceptable by the current and previous DCMA analysts.

- h. FAR 52.219-9 (d) (8) Briefly describe and analyze the efforts by the firm to ensure equitable subcontracting opportunities exist for small businesses. Is the firm adhering to the method described in the plan to assure equitable subcontracting opportunities exist for small business? ☒ YES ☐ NO DESCRIBE HERE:

The DCMA analyst's purchase order review validates the contractor is adhering with their efforts to ensure equitable subcontracting opportunities exist for small business as detailed in their Comprehensive subcontracting plan. All purchase orders sampled included a buyer checklist in which the buyer documents if small businesses were/were not solicited and the reason for award. The contractor also tracks, reports and monitors their participation in conferences, trade fairs, supplier information sessions, forums and workshops promoting small business. The contractor is in compliance with this requirement.

- i. FAR 52.219-9 (d) (9) Briefly describe and analyze the methodology utilized by the firm for maintaining records of purchases over \$650,000, (\$1.5M for construction) with large businesses that require subcontracting plans.. Is the firm adhering to the method described in the plan? ☒ YES ☐ NO DESCRIBE HERE:

Purchase order records are maintained electronically. The Record Keeping section in the CSP addresses each business unit to maintain records to demonstrate policies and procedures are being implemented.

The sample reviewed validated the collection of subcontracting plans is in place, their review process and acceptance of plan, and proper documentation in the event the supplier was not required to submitting a plan (Commercial Item/In-House work). LM's methodology and record keeping process is considered acceptable.

- j. FAR 52.219-9 (d) (10) Does the firm cooperate in studies or surveys as may be required, submit periodic reports to determine extent of compliance to plans. Submit ISR, Subcontracting Report for Individual Contracts, and/or SSR, Summary Subcontract Report, in accordance with 52.219-9, and ensure that its subcontractors agree to submit ISR and SSR. ☒ YES ☐ NO DESCRIBE HERE:

All reports are timely. LM cooperates and collaborates with studies and surveys. LM is in compliance with this requirement.

- k. FAR 52.219-9 (d) (11) (i) Briefly describe and analyze the Source lists (e.g. CCR), guides, and other data the firm uses to identify small businesses. Is the firm adhering to the method described in the plan? ☒ YES ☐ NO DESCRIBE HERE:

The contractor's sources to identify Small Business suppliers are documented throughout this report and in their current and past comprehensive subcontracting plans. Supplier Information Sessions and Matchmaking events have been of great success. The contractor's involvement with multiple organizations is also documented. LM's method to identify Small Businesses is deemed acceptable.

- l. FAR 52.219-9 (d) (11) (ii) List organizations that are contacted by the firm in an attempt to locate sources that are small businesses. Is the firm utilizing the list of organizations described in the plan? ☒ YES ☐ NO DESCRIBE HERE:

The list includes SAM, Exostar, Known Supplier Database and the Lockheed Martin internal database among others. Lockheed Martin uses social networking tools such as Twitter, GovWin and Lockheed Martin's on-line bulletin board on LMC.com and advertises bulletin board items to organizations such as National Veteran Owned Business Association (NaVOBA). A review of their records shows they are utilizing these sources. LM is adhering to this requirement.

- m. FAR 52.219-9 (d) (11) (iii) Briefly describe and analyze the methodology utilized by the firm for maintaining records of purchases over \$150,000. Are they adhering to the method described in the plan? ☒ YES ☐ NO DESCRIBE HERE:

LM maintains all purchase order records electronically. The contractor was able to retrieve all requested purchase orders using this electronic system. The manipulation of the folders was simple and within few clicks and scrolls the reviewer was able to examine in detail each purchase orders listed under Part II (2)(a). Each purchase order documented the rationale for award and if small business and its sub-categories were solicited or not. LM's record keeping methodology is adequate.

- n. FAR 52.219-9 (d) (11) (iv) Briefly describe and analyze the records the firm maintains to document outreach efforts with trade associations business development organizations, conferences, trade fairs, and veteran service organizations, to locate small businesses. Is the firm maintaining records as described in the plan? ☒ YES ☐ NO  
DESCRIBE HERE:

Lockheed Martin maintains records of Corporate and local sponsored events to locate small businesses. Lockheed Martin holds targeted Supplier Information Sessions (SIS) with focus on negotiated initiatives. The Return on Investment (ROI) for these events is tracked. At the business unit level, MFC hosted the DFW Veteran Summit and a joint SIS session along with the Aeronautics business unit. They also sponsored the Florida Minority Supplier Development Council and lead the green and black belt training efforts. The DCMA analyst examined the records and they are considered adequate.

- o. FAR 52.219-9 (d) (11) (v) Briefly describe and analyze the records the firm maintains to document internal guidance and encouragement to buyers through (A) workshops, seminars, training, etc. and (B) monitoring performance to evaluate compliance with program requirements. Are they maintaining records as described in the plan? ☒ YES ☐ NO  
DESCRIBE HERE:

LM's training records were provided and validated. The contractor also maintains records of training to new SBLOs and procurement personnel. Most notable training effort was MFC mentoring of five SB suppliers for a six month period. MFC also lead the Green and Black Belt training sessions in FY14. LM training records are complete and adequate.

- p. FAR 52.219-9 (d) (11) (vi) Briefly describe and analyze the methodology the firm uses, on a contract-by-contract basis, to record support award data, including the name, address, and business size of each subcontractor. Contractors having commercial plans need not comply with this requirement. Are they maintaining records as described in the plan? ☒ YES ☐ NO DESCRIBE HERE:

The contractor utilized their Exostar System during the review. This system captures all supporting award data. The contractor's system(s) are considered adequate. LM is in compliance with this requirement.

- q. FAR 52.219-9 (e) (1) Briefly describe and analyze the methodology utilized by the firm to assist small businesses by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns. Are they adhering to the method described in the plan? ☒ YES ☐ NO DESCRIBE HERE:

The DCMA analyst previously reviewed Lockheed Martin's policies, LMAP 2.320, entitled "Identifying Potential Sources for Competitive Solicitations" and LMAP 3.110. The procedures have not changed from last year report and contain specific guidance that allows for small business considerations and include even provisions for certain competitions that can be limited to small business concerns as documented in other areas of this report. The contractor's actions are deemed appropriate.

- r. FAR 52.219-9 (e) (2) Briefly describe and analyze the methodology utilized by the firm to provide adequate and timely consideration of small businesses in all "make-or-buy" decisions. Is the firm adhering to the method described in the plan? ☒ YES ☐ NO DESCRIBE HERE:

In the event there is a "make-or-buy" decision the SBLO is part of the process. All suppliers are considered regardless of their size. This methodology is determined to be adequate.

- s. FAR 52.219-9 (e) (3) Briefly describe and analyze the methodology utilized by the firm to counsel and discuss subcontracting opportunities with small businesses. Is the firm adhering to the method described in the plan? ☒ YES ☐ NO  
DESCRIBE HERE:

\_\_\_\_\_ a notorious increase from last year.

LM methods are considered adequate. They continue to find new ways to bring information to new small business suppliers.

- t. FAR 52.219-9 (e) (4) Briefly describe and analyze the methodology utilized by the firm to provide notice to subcontractors concerning penalties and remedies for misrepresentations of business status as a small business for the purpose of obtaining a subcontract. Is the firm adhering to the method described in the plan? ☒ YES ☐ NO  
DESCRIBE HERE:

The contractor's notice is included in each supplier registration to their database. Suppliers are to acknowledge the penalties for misrepresenting the supplier's size status and are requested to notify them immediately of any changes with their size. The issue with this process is that because is not done at time of award but during the initial registration process suppliers do forget to update their size status. The review of purchase orders notes multiple suppliers size errors. This clause needs to be included on each subcontract award.

- u. FAR 19.702 It is the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontracts with small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns. Describe the method utilized by the firm to ensure timely payment of subcontractors. Has the firm been adhering to this policy? ☒ YES ☐ NO DESCRIBE HERE:

unit, [REDACTED] At the business [REDACTED]  
[REDACTED] that resulted in expediting payment as well and improvement in suppliers cash flow [REDACTED]

- v. Has the firm adequately addressed all previous Corrective Action Plans? ☒ YES ☐ NO

The contractor addressed DCMA FY13 corrective action (CA) request promptly. Some of LM corrective actions are tied to SBA HQ approval of their proposed processes. LM maintained DCMA informed at all times of their progress, meetings with SBA and provided a status report for our review. The corrective actions are still under SBA review and pending approval and implementation. This item will be carried forward in FY14 and further until is officially closed by DCMA.

## 2. COMPLIANCE WITH RECORD KEEPING:

- a. REVIEW A REPRESENTATIVE SAMPLE OF PURCHASE ORDERS AWARDED TO LARGE BUSINESS, INCLUDING PURCHASE ORDERS OVER \$650,000.

LM utilizes an electronic self-certification system to capture the supplier size. The suppliers update their size status annually not at time of award. The sample shows various purchase orders with erroneous size classification in their system. This is a repetitive finding documented in last year 640 report and now seen at a different business unit. Because these suppliers had incorrect size and the dollars were captured in their FY14 SSR, DCMA requested corrections to be made on the FY14 SSR to disallow any dollars reported for those suppliers during that period. The suppliers and dollars are shown below:

1. (b) (4) supplier was counted as SDB but is not; disallow (b) (4) (only one Purchase Order issued in FY14)
2. (b) (4) supplier was counted as SDB but is not SDB; disallow (b) (4) (only one PO issued in FY14)
3. (b) (4) supplier was counted as SDB but is not SDB; disallow (b) (4) for all POs issued in FY14

The total SDB dollars disallowed is \$7,351,653.26.

## SUBCONTRACTING PURCHASE ORDER REVIEW CHECKLIST DCMA FORM 640 EXHIBIT 1

## DCMA FORM 640 EXHIBIT 1

*(for more rows click outside the right side of the row on the form and hit "enter")*

CONTRACTOR:	Lockheed Martin MFC	PERIOD COVERED: FY 14	October TO September				
SAMPLING OF AWARDS TO LARGE BUSINESS OVER \$150,000 AND \$650,000; AND SAMPLES OF P.O. TO SMALL BUSINESS TO VERIFY CERTIFICATION							
SUB-CONTRACTS WITH LARGE BUSINESSES = or > \$650,000		FAR 52.219-9(d)(9)					
Prime Contract	Date	Vendor Name	\$ Amount	Subcontract Number	SB Plan In Place?	ISR Input?	Remarks
(b) (4)	10/10/2013	(b) (4)			Y	Y	Plan was received, reviewed and incorporated prior to award
(b) (4)	7/14/2014	(b) (4)			Y	Y	Plan was received, reviewed and incorporated prior to award
(b) (4)	4/2/2014	(b) (4)			Y	Y	Plan was received, reviewed and incorporated prior to award
(b) (4)	12/18/2013	(b) (4)			Y	Y	Order was finalized on 3/29/14, SB plan was received before order was placed
(b) (4)	12/18/2013	(b) (4)			Y	Y	Order was completed on June 11, 2014
(b) (4)	2/19/2014	(b) (4)			Y	Y	Sb was received on 6/24/14, order was not funded until 7/25/14

(b) (4)	11/25/2013	(b) (4)	Y	Y	SB plan received on time
	2/5/2014		Y	Y	SB plan received 5/20/14
	3/13/2014		Y	Y	SB Plan received on 8/8/14; order was completed 8/25/14
	6/16/2014		Y	Y	SB Plan approval 6/12/14
	10/10/2013		Y	Y	SB Plan received 9/24/14
	11/11/2013		Y	Y	SB Plan received 11/1/13

## PURCHASE ORDERS/SUB-CONTRACTS TO LARGE BUSINESS = OR &gt; \$150,000

FAR 52.219-9(d)(11)(iii)

Size	P.O. #	Date	Vendor Name	\$ Amount	Item Procured	Reason Code	Remarks
	(b) (4)		(b) (4)				(b) (4)
L		12/3/2013					
L		12/9/2013					IDIQ contract-non-competitive
L		2/19/2014					Follow-on, economic consideration-Cost avoidance of having a new design
L		4/23/2014					No alternate sources considered
L		7/24/2014					Source Controlled Drawing
L		10/16/2013					Source Controlled Drawing
L		10/18/2013					(b) (4)
L		5/19/2014					Follow-on, will cost \$62K more to develop new source

	(b) (4)		(b) (4)				
L		5/6/2014					DEM item
L		6/27/2014					Source Controlled Drawing
L		10/22/2013					Source Controlled Drawing
L		12/19/2013					Source Controlled Drawing
L		6/27/2014					(b) (4)
L							

## SAMPLES OF P.O. TO SMALL BUSINESS TO VERIFY CERTIFICATION

FAR 52.219-9(e)(4i)

Size	P.O. #	Date	Vendor Name	\$ Amount	Item Procured	Sys Shows	Self-Certification Shows
SB	(b) (4)	11/25/2013	(b) (4)		Contract Labor	SB/VOSB/SD VOSB	SB/VOSB/SDVOSB
SB		10/21/2013			Contract Labor	SB/SDB/VO SB/VOSB/SD VOSB	SB/SDB/WOSB/VOSB/ SDVOSB
SB		4/1/2014			Container	SB/VOSB/ SDVOSB	SB/VOSB/SDVOSB
SB		8/29/2014			Sensors	SB/SDB	Not SDB, LM issued only one PO in FY14 value of (b) (4)
SB		1/21/2014			Contract labor	SB/SDB/VO SB	SB/SDB/WOSB
		7/15/2014			Relay	SB/SDB	SB/SDB
SB		10/1/2013			Contract Labor	SB/SDB/VO SB/HUBZON E/VOSB/SDV OSB	Not SDB; only PO for (b) (4)
SB		11/25/2013			Contract Labor	SB/SDB/VOS B/SDVOSB	SB/SDB/VOSB/SDVOSB
SB		4/9/2014			Protective Cover	SB/SDB	SB/SDB

(b) (4)		(b) (4)		Contract Labor	SB/SDB/WO SB/HUBZON E	SB/SDB/WOSB/HUBZONE; Hub 11-30-13
SB	7/28/2014			Circuit Board Assy	SB/HUBZON E/VOSB/SDV OSB	SB/HUBZONE/VOSB/ SDVOSB; Hub 10-04-13
SB	7/24/2014			Hinge Pin Housing	SB/SDB/HUB ZONE/VOSB/ SDVOSB	SB/SDB/HUBZONE/VOSB/ SDVOSB; Hub 6/5/2008
SB	7/31/2014			Temperature Sensor	SB/HUBZON E/	SB/HUBZONE; Hub 2-11- 13
SB	3/11/2014			Contract Labor	SB/SDB/WO SB/HUBZON E/VOSB/SDV OSB	Not SDB, they received (b) (4) which were counted as SDB
SB	9/2/2014			Ethernet Switch	SB/HUBZON E/VOSB/SDV OSB	SB/HUBZONE/VOSB/ SDVOSB; Hub 11-30-2004
SB	10/16/2013			Generators	SB/HUBZON E/VOSB/SDV OSB	SB/HUBZONE/VOSB/ SDVOSB; Hub 9-24-2007
SB	11/11/2013			Wooden Heat threatened pallets	SB/HUBZON E	SB/HUBZONE; Hub 2-20- 2012
SB	10/16/2013			Repair Helicopter	SB/HUBZON E/VOSB	SB/HUBZONE/VOSB; Hub 12-20-2010
SB	3/14/2014					

**REASON CODES FOR SB/SDB/WOSB/HUBZone/SDVOSB NOT SELECTED/SOLICITED: (1) SOLE SOURCE / (2) SINGLE SOURCE / (3) SOURCE CONTROLLED DRAWING / (4) CUSTOMER DIRECTED / (5) NO KNOWN SB SOURCE / (6) SB SOLICITED, NOT SELECTED**

**PART IV – SUPPLEMENTAL DATA**  
**VALIDATION OF INFORMATION IN THIS PART MAY BE USED TO JUSTIFY HIGHER RATINGS**

1. HAS A COMPANY-WIDE SB POLICY STATEMENT BEEN ISSUED BY CURRENT SENIOR MANAGEMENT AND DISSEMINATED THROUGHOUT THE COMPANY?

☒ YES. Issued By: Marillyn A. Hewson

Title: Chairman/CEO

Date: Annually

☐ NO. COMMENTS:

2. SBLO APPOINTMENT/AUTHORITY PLACEMENT IN THE ORGANIZATION:

- a. HAS THE SBLO BEEN FORMALLY APPOINTED BY SENIOR LEVEL MANAGEMENT?

☒ YES. Where are the duties and responsibilities defined?

Suzanne Raheb has been newly assigned as LM Corporate SBLO replacing Nancy Deskins, former SBLO. Her duties remain as listed under Section 6 of the CSP and in the Corporation Performance Management System. Nancy Deskins was the appointed SBLO for the period in review.

☐ NO. COMMENTS:

b. IS THE SBLO APPOINTED AT AN APPROPRIATE LEVEL TO EFFECTIVELY ADMINISTER THE PROGRAM?

☒ YES. DESCRIBE:

Nancy Deskins was the assigned SBLO during the review period. She reported to Pat Sunderlin, Chair Supply Chain Council. Suzanne Rehab facilitated the review as the newly assigned Corporate SBLO.

☐ NO. COMMENTS

c. TO WHOM DOES THE SBLO REPORT?

Name: Pat Sunderlin Title: VP Materials Missiles & Fire Control, who also Chair the Supply Chain Council.

d. SBLO IS A: ☒ Corporate ☐ Division (if a division SBLO, describe the relationship between this division and the corporate SBLO).

e. IS THERE AN ORGANIZATION CHART THAT DISPLAYS THE POSITION OF THE SBLO WITHIN THE ORGANIZATION?

☒ YES. Charts were provided

☐ NO. COMMENTS:

3. MONITORING SB PROGRAM PERFORMANCE AND REQUIREMENTS:

a. ARE SENIOR MANAGEMENT AND STAFF BRIEFED REGULARLY ON ACHIEVEMENT AND/OR PROGRAM DEFICIENCIES?

☒ YES. COMMENTS:

Monthly briefs to the executive staff to include progress to goals.

☐ NO. COMMENTS:

b. WHAT DOES CONTRACTOR DO TO IMPROVE OVERALL PROGRAM PERFORMANCE IF OVERALL PROGRAM GOALS ARE NOT BEING MET? (Identify any Corrective Action Plan(s) implemented)

Lockheed Martin utilizes recovery plan templates to develop specific strategies and initiatives to correct any goal deficiency. The corrective actions are tailored to the program and reviewed weekly for improvement.

4. SUPPLEMENTAL INFORMATION

a. Discuss the firm's use of strategic sourcing teams or other groups within the firm, that may assist the SBLO in the development of business subcontracting sources and the goal setting process. (If so, define its role in goal development and its role during plan performance). DESCRIBE:

As briefed to the DCMA analyst, LM utilizes multiple strategic sourcing teams. MFC evaluates potential supplier's capabilities and provides insight into assisting with sourcing actions and improving SB performance. MFC forecasting process is considered a step forward into forecasting realistic goals. It is noted that each business unit operates independently of each other but carry similar approaches.

- b. Discuss any successes the firm has made in subcontracting opportunities, those which were normally awarded to a large business, that have been redirected to a small business. DESCRIBE:

Lockheed Martin documentation of their efforts includes the following:

(b) (4)

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- c. Discuss any procurement actions the firm may have reserved for small business. DESCRIBE:

Lockheed Martin documented the following actions in FY14:

(b) (4)

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(b) (4)

At the business unit, Missiles and Fire Control documented the following actions:

(b) (4)

- d. Discuss the firm's use of Corporate, Blanket and Long Term Agreements and how they may affect small business dollars. DESCRIBE:

Lockheed Martin is well known for using corporate agreements as a best practice. The contractor provided copies of their current corporate agreements (spreadsheets). This practice has been found to be beneficial to small businesses in general as once selected into a corporate agreement and based on good performance the likelihood of continuing the relationship once the agreement expires is high. The (b) (4)

Large	Small	SDB	SWOB	HUB	Vet	SDV	Native
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(b) (4)

- e. Discuss the extent of use and the firm's internal written guidance for credit card purchases. DESCRIBE:

LM has made no changes to their internal written guidance for credit card purchases as noted in previous report. As such the following is an excerpt from previous report and still applies: (b) (4)

- f. Discuss the firm's use of the internet or web-site as tools to advertise its ongoing and future procurement requirements. DESCRIBE:

Lockheed Martin heavily relies on automated tools to advertise future procurements. They continue with "Supplier Wire", a new tool introduced last fiscal year. This newly implemented tool is packed with information for small businesses looking to do business with them. It offers free webinars, live chats, educational videos, immediate needs bulletins, directories, partnership pursuits and a veteran's corner. DCMA recognizes LM for bringing innovation as a way to reach out small business suppliers, new this FY is their LM Supplier Mall, an accessible database that identifies SB suppliers.

- g. Discuss the firm's use of Mentor/Protégé agreements to increase small business subcontracting opportunities. If the firm is not participating in the Mentor Protégé program, are they considering participating in the program? DESCRIBE:

- Lockheed Martin has (b) (4) Mentor Protégé agreements. They hosted three protégé 101 webinars. LM submitted two proposals: (b) (4) to the Army on 01/02/2014 and (b) (4) to the Navy.
- LM held a total of 3 supplier information sessions and multiple chat/webinars. ROI on suppliers information session a total of (b) (4) Number of suppliers receiving subcontracts (b) (4)

MFC efforts utilizing current and past protégés were briefed during the review. All efforts with the MP program are satisfactory. LM was awarded a Nunn Perry award for their efforts with IERUS Technologies in FY14.

- h. Discuss the firm's initiatives/accomplishments made to ensure more small businesses are able to compete in more "high-tech" procurements. DESCRIBE:

In 2014, 117 SBIR/STTR awards were received to the small business/LM team and Lockheed Martin had the following 3 SBIR Phase III successes:

- (b) (4)

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- 

- i. Discuss how the firm monitors its individual subcontracting goals/plans and readjusts its internal focus in achieving goals that may be in doubt of being attained. DESCRIBE: SEE PART IV (3) (B) ABOVE.
- j. Discuss any planned procurement actions, or procurement actions, or procurements addressed specifically within the subcontracting plan that had to be redirected to another business size category. DESCRIBE: SEE PART IV 4 (B) ABOVE

## 5. NOTEWORTHY ACTIVITIES TO JUSTIFY A HIGHLY SUCCESSFUL OR OUTSTANDING RATING:

REVIEW AND DISCUSS CONTRACTOR'S ACTIVITIES THAT ARE CONSIDERED NOTEWORTHY TO JUSTIFY A HIGHLY SUCCESSFUL OR OUTSTANDING.

## 6. ADDITIONAL REMARKS. DESCRIBE IN DETAIL HOW A CONTRACTOR HAS MET THE CRITERIA TO JUSTIFY A RATING THAT IS HIGHER THAN ACCEPTABLE.

Outstanding – Describe how the contractor has had exceptional success with initiatives to assist, promote and utilize small business (SB), small disadvantaged business (SDB), women-owned small business (WOSB), HUBZone small business, veteran-owned small business (VOSB), and service-disabled VOSB (SD/VOSB). Describe how the contractor has an exemplary program that could be used as a model by other contractors in similar industries.

Highly Successful – Describe how the contractor has had significant success with initiatives to assist, promote, and utilize SB, SDB, WOSB, HUBZone small business, VOSB, and SD/VOSB. Describe how the contractor has gone above and beyond the required elements of the program. Provide documentation and stories to support such efforts.

## PART V – SUMMARY AND RECOMMENDATIONS

### 1. PROGRAM RATING:

The following rating criteria should be used to determine the contractor's rating. Note that the rating criteria are the same as SBA per the November 12, 2009 DCMA/SBA Memorandum of Understanding.

- ☐ **Outstanding - Exceeds** the negotiated small business goal and 2 additional category goals on 90% or more of the subcontracting plans reported for the fiscal year under review. Has exceptional success with numerous specific initiatives to assist, promote and utilize Small Business (SB), Small Disadvantaged Business (SDB), Women-Owned Small Business (WOSB), HUBZone Small Business (HUBZone), Veteran-Owned Small Business (VOSB), Service-Disabled Veteran Own Small Business (SDVQSB); Alaska Native Corporations (ANC's) and Tribal Native American concerns, except in instances where the Large Prime Contractor (LPC) can provide a reason the Commercial Marketing Representative (CMR) or DCMA representative deems justifiable as to why the LPC has not had exceptional success in those categories.
- ☐ **Highly Successful - Met or exceeded** the negotiated goals in three small business categories on 80% of the subcontracting plans reported for the fiscal year under review. Has moderate success with some initiatives to assist, promote and utilize SB, SDB, WOSB, HUBZone, VOSB, and SDVOSB as described above in the criteria for a rating of Outstanding. Demonstrates focused efforts to go above and beyond the required elements of the subcontracting program and provides documentation of achievements and success stories to support such efforts. The contractor demonstrates existing policies and process that ensures 85% on-time and accurate submission of required reports in eSRS as a prime contractor and 80% on-time submission of reports from their subcontractors.
- ☒ **Acceptable – Always** demonstrates a good-faith effort to meet **all** of its goals on subcontracting plans reported for the fiscal year being reviewed, but falls short of thresholds to receive a rating of Highly Successful. Provides reasonable and supportable explanations why certain goals could not be achieved. Demonstrates compliance with the mandatory elements of their subcontracting plans and implementing regulations. ISRs and SSRs submitted accurately within 30 days after the end of applicable reporting periods 70% of the time.
- ☐ **Marginal - Deficient** in meeting key subcontracting plan elements or the contractor has failed to satisfy one or more requirements of a corrective action plan from the prior review. Fail to comply with the submission requirements in eSRS on the majority of their contracts with subcontracting plans and no evidence of flow-down to applicable subcontractors. There is evidence of corporate and/or senior management commitment to bring their subcontracting program to an acceptable level and has demonstrated a commitment to apply the necessary resources to do so. A corrective action plan is required, and the Administrative Contracting Officer(s) (ACO) and SBA CMR(s) must be notified.
- ☐ **Unsatisfactory – Noncompliant** with the contractual requirements of DFARS and FAR 52.219-8 and 52.219-9. Contractor's management shows little interest in bringing its program to an acceptable level or is generally uncooperative. For example, recommendations made by SBA or DCMA on previous reviews have never been implemented. A corrective action plan is required, and the ACO(s) and SBA CMR(s) must be notified

### 2. RISK RATING:

The following rating criteria should be used to determine the contractor's rating.

- ☐ **High - High Risk** is assigned when the contractor is not meeting contract negotiated and DoD goals.
- ☒ **Moderate - Moderate Risk** may be assigned when the contractor is meeting contract negotiated goals but not DoD goals.
- ☐ **Low – Low Risk** may be assigned when the contractor is meeting contract negotiated and DoD goals.

### 3. RATINGS SUMMARY, RECOMMENDATIONS, AND FOLLOW-UP OF CORRECTIVE ACTIONS(S):

- 1 "Negotiated goals" refers to the dollar and percentage goals in the approved subcontracting plan. (For rating purposes, the reviewer will compare the percentage goals to the percentage achievements.)

- 2 Examples of such initiatives include, but are not limited to, participating in a Mentor-Protégé program, performing compliance reviews at subcontractors' sites, administering a buyer incentive program, participating in trade fairs, promoting registration in the CCR, and contracting suppliers to encourage SDB and HUBZone certification.
- 3 For example, recommendations made by SBA or DCMA on previous reviews have never been implemented.

## DISCUSS:

Risk Rating: The contractor is rated moderate risk because they are not meeting the DoD SDB [REDACTED], HUBZone [REDACTED] and SDVOSE [REDACTED] goals.

## Rating Summary and Recommendations:

1. Negotiated Goals. Lockheed Martin missed three out of their six negotiated goals. They missed their SB, SDB and WOSB goal and met their HUBZone, VOSB and SDVOSB goals. Good faith efforts in achieving negotiated goals are documented throughout the report. LM met all three negotiated initiatives and target industry goals.

2. eSRS reporting: The SSR report was found to be inaccurate. This review noted three suppliers counted as SDB that were not SDB. A total of \$7,351,653.26 for the SDB category is disallowed. LM was informed during the exit briefing that the FY14 SSR report was going to be rejected so they can apply necessary corrections to the dollars shown under the SDB category. A recap of the finding documented under Part III 2 (a) follows:

- [REDACTED], supplier was counted as SDB but is not; disallow [REDACTED] (only one Purchase Order issued in FY14)
- [REDACTED] supplier was counted as SDB but is not SDB; disallow [REDACTED] (only one PO issued in FY14)
- [REDACTED] supplier was counted as SDB but is not SDB; disallow [REDACTED] for all POs issued in FY14

3. CFR 121.411 (b) states "even if a concern is on a small business source list it must qualify and self-certify as a small business at the time it submits its offer". [REDACTED]

4. Prime contractor's acceptance of a supplier electronic self-certification as to size: This finding was documented in FY13 and carried over to FY14. In essence [REDACTED] The federal register July 16, 2013 added a new provision to CFR 121.411(b) even if a concern is on a small business source list it must qualify and self-certify as a small business at the time it submits its offer. Prime contractor may accept an electronic self-certification as to size, if the subcontract contains a clause providing that the contractor plans to rely on SAMS for self-certification verification as to be current, accurate and complete as of the date of the offer for the subcontract. [REDACTED]

[REDACTED] LM will be required to make changes to [REDACTED] This corrective action will be placed on hold until the FAR publishes their final rule.

5. Electronic Signature/Signature on same page the supplier acknowledges its size status: This finding is also carried over from FY13. 13CFR121.411 (f) that states and quote: "An authorized official must sign the certification on the same page containing the size status claimed by the concern." According to SBA, the FAR council is working on publishing a final rule on the subject of electronic signature and the electronic self-certification that should combine the new requirements in order for everyone to use consistent guidance. Once this final rule is published and during the comments period, it is recommended that LM submit their comments to the FAR council for consideration. This issue will be placed on hold until the final rule is published.

6. NAICS Code: 13CFR125.3(c)(v) The contractor must assign each subcontract the NAICS code and corresponding size standard that best describes the principal purpose of the subcontract (see §121.410). This finding was also documented in FY13 report. [REDACTED]

however, being complaint with the regulation should not be left to discretion. LM's use of discretion is not allowed as this is a regulation requirement. The procedures need to give specific instructions on how to comply with this requirement and not be subject to interpretation. The government reviewers should be able to validate this process in accordance with regulations. The contractor was found to not in compliance with the NAICS code portion of the regulation. LM provided a corrective action

within the timeframe requested. LM new NAICS code process was presented to SBA HQ for their acceptance. SBA is still evaluating the process.

**Corrective Actions:**

As a result of this review a corrective action plan is requested for items 2 and 3 above. Even though the review site was LM MFC, these practices are corporate wide as such the recommendation and corrective action applies to Lockheed Martin Corporation (all business units). It will be necessary for Lockheed Martin SEBP office to forward a copy of the corrective action plan to Luz Vasquez, DCMA analyst within thirty days of receipt of this report. Please include any actions taken from the time of the review to the present time. Progress should be reported monthly. The DCMA analyst will validate the implementation of the corrective actions and proper disposition.

Based on the summary, recommendations and corrective actions above the performance rating of Acceptable is recommended.

**Your overall program performance rating is Acceptable.**

**4. EXIT INTERVIEW PARTICIPANTS:**

**Government:**

1. Luz M. Vasquez, DCMA SBP
2. Sophia Chou, SBA CMR

**Contractor:**

1. Suzanne Raheb, Corporate SBLO
2. Kent Anderson, Senior Manager, Procurement Compliance and Training, MFC
3. Mark Hatter, Director, Global Supply Chain, MFC
4. Burt Ford, Associate General Counsel, Corporate
5. Pat McHugh, Corporate Reporting and Compliance Lead, Corporate
6. Kurt Ravenfeld, Director, Global Supply Chain Operations
7. Chuch Wason, Director, Global Supply Chain, MFC
8. Lee Sorenson, VP, Procurement, IS&GS
9. Roger Phelps, Director, Global Supply Chain, MFC
10. Dawn Lehw, Compliance Analyst, Senior Staff, MFC
11. Phyllis Grant, Senior Management, Supplier Diversity, MFC
12. Jim Tanksley, Sr. Manager, Supplier Diversity, Aerospace
13. Lisa Coursey, Supplier Diversity Senior Staff, MFC
14. Jay Pitman, Director Global Supply Chain THAAD program, MFC

**5. REVIEW STATUS:**

Indicate the status of this 640 Review. Once a review is closed, you'll need to create a new review.

- ☒ **Open; One or more corrective action item(s) were created as result of this review (See Part V). This item will remain open until all corrective actions are implemented to include FY13 corrective actions that still are pending DCMA/SBA approval.**
- ☐ **Closed**

**6. NAME of SMALL BUSINESS SPECIALIST:**

**7. DATE:**

**SIGNATURE:** \_\_\_\_\_

(b) (6)

6/28/15