



Defense Acquisition University

CONTRACTUAL FLOW DOWN OF DPAS PRIORITY RATINGS

What is DPAS?

- The Defense Priorities and Allocations System (DPAS) is used to prioritize national defense-related contracts/orders throughout the U.S. supply chain in order to support military, energy, homeland security, emergency preparedness, and critical infrastructure requirements.

DPAS Jurisdiction

- All companies in the United States must comply with the provisions of the DPAS regulation.
- Any company who places or receives priority ratings should be thoroughly familiar with and must comply with, the provisions of the DPAS regulation.

Priority Ratings

- There are two levels of priority established by the DPAS regulation, identified by the rating symbol "DO" and "DX". All DO rated orders have equal priority status with each other and take preference over unrated orders. All DX rated orders have equal status and take preference over DO rated orders and unrated orders. "DX" rated orders are of the highest national industrial priority and "DO" rated orders are critical to the national defense.

Program Identification Symbols

- Program identification symbols are abbreviations used to indicate which approved program is supported by a rated order, and do not represent any particular priority.
- Priority ratings are a four digit identifying code assigned by a delegate agency or authorized person placed on all rated orders and consisting of the rating symbol – DO or DX - and the program identification symbol, such as A1, A7, or C9.
- Examples of invalid program identification symbols include S1, S10, C9e, A1A, etc... These program identification symbols are invalid and not eligible for priorities and allocations support under the Commerce-administered DPAS.
- The list of approved programs and their identification symbols are listed in Schedule 1 of the DPAS regulation.

Rated Orders

- A rated order is a prime contract, a subcontract, or a purchase order in support of an approved program issued in accordance with the provisions of the DPAS.
- Each DPAS priority rated contract or purchase order must contain the following:
 - Priority Rating (Rating symbol (DX or DO) + Program ID)
 - Required Delivery Date or Dates
 - Authorized Written or Digital Signature
 - Certification Statement—A statement that reads in substance:
This is a rated order certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR Part 700).

Acceptance and Rejection of Rated Orders

- Mandatory Acceptance of Rated Orders: All companies in the United States must accept and fill all rated orders for items that the company normally supplies. A company may not discriminate against rated orders in any manner, such as by charging higher prices or by imposing different terms and conditions than for comparable unrated orders. The existence of previously accepted unrated or lower rated orders is not sufficient reason for rejecting a rated order.

Acceptance and Rejection of Rated Orders

- Mandatory Rejection of Rated Orders: A company may not accept a rated order for delivery on a specific date if unable to meet that date. However, the company must inform the customer of the earliest date on which delivery can be made and offer to accept the order on the basis of that date. The existence of previously accepted unrated or lower rated orders is not sufficient reason for rejecting a rated order.

Acceptance and Rejection of Rated Orders

- Optional Rejection of Rated Orders: A company may reject a rated order in any of the following cases as long as the supplier does not discriminate among customers: (1) if the person placing the order is unwilling or unable to meet regularly established terms of sale or payment; (2) if the order is for an item not supplied or for a service not performed; (3) if the order is for an item produced, acquired, or provided only for the supplier's own use for which no orders have been filled for two years prior to the date of receipt of the rated order. If, however, a supplier has sold some of these items, the supplier must accept rated orders up to the quantity or portion of production, whichever is greater, sold within the past two years; or (4) if the person placing the rated order, other than the U.S. Government, makes the item or performs the service being ordered.

Preferential Scheduling

- A company is required to schedule its production or operations, including the acquisition of all needed production items, to satisfy the delivery requirements of each rated order you receive.
- A company is required to reschedule unrated orders if they conflict with performance against a rated order and must reschedule "DO" rated orders if they conflict with performance against a "DX" rated order.

Extension of Priority Ratings (Flow Down):

- A company who receives rated orders must in turn place rated orders with its suppliers for the items needed to fill the rated orders. The priority rating must be included on each successive order placed to obtain items needed to fill a customer's rated order. This continues from contractor to supplier throughout the entire supply chain.
- Company staff should check Schedule 1 to Part 700 of the DPAS regulation to ensure the company has received a proper rated order. If the company receives a rated order with a program identification symbol not listed in Schedule 1, consequently the order is not properly rated and the company should promptly notify the company who placed this priority rating or the appropriate contract administration officer for guidance or assistance.

Extension of Priority Ratings (Flow Down):

- Exception: A company is not required to place a priority rating on an order for less than \$75,000 provided that delivery can be obtained in a timely fashion without the use of the priority rating.

Customer Notification Requirements

- A company must accept or reject a rated order and transmit the acceptance or rejection (in writing or electronically) to the customer placing the order within 15 working days after receipt of a "DO" rated order and 10 working days after receipt of a "DX" rated order. If the order is rejected, a company must provide the reasons for the rejection.
- If a company has accepted a rated order and subsequently finds that the shipment or performance will be delayed, the company must notify the customer immediately, give the reasons for the delay, and advise of new shipment or performance date.

Changes or Cancellations of Priority Ratings and Rated Orders

- A priority rating on a rated order may be changed or canceled by written notification from the company who placed the rated order.
- If a company no longer needs items to fill a rated order, any rated orders placed with suppliers for the items, or the priority rating on those orders, must be cancelled.

Use of Rated Orders

- Under the rule of mandatory extension, a company must use rated orders to purchase: production or construction materials; component parts; services; containers or other packaging materials needed to make delivery; or maintenance repair, and operating supplies that you need to produce finished items to fill a rated order.
- A company may use a DO rated order to replace inventoried items (including finished items) if such items were used to fill rated orders. The order must be placed within 90 days of the use of the inventory.
- A DX rated order may not be used to replace inventory

Use of Rated Orders

- Combining rated orders: If a company receives priority ratings on rated orders from one customer or several customers and contain different program identification symbols, the rated orders may be combined using the program identification symbol H1 (e.g., DO-H1).

Use of Rated Orders

- Combining rated and unrated orders: A company may combine rated and unrated order requirements on one purchase order provided that the rated order quantities are clearly identified, and include the four elements of a rated order for the rated portion of the order with the certification statement required in section 700.12(d) modified to read in substance:

This purchase order contains rated and unrated quantities certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR Part 700) only as it pertains to the rated quantities.

Limitations on Placing Rated Orders

- 1. A company may not use rated orders unless entitled to do so under the DPAS regulation.
- 2. A company may not use rated orders to obtain:
 - (a) delivery on a date earlier than needed
 - (b) a greater quantity of the item than needed (with exceptions);
 - (c) production or construction equipment or items for plant improvement, expansion, or construction (unless authorized by DoD)
 - (d) items not delegated to Commerce under Executive Order 13603.

Record Keeping Requirements

- A company is required to make and preserve for at least three years, accurate and complete records of any transaction covered by the DPAS regulation.

Requests for Special Priorities Assistance

- The DPAS is designed to be largely self-executing. Assistance can be sought through Delegate agencies and Commerce if problems arise.

Defense Contact Management Agency (DCMA) Assistance

- DCMA can help assure understanding and compliance with the DPAS and flow down of contractual requirements during:
 - Contract initial receipt and review
 - Post award contact conferences
 - Periodic surveillance of contactor compliance
- DCMA can also provide DPAS briefings and training for contractors to ensure they are aware of their responsibilities and benefits.

For Additional Information on DPAS

- DOD 4400.1-M, DOD Priorities and Allocations Manual
- Defense Acquisition University's (DAU) Continuous Learning Module, CLC043, Defense Priorities and Allocations System (DPAS) available through the DAU website:
<http://www.dau.mil/>

For Additional Information on DPAS

- Commerce DPAS resource link
- <http://www.bis.doc.gov/dpas>
- DoD DPAS Resource link
- <http://www.acq.osd.mil/mibp/>