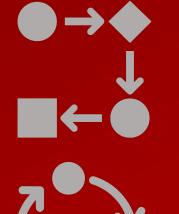


Leading Supplier Audit Practices

Project Background:

The American Red Cross has three business divisions: Blood Services, Humanitarian Services and Training Services. Currently, the Red Cross has one defined audit process for their Biomedical group. The American Red Cross desires a 'One Red Cross', audit approach that can be used across the Red Cross.

Deliverables:



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An "As Is" process flow of the current supplier audit process



A "To be" audit template to describe the new process

Pre-Audit Steps

- Manage supplier performance and relationships through scorecards and annual performance reviews
- If supplier demonstrates low scores and/or a negative trend, conduct a performance review meeting
- Supplier implements a corrective action plan within 30-60 days
- Failure to make corrective actions and improve performance will result in an audit

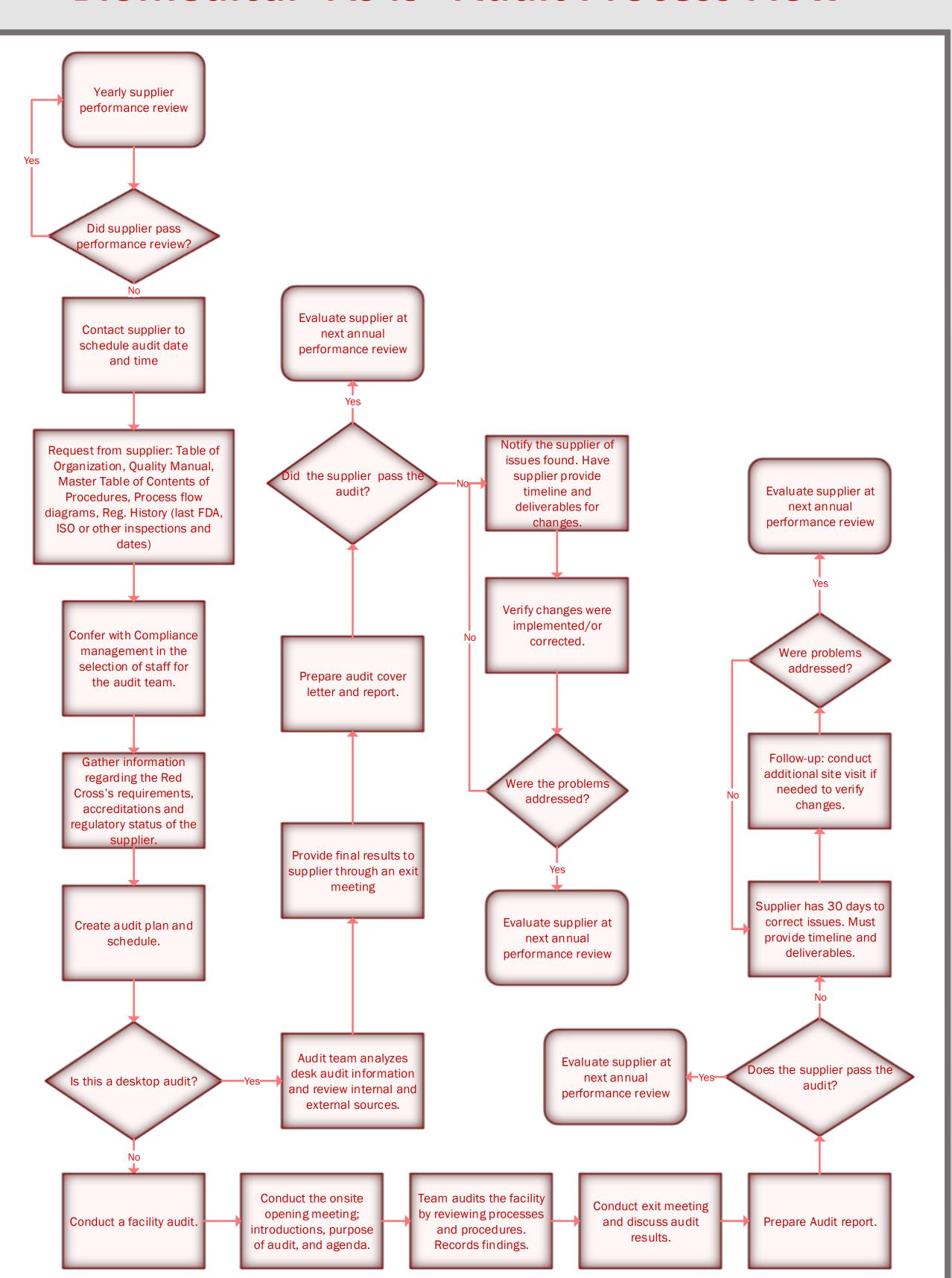
Supplier Audit Segmentation

Tier 1

On-Site Audit

- Critical to business operations
- Includes, but is not limited to, suppliers that are FDA regulated
- High risk
- Small number of strategic suppliers
- Sole or single sourced direct product
- Possible strategic relationship

Biomedical "As Is" Audit Process Flow



On-Site Audit Risk Management Plan

Severity	Periods
Critical	Resolved within 6 months
Major	Resolved within 3-5 months
Minor	Resolved within 1 month

Risk Categories	Description
Environmental	Waste/water plans, chemical regulation
Regional / socioeconomic	Local restrictions
Human Resource	Talent shortage
Factory Specific	Financial risk
Global Supply Chain Network	Delayed or lost shipments
Political and Uncontrollable	Natural disasters

How to Approach Your Supplier

- Conduct an initial screening audit before entering into a contract with supplier
- Use as a selling point for the supplier "we've consecutively passed American Red Cross Audits"
- Audits should be described as "a matter of fact process"
- Audits should benefit both parties



Tier 2 Desktop Audit

- Important to the business
- Moderate risk
- Alternative sources of supply however would be inconvenient or difficult to change

Tier 3 No Audit

- Routine
- Low risk
- Easy to switch with many options
- Largest category of suppliers

Recommendations for Next Steps

Consider implementing audit rating system – to score supplier performance

Create a Bronze, Silver, Gold award system

Consider sharing audit costs with suppliers