



DCMA

Proposed Rule on Detection and Avoidance of Counterfeit Electronic Parts

Presented By:

Tim Callahan, Executive Director, Contract

Mike Shields, Executive Director, Quality Assurance

28 June 2013

- **Develop and Implement Policy**
- **Ensure Compliance with Contract Terms and Conditions**
 - **Cognizance**
- **Roles:**
 - **Quality Assurance**
 - **Administrative Contracting Officer**
 - **Contractor Purchasing System Review (CPSR) Group**

- **Section 818 (e)(2)(B) of FY12 NDAA:**

“establish processes for the review and approval of contractor systems for the detection and avoidance of counterfeit electronic parts and suspect counterfeit electronic parts, which processes shall be comparable to the processes established for contractor business systems....”
- **New business system or incorporate into existing system**
- **Vast majority of parts are purchased and incorporated into systems and subsystems**

- **CPSR infrastructure in existence (FAR Part 44)**
 - ...evaluate the contractor's purchasing system, including the contractor's policies, procedures, and performance under that system.
 - Special attention shall be given to: Methods of evaluating subcontractor responsibility....
- **Contractor Purchasing System Administration (DFARS Clause 252.244-7001)**
 - Paragraph (c)(21): Establish and maintain selection processes to ensure the most responsive and responsible sources for furnishing required quality parts and materials... so that purchases are reasonably priced and from sources that meet contractor quality requirements.

- **ACO is solely responsible for initiating reviews**
 - **Other organizations may request ACO initiate review**
- **Annual tasker to Contracting Community to identify contractors**
- **Threshold driven - \$25 Million in qualifying sales projected**
- **After initial review, conduct a risk assessment at least every 3 years**
- **Out of cycle and below threshold reviews may be initiated**
 - **Primarily risk driven**

- **Covered contractor – CAS covered contracts and applicable clauses**
- **Structured process:**
 - **Formal report**
 - **Initial determination**
 - **Final determination**
 - **System approval/disapproval**
- **System Criteria**
 - **CPSR currently has 24 criteria in the business system clause**
 - **Will need criteria for counterfeit parts detection and avoidance system**

- **Significant deficiencies will drive system disapproval**
- **May result in withholds if covered contract with applicable clauses**

- **Elements of a Detection and Avoidance System:**
 - **Training of personnel**
 - **Inspection and testing of electronics parts**
 - **Processes to abolish counterfeit parts proliferation**
 - **Mechanisms to enable traceability of parts to suppliers**
 - **Use and qualification of trusted suppliers**
 - **Reporting and quarantining of counterfeit electronic parts**

- **Methodologies to identify suspect counterfeit electronic parts and determine if a suspect part is, in fact, counterfeit**
- **Design, operation and maintenance of systems to detect and avoid counterfeit electronic parts**
- **Flow down of counterfeit avoidance and detection requirements to subcontractors**

- **Resources to conduct reviews**
 - **Personnel, Policy, Training, Budget**
- **Quality Assurance participation in reviews**
 - **Out of cycle QA input**
- **Scheduling of System Reviews**
 - **Already approved Purchasing Systems – Legacy systems**
 - **System status pending a system review – Interim status**

- **Allowability of Costs**
 - **Costs of counterfeit and suspect counterfeit electronic parts**
 - **Cost of rework or corrective action**
- **System recordkeeping requirements**

- **Definitions:**
 - **Legally Authorized Source**
 - **Trusted Supplier**
 - **Counterfeit Part**
 - **Suspect Counterfeit Part**
- **How are Commercial-Off-The-Shelf items to be handled?**
- **What are the “flow down” requirements?**
- **What is the Self-Disclosure process and how does it impact system status?**