**QM Strategies to Eliminate Counterfeit**

Avoidance – Detection – Mitigation – Disposition And Communication

**Avoidance**

Most Cost Effective Step in the Process – Avoidance in requiring this items

* Procuring directly from the Original Component or Equipment manufacturer (OCM/OEM) is the lowest risk

Verify Authorized distributor status with the manufacturer.

QM POs require suppliers to use OCMs or their authorized sources for products that will be delivered to QM.

**Avoidance Strategies**

* Procurement Processes - Require exclusive utilization of OCMs/OEMs or their authorized distributors
* Chain of Custody - Require a documented, unbroken chain of custody from the original source of manufacture for all components provided to QM either directly or indirectly as parts included in assemblies
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* QM PO requirements require OCM/OEM traceability documentation when requested which include OCM/Authorized suppliers:

Certificates of conformance – Shipping and Receiving Documents – Packing Slips

* Supply Chain Management – Flow-down counterfeit avoidance strategies through supply chain, including requirement to use OCM/OEM authorized sources. Formally assess sources of supply for compliance
* Obsolescence Management and Parts Management Processes - Anticipate obsolescence issues in time to initiate actions such as redesign or lifetime buys
* Counterfeit Awareness Training - Provide training internally, and to suppliers

Detection

Making sure counterfeit material are stopped at the ‘front door’.

Detection: Suspect Warning Flags that QM Looks For

* Source other than OCM or authorized sources
* From suspect locations (e.g., China)
* Price too low/significantly different from history Scarce items are suddenly available
* Chain of ownership unverifiable
* No certificate of conformance
* Obsolete item
* Unknown supplier
* Non-homogeneous lot
* Prohibited materials present
* Item marking issues:
Does not match similar items Alterations/resurfacing Incomplete
Wrong size/location/methods Quality difference
Lot number/date code issue
* Package/construction issues: Size/shape/color/finish/materials Evidence of rework/repair/refinishing/resurfacing

Poor quality

Mitigation

Minimizing damage to our programs and reputation/Mitigate issues with the suspect item.

 **Avoidance Strategies: No Traceability to the OCM**

Standard LM PO terms and conditions include requirements for notification and written approval to utilize a non-authorized source.

• Notification must occur before the procurement with the Independent Distributor or Broker.

* QM will review the contract to determine reporting requirements to the end customer
* QM will review critical information and may require specific authenticity or detection testing prove authenticity.
* Ensure processes are in place to quarantine parts that require testing and verification until they are verified as authentic - treat them as suspect until evidence proves otherwise.
* Mitigation Strategies and Authenticity testing should be developed using a risk-based approached.

• Checking Independent Suppliers and part numbers against GIDEP and/or ERAI can aide the evaluation that a given part or supplier may be a high risk for counterfeit.

Suspect Counterfeit Mitigation Actions

a **Quarantine affected parts**

* + Locate parts in stock and on assemblies, ensure they are quarantined and clearly marked as nonconforming
	+ Identify any suspect items that may have left your facility

 a **Notify your QM procurement representative** in accordance with

 your PO requirements

 a **Gather all records** including traceability, chain of custody, and authenticity test information associated with the suspect part. Review information to assist with bounding the issue. This may include:

Purchase order --- Certificates of Conformance --- Test Data --- Inspection/DPA reports

a **Verify the item is or is not counterfeit**

* + Conduct additional testing in an effort to confirm if the item is counterfeit
	+ Engage the manufacturer of the part for assistance to the extent possible

a **Remediation/Corrective Action**

• Rework/Replacement/Repair of fielded product will be determined in conjunction with the QM program team and Customer input.

Mitigation

Minimize Damage to our Programs and Reputation/ Mitigate issues with the suspect item

**Mitigation Strategies: No Traceability to the OCM**

If extenuating circumstances dictate the use of a supplier that is not part of the OCM authorized supply chain, approval from the QM procurement representative is required by the purchase order.

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• Notification must occur before the procurement with the Independent Distributor or Broker.

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* QM will review critical information and may require specific authenticity or detection testing prove authenticity.
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Disposition

Ensure Proper Disposition of Counterfeit Materials

Disposition: Protecting the supply chain and ourselves

Counterfeiting involves fraud (often from a supplier that is several tiers removed), therefore, coordination with appropriate officials must take place prior to disposition of parts.

If the suspect items are contained within your facility, best practices dictate:

* Store counterfeit parts or materials in quarantine, clearly identified as non- conforming/counterfeit product pending a review by your organization’s management and legal representation.
* Do not return Counterfeit to the supplier in such a way that they could be reintroduced into the supply chain to be sold again to another victim.
* Legal authorities may be contacted to initiate an investigation into the counterfeiting activity. Parts may be required as evidence.

If QM returned product for rework or replacement, suspect components must not be disposed of until it is determined that legal authorities will not require the parts investigation.

Communication

Reduce the risk for others

QM requires suppliers to provide notification if it is suspected that Counterfeit items have been delivered to us. Direct notifications to your QM Procurement Representative. Ensure that reporting of counterfeit issues is timely and effective.

DoD and LM Combating Counterfeit: Potential consequences and liabilities

Section 818 of the 2012 Defense Authorization Act mandates requirements concerning the detection and mitigation of counterfeit parts. The DOD is required by law to:

* Make costs of counterfeit rework and corrective actions unallowable
* Require that counterfeit risk be managed throughout the supply chain
* Implement criminal penalties and possible debarment for intentional failure to exercise adequate counterfeit prevention methods.

Quantum Microwave Purchase Order terms and conditions detail liability requirements for cases where our suppliers allow counterfeit items to infiltrate QM products. These terms may require suppliers:

* + Replace counterfeit items at their expense
	+ Cover LM’s costs related to the removal, replacement, retesting, and installation of replacement items.

Conclusion

* Counterfeit materials are a serious threat and can compromise the integrity of the important products we provide.
* The use of Original Component or Equipment manufacturers and their authorized sources results in the least risk for counterfeit items infiltrating our products.
* If parts or materials can not be acquired from low risk sources to fulfill your Lockheed Martin purchase order, you must notify your procurement representative and parts must be authenticated in accordance with the terms and conditions of your contract.
* If you suspect counterfeit items may have been supplied to QM, you must notify your M procurement representative immediately.
* ¬  Counterfeit risk must be controlled throughout the entire supply chain.
* ¬  Thank you for your continued efforts to ensure counterfeit components do not infiltrate our supply chains.