



Counterfeit Parts Prevention Overview

February 2014

Honeywell

Counterfeiting is a growing problem that is impacting our material supply chain.

What is Counterfeit Material?

- A copy or substitute without legal right or authority to do so
- Item whose material, performance, or characteristics are knowingly misrepresented by the vendor, supplier, distributor, or manufacturer
- Non-conforming supplies tendered with intent to deceive
- Used or reclaimed parts misrepresented as new



Counterfeiting is a growing problem

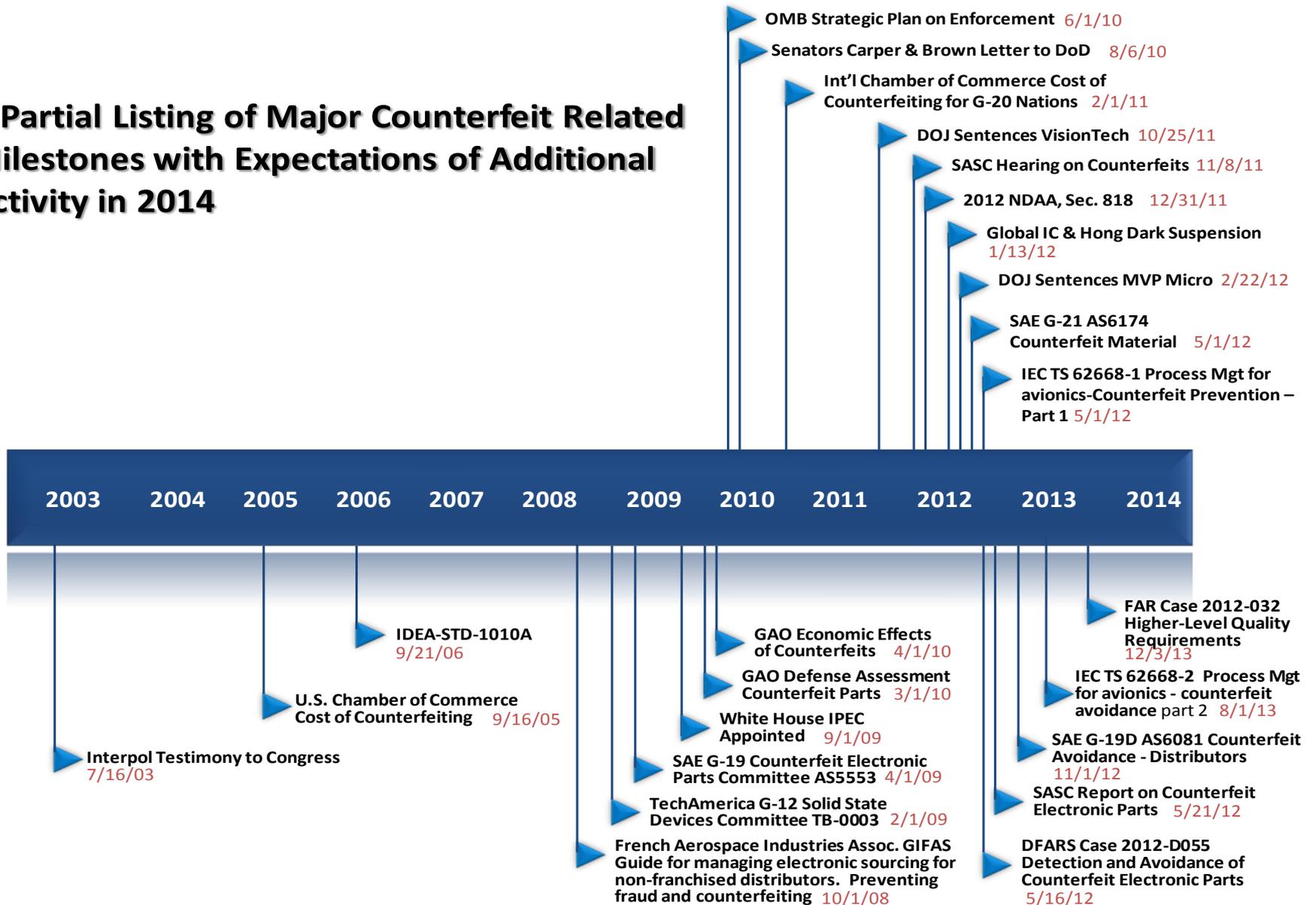
Counterfeit Parts Background

- Counterfeit electronic parts continue to be prevalent in the broker supply chain and impact product quality and cost
- Obsolescence and schedule / lead time requirements impact ability to purchase from OEM / OCM / Authorized Distributor
- Customer escapes have occurred related to counterfeit parts
- Honeywell is committed to continuously improving our counterfeit parts prevention processes and procurement practices to combat this problem
 - Member of various Industry forums with Primes driving policy alignment regarding standardized SAE AS5553 and AS6174 contract language flow down
 - Our internal Aerospace procedures (AP-1064 series) along with our Supplemental Purchase Order Condition (SPOC 419) are aligned:
 - ◆ with the requirements of SAE AS-5553A – Counterfeit Electronic Parts; Avoidance, Detection, Mitigation, and Disposition.
 - ◆ and with AS-6174 - Counterfeit Materiel; Assuring Acquisition of Authentic and Conforming Materiel (commodities phased in during Q1-Q4)
 - Honeywell Aerospace will adapt our processes to comport with the regulations promulgated pursuant to the National Defense Authorization Act, Sec. 818 (FY 2012) & Sec 833 (FY 2013) once they are released

A significant challenge across the Aerospace industry

Increased Regulatory Requirements

A Partial Listing of Major Counterfeit Related Milestones with Expectations of Additional Activity in 2014



Proposed DoD Counterfeit Prevention Framework

Implementation of Section 818 FY 2012 NDAA & Section 833 FY 2013 NDAA

DFARS Case 2012-D055 "Detection and Avoidance of Counterfeit Electronic Parts"

Proposed Rule – public comment period ended 7/15/2013

2/11/2014 DAR editor submitted draft final DFARS rule to Office of Information and Regulatory Affairs. OIRA reviewing.

DFARS Case 2014-D005 "Detection and Avoidance of Counterfeit Electronic Parts – Further Implementation"

To Be Published

11/07/2013 DARC Director tasked DARS staff to draft proposed DFARS rule. Report due date extended to 4/23/2014.

FAR Case 2013-002 "Expanded Reporting of Nonconforming Supplies"

To Be Published

3/26/2014 CAAC Chair sent draft proposed FAR rule to OIRA. OIRA reviewing.

FAR Case 2012-032 "Higher-Level Contract Quality Requirements"

Proposed Rule – public comment period ended 2/3/2014

2/26/2014 DARC Director tasked Ad Hoc Team to review public comments, draft final FAR rule. Report due 4/2/2014. Report due date extend to 4/30/2014.

Using Existing Quality Inspection Clauses:

- **52.246-1** Contractor Inspection Requirements
- **52.246-2** Inspection of Supplies – Fixed-Price
- **52.246-3** inspection of Supplies – Cost Reimbursement
- **52.246-11** Higher-Level Contract Quality Requirements

Report Nonconformances Impacting Safety:

- **DFARS 252.246-7003** Notification of Potential Safety Issues

Example Higher Level Quality Requirements for Combating Counterfeits:

- **AS6174**, Counterfeit Materiel; Assuring Acquisition of Authentic and Conforming Materiel, current version – DoD Adopted 17 Jun 2013
- **AS5553**, Counterfeit Electronic Parts; Avoidance, Detection, Mitigation and Disposition, current version – DoD Adopted 31 Aug 2009
- **AS6081**, Distribution Counterfeit Electronic Parts; Avoidance Protocol, Distributors, current version – DoD Adopted 10 Jun 2013
- **EPRI TR-1019163**, Counterfeit Fraudulent and Substandard Items, Mitigating the Increasing Risk
- **IDEA STD-101-A**, Acceptability of Electronic Components distributed in the Open Market, current version
- **JEDEC Standard**, General Requirements for Distributors of Commercial or Military Semiconductor Devices, current version
- **SEMI T20**, Specification for Authentication of Semiconductors and Related Products, current version

- Key area of influence rests in industry standard involvement, which is where ambiguity can be addressed
- Support from SMEs are need in areas such as AS6174 slash sheet development (e.g. raw material), G-19CI ad-hoc committee on traceability & reporting, etc.

Collaborative Industry Effort Tracking Monthly Updates

Counterfeit Material Prevention Strategy



Processes	Traceability	Reporting	Training	Surveillance and Compliance	Obsolescence
<p>HON Aerospace Counterfeit Parts Prevention contains three components:</p> <ol style="list-style-type: none"> 1. AP-1064 Procedures for CP Prevention 2. APOL – 85 Broker Policy to reduce broker purchases 3. SPOC-419 – external flow down to our suppliers. <p>All are Integrated in IPDS gate reviews</p>	<p>HON Aerospace incorporates “authorizing documentation” for our electronic material to ensure traceability back to the part origin or authorized source.</p>	<p>HON Aerospace requires GIDEP– Reporting Evaluation and Tracking for owned material IAW contract requirements.</p> <p>HON Aerospace uses an internal Quality Alert System to inform sites of pending issues.</p>	<p>HON Aerospace provides “Awareness” training regarding counterfeit parts prevention.</p> <p>Specific functional training is available for</p> <ul style="list-style-type: none"> • Procurement • Quality Assurance • Component Engineering • Field Quality Engineering • Site Counterfeit Part Resolution Team 	<p>HON Aerospace incorporates compliance into the counterfeit prevention processes through audits and utilization of checklists created and implemented by the CPP team.</p> <ul style="list-style-type: none"> • Supplier Contract Manufacturer Field Quality Audit Teams • Site Counterfeit audits based on AS5553, AS6174 (phased in 2014) and AP-1064 verification. 	<p>HON Aerospace uses Obsolescence Processes that focus on specific actions prior to using unauthorized sources.</p> <p>HON Aerospace uses comprehensive component roadmaps, design practices and reactive measures to minimize the impact of obsolescence (or DMSMS).</p>

Six Elements to the CPP Strategy

Continuous Improvement Activities

- **Inventory Internal**
- **Inventory at Contract Manufacturers**
- **Internal Audit**
- **Contract Manufacturer Audits**
- **Authorized Sources Database**
- **Communication**
- **Broker Policy**
- **Test Lab Assessment & Training**
- **Procedure Coordination**
- **Receiving & Inspection Data Mgmt**
- **Tools / Traceability**
- **AP-1064-4 for Materiel**
- **Industry Involvement**
- **Test Lab Report Review**
- **Problem Resolution (Technical Review Board)**



- **Active committee participation in the following:**
 - SAE Counterfeit Avoidance Steering Group (CASG)
 - SAE G-19 Counterfeit Electronic Parts Committee
 - SAE G-19A Test Laboratory Standards Development Committee
 - SAE G-19DR Distributor Risk Characterization Committee
 - SAE G-19T Definitions Task Committee
 - AIA Counterfeit Parts Process Committee
 - DMSMS & Standardization Counterfeit Parts Committee Planning
 - TechAmerica Supply Chain Assurance Committee
 - TechAmerica G12 Solid State Devices
 - IEC TEC-107 Process Management for Avionics
 - Acquisition Reform Working Group (ARWG)
- **DoD DMSMS & Standardization Conference**
 - Implementing a counterfeit parts control plan
 - Implementing a test plan
- **Participate and present at numerous trade-shows including CALCE/SMTA Counterfeit Parts Symposium, NASA Quality Leadership Forum, and many more...**

In Summary

- Through our gap analysis we have aligned ourselves to the industry standards SAE AS-5553A & AS-6174
- Our proactive processes:
 - Maximize availability of authentic parts by procuring from reliable sources
 - When it is not possible to buy from OCMs and franchised distributors, develop risk assessment plans for material procured from non-franchised distributors
 - Ensure adequate testing from approved test houses on material procured from non-franchised distributors to determine suspect part status based on criticality of device, application, and supplier
 - Improve receiving and inspection requirements of non-franchised procured parts to prevent counterfeit parts from entering the supply chain
- We are continuing to partner and communicate with our customers and suppliers to assure compliance

Risk-based, continuous improvement approach

