

Mitigating Supply Chain Counterfeit Risks



Persistent challenges to our nation's supply chain have increased the risk of counterfeiting. When a lack of predictability or shortages in parts makes it necessary to buy from the "grey market" outside the Original Component Manufacturer (OCM) and their authorized distributors to support contract deliveries, counterfeit dangers increase dramatically.

The counterfeit prevention section of the Lockheed Martin [CorpDocs](#) – section seven or eight, depending on the procurement – and the Defense Federal Acquisition Regulation Supplement (DFARS) 252.246-7008 contain requirements to mitigate these risks.

There are three steps required for compliance and to minimize risk:

1

Obtain Lockheed Martin approval before making an independent distributor purchase.

2

Use a "contractor-approved" supplier as defined in DFARS 252.246-7008.

3

Conduct tests and inspections to "authenticate" the parts received.

Why is Lockheed Martin prior approval necessary?

With a corporate requirement for flow-down to the lowest tier, Lockheed Martin prior approval applies to all tiers of the supply chain. This means that if your supplier requests to use independent distribution due to delivery problems, the supplier must first contact the appropriate business area for review and approval of the procurement.

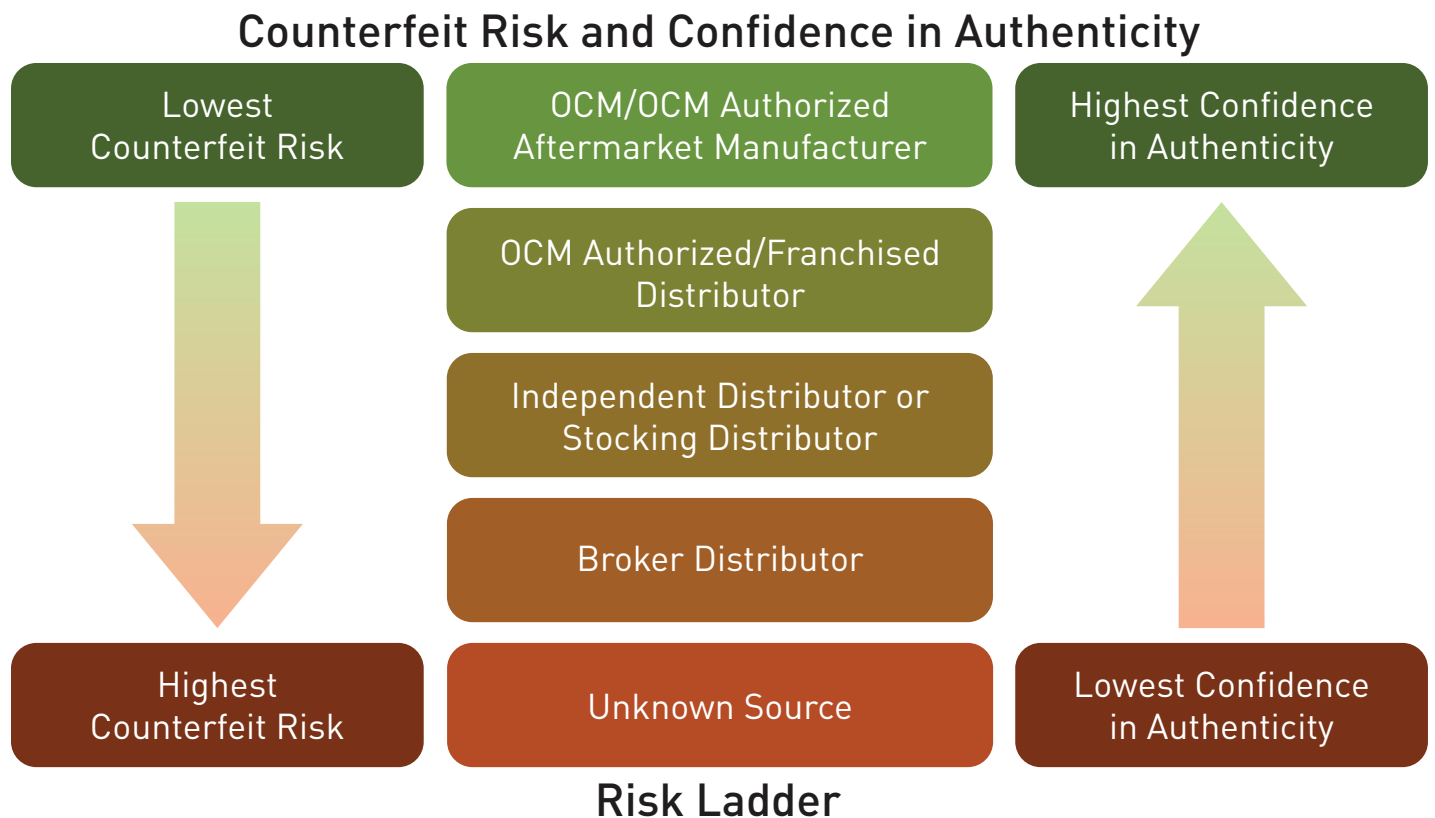
This is critical because:

- ▶ Lockheed Martin bears ultimate responsibility for the reliability of final products shipped to customers, so prior approval ensures awareness of all risks involved, as well as completion of tests and inspections to adequately mitigate these risks.
- ▶ Without full knowledge of how these products may be used, lower tiers of the supply chain are unable to adequately evaluate the risk of using a "grey market" part.
- ▶ Several Lockheed Martin contracts require the customer's prior approval to engage outside the OCM or its authorized distributor. DFARS 252.246-7008 for electronics does not allow a purchase from independent distribution if the part is "still in production or still in stock".
- ▶ Without customer approval, Lockheed Martin and the supply base are non-compliant to the DFARS. Lockheed Martin relies on the supply base to inform the business area so that customer approval can be acquired.

What are contractor-approved suppliers?

When an electronic part is not in production or in stock, a "contractor-approved supplier," as defined in DFARS 252.246-7008, may be used. A contractor-approved supplier is one that "uses

established counterfeit prevention industry standards and processes (including inspection, testing and authentication), such as the U.S. Department of Defense (DOD)-adopted standards at <https://assist.dla.mil>.” Visit the [Assist Database](#) to review the standards that the DOD has adopted.



How can tests and inspection minimize risk?

Industry-recognized tests and inspection have proven to be a credible way to minimize the risks of procuring a counterfeit part.

- ▶ Per the [CorpDocs](#), the seller will maintain counterfeit risk mitigation processes in accordance with industry-recognized standards.
- ▶ Per the DFARS 252.246-7007, the seller is responsible for inspection, testing and authentication, using accepted government- and industry-recognized techniques.
- ▶ Currently, the industry-recognized standards are AS6081 and AS6171, “Test Methods Standard; General Requirements, Suspect/Counterfeit, Electrical, Electronic and Electromechanical Parts.”
 - Industry standards serve as a baseline of requirements. Each business area may have additional and/or different test and inspection requirements as shown on the applicable purchase order.
 - Selection of tests and inspections for a given procurement will be based on minimizing risk to the Government.

Questions?

Questions should be addressed to your Lockheed Martin procurement representative, who can coordinate with the appropriate business area counterfeit prevention representative.