



1.0 PURPOSE AND SCOPE

To define the activities and processes required to mitigate the risks of purchasing and using fraudulent and counterfeit electronic parts.

2.0 RESPONSIBILITIES AND AUTHORITIES

- 2.1 The Sales Manager identifies the specific Counterfeit parts avoidance and mitigation requirements flow down for each contract.
- 2.2 Quality Assurance Manager shall verify that the specific Counterfeit parts avoidance and mitigation requirements for each contract have been identified and are adhered to; within the Millennium operation and from Suppliers including verification of the integrity of the Supply chain.
- 2.3 The Project Engineer creates the Bill-of-Materials for each product and defines the Specification Control Drawing or specification requirements for each part to be used in the product.
- 2.4 The Purchasing Manager is responsible for purchasing the parts needed in the product in accordance with guidelines to minimize risk of counterfeit parts and manage the Approved Supplier List.
- 2.5 Receiving accepts purchased parts and verifies conformance with Purchase Order requirements.
- 2.5 Incoming inspector inspects received parts and supporting documentation to verify that they are not counterfeit. The inspection requirements to verify counterfeit parts are not received are detailed in work instruction WI-OP8.4-0001 (Incoming Inspection Requirements)

3.0 ASSOCIATED DOCUMENTS

QP-MG4.2-0002	Quality Manual
QP-OP8.4-0003	Supplier Quality Requirements
QP-OP8.4-0002	Supplier Management
QP-MA8.2-0001	Quotation and Sales Order Processing Procedure
QP-MA8.2-0001F1	Contract Review Form
QP-OP8.4-0001	Purchasing Procedure
QP-OP8.4-0006	Receiving and Inspection
QP-OP8.4-0007	Incoming Inspection Policy and procedure
AS5553	Counterfeit electronic parts; avoidance, detection, mitigation and disposition
AS6081	Fraudulent/Counterfeit Electronic Parts: Avoidance, Mitigation and Disposition-Distributors



QP-QA8.7-0001
WI-OP8.4-0001

Control of Non-Conforming Product
Incoming inspection requirements

4.0 PROCEDURE (OR POLICY)

4.1 Contract flow-down considerations

- 4.1.1 The Sales Manager shall identify the specific Counterfeit parts avoidance and mitigation requirements flow down for each contract. These requirements shall be reviewed as part of the Contract Review process defined in document QP-MA8.2-0001 (Quotation and Sales Order Processing Procedure).
- 4.1.2 The applicable requirements for each contract (AS 6081, AS 5553, FAR Flowdown or Customer-specific requirement) shall be annotated on Contract Review Form QP-OP8.2-0001F1 (Contract Review Form)
- 4.1.3 There are two tiers of compliance with the Counterfeit Parts Mitigation strategy.
 - 4.1.3.1 Quality Code 40 is incorporated on specific Work Orders when the strictest interpretation is required. Typically the Customer Purchase Contract will have very specific Counterfeit Parts requirement.
 - 4.1.3.2 Other Work Orders will not have Quality Code 40 incorporated. Compliance with the Counterfeit Parts Mitigation Strategy is still required but compliance is less formal
- 4.1.4 Purchasing shall flow-down applicable requirements to Approved Suppliers. All contract flow-downs to Suppliers are annotated on QP-OP8.4-0003 (Supplier Quality Requirements).

4.2 Quality Assurance considerations

- 4.2.1 Quality Assurance Manager shall verify proper quality code flow downs from Customer to MMC (Design, proposal and program planning phase) and from MMC to Suppliers (Purchasing phase).
- 4.2.2 Quality Assurance Manager shall manage the counterfeit parts risk throughout the production process.

4.3 Design, proposal and program planning

- 4.3.1 The Project Engineer shall specify parts that are to be used in the product with consideration for performance requirements, suitability for application, reliability and other aspects.



- 4.3.2 The organization shall assess the long term availability of authentic parts. When assessments indicate availability risks steps will be taken to reduce exposure to counterfeit parts such as lifetime purchases, system redesign, seeking alternative suppliers and planning for adequate lead times.
- 4.3.3 Obsolescence can increase the risk of acquiring counterfeit parts and this should be considered during project planning.
- 4.4 Purchasing considerations when Quality Clause 40 is incorporated
- 4.4.1 Purchasing Manager shall assess potential sources of supply to determine risk of receiving counterfeit parts.
- 4.4.2 Purchasing Manager shall maintain an Approved Supplier List and manage Suppliers in accordance with QP-OP8.4-0002 (Supplier Management).
- 4.4.3 Parts shall be procured from the OCM whenever possible.
- 4.4.3 Parts that cannot be purchased directly from the OCM shall be procured through Authorized Distribution only. Brokers should be avoided.
- 4.4.4 When parts cannot be obtained from the OCM a plan may be developed for procuring parts from Independent Distributors. This plan, if prepared, will be developed in cooperation with the Customer and will attempt to minimize the risk of receiving counterfeit parts. Appendix E of AS5553 or paragraph 4.2.6 of AS6081 (for distributors) shall be used as reference for plan development.
- 4.4.5 In cases where the use of Independent Distributors is not feasible Purchasing Manager and Sales Manager shall communicate this situation with Customer and request guidance on how to proceed
- 4.4.6 Purchasing activity shall be accomplished in accordance with QP-OP8.4-0001 (Purchasing Procedure).
- 4.5 Purchasing considerations on standard Work Orders (Quality Clause 40 not incorporated)
- 4.5.1 Purchasing Manager shall assess potential sources of supply to determine risk of receiving counterfeit parts.
- 4.5.2 Purchasing Manager shall maintain an Approved Supplier List and manage Suppliers in accordance with QP-OP8.4-0002 (Supplier Management).
- 4.5.3 Parts shall be procured from the OCM whenever possible.



- 4.5.4 Parts that cannot be purchased directly from the OCM shall be procured through Authorized Distribution. In this case the parts shall be procured only from an Authorized Distributor. Brokers should be avoided.
- 4.5.5 When parts cannot be obtained from the OCM the Purchasing Manager shall develop a plan for procuring parts from Independent Distributors. This plan, if prepared, will attempt to minimize the risk of receiving counterfeit parts. .
- 4.5.6 Independent Distributors may be used after careful review. Only distributors that are known to Purchasing Manager with proven track record and business credentials shall be considered.
- 4.5.7 Purchasing activity shall be accomplished in accordance with QP-OP8.4-0001 (Purchasing Procedure).
- 4.6 Verification of purchased product (Receiving considerations)
 - 4.6.1 Receiving personnel shall receive parts in accordance with QP-OP8.4-0006 (Receiving and Inspection) and QP-OP8.4-0007 (Incoming Inspection Policy and procedure). During this process the receiver will ensure that received parts are consistent with purchase order requirements.
- 4.7 Verification of purchased product (Incoming inspection considerations)
 - 4.7.1 Incoming inspector will perform visual inspection of received parts. Specific inspections for counterfeit parts mitigation include looking for incorrect package style. Lead finish, marking irregularities etc.
 - 4.7.2 Incoming inspector shall perform technical inspection to ensure proper documentation and Supply Chain traceability.
 - 4.7.3 The Incoming inspection shall be conducted in accordance with WI-OP8.4-0001 (Incoming inspection requirements).
- 4.8 Material Control
 - 4.8.1 If parts are suspected to be counterfeit they will be marked as suspect, removed from the production process and segregated for investigation.
 - 4.8.2 The handling and disposition of non-conforming parts shall be in accordance with procedure QP-QA8.7-0001 (Control of Non-Conforming Product).
- 4.9 Reporting



4.9.1 All occurrences of counterfeit parts must be reported, as appropriate to internal organizations, customers, government reporting organizations, industry support and criminal investigative authorities as applicable.

4.9.2 Guidelines for reporting counterfeit parts can be found in AS5553 Appendix G.

5.0 DELIVERABLES AND RECORDS/REPORTS

Purchase orders

Receiving and inspection reports

Purchasing records are maintained for a period of 5 years.

6.0 DEFINITIONS

Approved Supplier: Suppliers that are formally assessed, determined to provide low risk of providing counterfeit parts, and are entered on company Approved Supplier List

Authorized (Franchised) Distribution: Transactions conducted by an OCM-Authorized Distributor distributing product within the terms of an OCM Contractual Agreement. Contractual Agreement terms include, but are not limited to, distribution region, distribution products or lines, and warranty flow down from the OCM. Under the distribution, the distributor would be known as an Authorized Distributor. For the purposes in this Standard, Franchised Distribution is considered synonymous with Authorized Distribution.

Authorized (Franchised) Distributor: A distributor with which the OCM has an contractual agreement to buy, stock, re-package, sell and distribute its product lines. When a distributor does not provide products in this manner, then for the purpose of this document, the distributor is considered an independent distributor for those products. Franchised distributors normally offer the product for sale with full manufacturer flow-through warranty. Franchising contracts may include clauses that provide for the OCM's marketing and technical support inclusive of, but not limited to, failure analysis and corrective action, exclusivity of inventory, and competitive limiters.

Broker: In the independent distribution market, Brokers are professionally referred to as Independent Distributors. See definitions for "Broker Distributor" and "Independent Distributor".

Counterfeit Part:

A fraudulent part that has been confirmed to be a copy, imitation or substitute that has been represented, identified or marked as genuine, and/or altered without legal right with intent to mislead, deceive or defraud. Examples of counterfeit parts include, but are not limited to:

- a. Parts which do not contain the proper internal construction (die, manufacturer, wire bonding, etc.) consistent with the ordered part.
- b. Parts which have been used, refurbished or reclaimed, but represented as new product.
- c. Parts which have different package style or surface plating/finish than the ordered parts.
- d. Parts which have not successfully completed the Original Component Manufacturer's (OCM)'s full production and test flow, but are represented as completed product.
- e. Parts sold as upscreened parts, which have not successfully completed upscreening.
- f. Parts sold with modified labeling or markings intended to misrepresent the parts' form, fit, function, or grade.

FAR :

Federal Acquisition Regulation

Independent Distributor:

A distributor that purchases new parts with the intention to sell and re-distribute them back into the market. Purchased parts may be obtained from Original equipment manufacturers (OEMs) or contract manufacturers (typically from excess inventories), or from other independent distributors. Re-sale of the purchased parts (re-distribution) may be to OEMs, contract manufacturers, or other independent distributors. Independent distributors do not have contractual agreements or obligations with OCMs.

Original Component
Manufacturer (OCM)

An entity that designs and/or engineers a part and is pursuing or has obtained the intellectual property rights to that part.

NOTES:

- a. The part and/or its packaging are typically identified with the OCM's trademark.
- b. OCMs may contract out manufacturing and/or distribution of their product.
- c. Different OCMs may supply product for the same application or to a common Specification.