# DFARS Challenges

## A Primes Perspective

Bob Bodemuller

# Background

- AS5553 has been used by industry since 2009 since it was the only standard available
  - Internal counterfeit mitigation processes developed using the AS5553 standard as guidance
  - Started seeing contracts flowing down AS5553 as a requirement

- 2011 NDAA section 818 increased focus by DoD on the counterfeit problem.
  - Within 180 days, directed DoD to:
    - establish Department-wide definitions…
    - issue or revise guidance applicable to Department components engaged in the purchase of electronic parts to implement a risk-based approach
    - …
  - Within 270 days revise the DFARS to address avoidance and detection

- DFARS released late, May 2014

- Primes began seeing the DFARS on contracts in June 2014

# Immediate Prime Issues

- Should the Prime wait to see what guidance is issued by DoD to address the section 818 requirements
- How do industry consensus standards, i.e. AS5553, match DFARS requirements
- How do current processes implemented to AS5553 comply with DFARS requirements?
- What gaps might exist that may need to be filled

# Penalties Severe

- Criminal penalties and fines written in the law
- Costs for corrective actions are non-allowable
- Loss of purchasing authority

# DFARS 12 Criteria

1. Training of personnel
2. Inspection and testing
3. Abolish counterfeit parts proliferation
4. Maintain electronic part traceability
5. Use OCM and authorized distribution
6. Report and quarantine suspect and confirmed counterfeits
7. Confirm suspect part is counterfeit
8. System to detect and avoid counterfeits
9. Flow down to lowest level all these requirements
10. Stay continually informed of current information and trends
11. Screen GIDEP reports and other credible information sources
12. Control obsolescence

# Standards Comparison/Gap Analysis

## Comparison to Proposed DFARS Rule

**(Source: DCMA-HQ March 2014)**

| DFARS 246.870-2 & 252.246-70XX ( c) | | AS5553A | AS9100C | DCMA Checklist |
|---|---|---|---|---|
| (i) | the training of personnel | 4.1.1 | 6.2.2, 7.4.3 | 2a., 6, 9, 12, 13 |
| (ii) | the inspection and testing of electronic parts; | 4.1.5, 4.1.6 4.1.7 | 7.4.3 | 4.a, 4.b., 4.c., 4.d., 4.e., 4.f., 4.g. |
| (iii) | processes to abolish counterfeit parts proliferation; | 4.1.3, 4.1.4 4.1.5, 4.1.8 | 7.4.1 (a) & (b) | 7, 8 |
| (iv) | mechanisms to enable traceability of parts; | 4.1.2, 4.1.3 4.1.4, 4.1.5 | --- | 2.e., 2.h., |
| (v) | use of trusted suppliers; | 4.1.3, 4.1.4 4.1.5 | 7.4.1 (a) | 2.g. |
| (vi) | the reporting and quarantining of counterfeit electronic parts and suspect counterfeit electronic parts; | 4.1.8, 4.1.9 4.1.10 | 8.3 ( c) | 11 |
| (vii) | methodologies to identify suspect counterfeit parts and to rapidly determine if a suspect counterfeit part is, in fact, counterfeit; | 4.1.5, 4.1.6 4.1.7 | 7.4.2 7.4.3 | 4 (a) - (f) |
| (viii) | the design, operation, and maintenance of systems to detect and avoid counterfeit electronic parts and suspect counterfeit electronic parts; and | 4.1.5, 4.1.6 4.1.7 | 8.2.2 | 2.i., 2.i.1., 2.j., (1) - (3) |
| (ix) | the flow down of counterfeit avoidance and detection requirements to subcontractors; | 1.2, 4.1.4 | 7.4.2 | 2.f. |

# Gap Analysis

| DFARS 252.246-7007 | |
|---|---|
| Applies to EEE parts & assemblies, including embedded software and firmware. | AS5553 Rev A |
| CONTRACTOR PURCHASING SYSTEM | |
| Establish and maintain policies … to ensure purchase orders and subcontracts contain mandatory and applicable flow down clauses, as required … including the requirements of 252.246–7007… | 2. Applicable Documents<br><br>The requirements of this document are intended to supplement the requirements of a higher level quality standard (e.g., AS9100) and other quality management system documents. They are not intended to stand alone, supersede, or cancel requirements found in other quality management system documents, requirements imposed by contracting authorities |
| Provide for an organizational ... structure that ensures … best value from responsible and reliable sources, including the requirements of 252.246-7007… | 2. Applicable Documents<br><br>The requirements of this document are intended to supplement the requirements of a higher level quality standard (e.g.,<br>AS9100) and other quality management system documents. |

- Every Prime has their own analysis
- Agreement on most areas where gaps exist but in some areas it remains in the “eyes of the beholder”
- How do other ASXXXX standards compare?
- What are the issues?

# My Top 10 Issues

1. How do you apply the 12 DFARS criteria to embedded software and firmware?
   a. How do I know there are no alterations, especially for malicious intent?
2. Everyone still using their own definition of counterfeit
   a. Right or wrong we use the DFARS definitions
   b. It's in our contract
3. Traceability
   a. Must have traceability to the OCM…do you?
   b. We must provide "as-built" traceability to our gov. customer
4. 60 day reporting – is the time frame sufficient if information comes from lower supply chain tiers?
5. DFARS is clear that ALL material, commercial and mil parts, must meet the 12 criteria, CAS covered or not!

# Issues/Gap Closure Issues

6. Material procured before the DFARS was in effect MUST comply when delivered to the government.
   a. Do we need to preform additional, after the fact, inspections and tests?
7. Who with conduct the counterfeit mitigation portion of the CPSR audit?
   a. What are their qualifications?
8. Can an international standard such as AS5553 be revised to address US government specific requirements and still be universally used?
9. Where does AS6081 standard (or other industry standards) fit?
10. What about COTS?
    a. The DFARS apply… how do we apply it?

# 3rd Party Certification to Industry Standards

- Will it be recognized by the Primes?
  - MAYBE

- Issues
  - Auditor qualifications?
  - Certification scope
    - Does the certification apply to all parts of the business or just selective orders?
  - Oversight of the certification process
  - Does the certification include Prime needs and requirements?

# Current Thinking

- ANAB process for AS6081
  - Many Primes to not recognize AS6081 as a viable standard hence do not recognize certification
  - DCMA does has expressed concern regarding the viability of the standard
- AS6496 certification for authorized distributors
  - Current recommendation is to not recognize compliance or certification because of perceived/real potential for counterfeit "leakage" in some of the business processes.
- Group of Primes actively working toward a Counterfeit Avoidance Accreditation Program (CAAP)
  - Industry managed, i.e. AS9100 and Nadcap
  - Industry oversight
  - Industry approved auditors with specific knowledge requirements and demonstrated auditing competency
  - Administered by PRI, a subsidiary of SAE
  - Modeled after Nadcap
- Focus on AS5553
  - Other standards might follow
    - AS6171 testing?
    - AS6174 materials

**What business practices are you willing to change to assist in halting the proliferation of counterfeits?**