

CTG THE DISTRIBUTOR THAT BUYERS TRUST™
CRESTWOOD TECHNOLOGY GROUP

AUDIT PRIORITIES SINCE NDAA 2012

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AS OF 11/8/11

- SAE AS 6081 starts to see the light at the end of the tunnel, nearing completion
- Leading IDs had completed a transition that had been in the works for years increasing capability and value around their ability to provide continued access to the surplus market while consistently avoiding counterfeit product.
- Proactive OEMs had already completed at least a first round of ID AVL reduction and were already onto their 2nd or 3rd revisions of their own counterfeit avoidance policies and testing procedures
- Some of these same OEMs included on site audits to IDs as part of their selection process in the creation of their ID AVL

THE POST NOVEMBER 8TH 2011 WORLD

- 11/8/11 – Senate Hearings on Counterfeit Parts
- NDAA 2012 – Placing financial and criminal liability on government contractors
- Initiatives by Proactive Defense and Aerospace Contractors to put the finishing touches on consolidation of their ID AVL to a handful of trusted sources kick into high gear
- On Site Audits now become an integral if not required part of any ID that is to be left on the “short list”
- The rest of the reactive OEM world scramble to understand what they’ll need to do to comply with the new regulations
- The rest of the ID world scrambles as well to catch up

BUT, WHAT ACTIONS NEEDED TO BE TAKEN?

- No single standard is chosen by Congress
- Most leading OEMs have their own set of requirements and best practices creating a wide variation of compliance challenges.
- Today's leading ID needs to more capable than ever to remain on the short list of ID AVL

3 POST NDAA 2012 AUDITS

- 2 Very Large US Based Defense Contractors
- 1 Large US Based Subcontractor
- All subject to the NDAA 2012 requirements
- Highlights of what was and wasn't a priority during the audit
- 2 a day audits, 1 2 day audit
- All took place in 2012
- All 3 CTG has maintained continuous AVL status for over 10 years.

COMPANY A

- HIGHEST PRIORITIES:

Certifications (IDEA Membership & Certified Inspectors, ANSI/ESD-20.20:1999, ISO9001:2000, ISO14001:2004, AS9120, CCAP101)

QSLD Approved For 5962 & 5961

QA Manual Review

Training Records

Procedures

Compliance Documentation

Reporting Procedures

COMPANY A (CONT.)

- NOT MENTIONED:

AS6081

No Facilities tour

No equipment requirement

No personnel or staff requirements

No communication of or review of SOS Policy & Supply chain Management

***No hands on work, literally never left the conference room.

COMPANY B

- HIGHEST PRIORITIES:

EQUIPMENT – X-Ray, QSA, Decap, High Power Microscope, XRF, Acoustic Microscope, Solderability Testing, Heated Solvents

HANDLING – ESD Certification, ESD Safe Environments, Temp & Humidity controlled storage and inspection area

QUALIFIED PERSONNEL - On staff engineering, IDEA Certified Inspectors, Quality Management with formal QMS training and experience

***No review of any documentation was done.

COMPANY B (CONT.)

- NOT MENTIONED:

AS6081

SOS Evaluation and Supply Chain Management

Quality Manual

Training / Procedures

Reporting Policy (ERAI & GIDEP)

Purchasing Procedures

PO Compliance

COMPANY C

- HIGHEST PRIORITIES:

Becoming AS5553 Compliant

Creating a counterfeit Avoidance Policy

Visiting some IDs their peers use to pick up on Best Practices

In a sense it was fair to say they had no priority but were looking for an education

They were aware of **AS6081** but had no plans to make it a requirement

TAKEAWAY FROM AUDITS

- Despite efforts to standardize best practices for counterfeit avoidance protocol commonality is not a reality and does not appear to be a goal of Defense, Aerospace and other Hi-Rel Contractors
- Commonality does not exist in the audit process
- Today's ID is expected to be a fully matured business with all the capability, process and savvy of large scale organizations if they are to have any chance of remaining of Defense and Aerospace AVL shortlists. The bar has been raised significantly.

WHAT SHOULD TOP AUDIT PRIORITIES BE?

- SOS Verification!! – Perhaps the most important aspect to counterfeit avoidance is an ID's purchasing strategy and policy. China?
- ID's home grown Counterfeit Avoidance Policy. Do they have one? Verification only done if requested or 100% as a policy?
- Test & Inspection is viewed as a process by which authentic material sourced from proven suppliers is verified rather than a last stop to "catch bad parts".
- People, People, People. Training? Certifications? Experience? Value?
- Overall facilities presentation. Clean? Organized? Safe environment for material (temp, humidity, security)
- Ability to meet or exceed your expectations. What strategic partnerships have they developed with reputable and capable test labs (gov't approved?) to complete all requirements in your counterfeit avoidance protocol.
- Your instincts as an auditor.

THE AS6081 DEBATE

- Will all Contractors unite under this standard? It doesn't appear so thus far. Why not?
- Is it the right document?
- Is it a good document?
- What are some of the sticking points creating push back?

Thank you

- Paul Elefonte
 - CTG