



Highlights of [GAO-10-389](#), a report to congressional requesters

### Why GAO Did This Study

Counterfeit parts—generally those whose sources knowingly misrepresent the parts’ identity or pedigree—have the potential to seriously disrupt the Department of Defense (DOD) supply chain, delay missions, and affect the integrity of weapon systems. Almost anything is at risk of being counterfeited, from fasteners used on aircraft to electronics used on missile guidance systems. Further, there can be many sources of counterfeit parts as DOD draws from a large network of global suppliers.

Based on a congressional request, GAO examined (1) DOD’s knowledge of counterfeit parts in its supply chain, (2) DOD processes to detect and prevent counterfeit parts, and (3) commercial initiatives to mitigate the risk of counterfeit parts.

GAO’s findings are based on an examination of DOD regulations, guidance, and databases used to track deficient parts, as well as a Department of Commerce study on counterfeit parts; interviews with Commerce, DOD, and commercial-sector officials at selected locations; and a review of planned and existing efforts for counterfeit-part mitigation.

### What GAO Recommends

GAO recommends that DOD leverage existing initiatives to establish anticounterfeiting guidance and disseminate this guidance to all DOD components and defense contractors. DOD concurred with each of the recommendations.

[View GAO-10-389 or key components.](#)  
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## DEFENSE SUPPLIER BASE

### DOD Should Leverage Ongoing Initiatives in Developing Its Program to Mitigate Risk of Counterfeit Parts

#### What GAO Found

DOD is limited in its ability to determine the extent to which counterfeit parts exist in its supply chain because it does not have a departmentwide definition of the term “counterfeit” and a consistent means to identify instances of suspected counterfeit parts. While some DOD entities have developed their own definitions, these can vary in scope. Further, two DOD databases that track deficient parts—those that do not conform to standards—are not designed to track counterfeit parts. A third governmentwide database can track suspected counterfeit parts, but according to officials, reporting is low due to the perceived legal implications of reporting prior to a full investigation. Nonetheless, officials we met with across DOD cited instances of counterfeit parts, as shown in the table below. A recent Department of Commerce study also identified the existence of counterfeit electronic parts within DOD and industry supply chains. DOD is in the early stages of developing a program to help mitigate the risks of counterfeit parts.

**Examples of Counterfeit Parts in DOD’s Supply Chain**

Part	Description
GPS oscillators	The Air Force and Navy use these oscillators for navigation on over 4,000 systems. Part failure could affect the mission of certain systems.
Self-locking nuts Titanium	Self-locking nuts, used in aviation braking, were cracking. The supplier sold substandard titanium, used in fighter jet engine mounts.
Brake shoes	Brake shoes were made with substandard materials, including seaweed.

Source: DOD.

DOD does not currently have a policy or specific processes for detecting and preventing counterfeit parts. Existing procurement and quality-control practices used to identify deficient parts are limited in their ability to prevent and detect counterfeit parts in DOD’s supply chain. For example, several DOD weapon system program and logistics officials told us that staff responsible for assembling and repairing equipment are not trained to identify counterfeit parts. Some DOD components and prime defense contractors have taken initial steps to mitigate the risk of counterfeit parts, such as creating risk-assessment tools and implementing a new electronic parts standard.

Also facing risks from counterfeit parts, individual commercial sector companies have developed a number of anticounterfeiting measures, including increased supplier visibility, detection, reporting, and disposal. Recent collaborative industry initiatives have focused on identifying and sharing methods to reduce the likelihood of counterfeit parts entering the supply chain. Because many of the commercial sector companies produce items similar to those used by DOD, agency officials have an opportunity to leverage knowledge and ongoing and planned initiatives to help mitigate the risk of counterfeit parts as DOD develops its anticounterfeiting strategy.