

CARL LEVIN, MICHIGAN, CHAIRMAN

JOSEPH I. LIEBERMAN, CONNECTICUT
 JACK REED, RHODE ISLAND
 DANIEL K. AKAKA, HAWAII
 E. BENJAMIN NELSON, NEBRASKA
 JIM WEBB, VIRGINIA
 CLAIRE McCASKILL, MISSOURI
 MARK UDALL, COLORADO
 KAY R. HAGAN, NORTH CAROLINA
 MARK BEGICH, ALASKA
 JOE MANCHIN III, WEST VIRGINIA
 JEANNE SHAHEEN, NEW HAMPSHIRE
 KIRSTEN E. GILLIBRAND, NEW YORK
 RICHARD BLUMENTHAL, CONNECTICUT

JOHN McCain, ARIZONA
 JAMES M. INHOFE, OKLAHOMA
 JEFF SESSIONS, ALABAMA
 SAXBY CHAMBLISS, GEORGIA
 ROGER F. WICKER, MISSISSIPPI
 SCOTT P. BROWN, MASSACHUSETTS
 ROB PORTMAN, OHIO
 KELLY AYOTTE, NEW HAMPSHIRE
 SUSAN M. COLLINS, MAINE
 LINDSEY GRAHAM, SOUTH CAROLINA
 JOHN CORNYN, TEXAS
 DAVID VITTER, LOUISIANA

United States Senate
 COMMITTEE ON ARMED SERVICES
 WASHINGTON, DC 20510-6050

RICHARD D. DeBOES, STAFF DIRECTOR
 DAVID M. MORRIS, MINORITY STAFF DIRECTOR

October 31, 2011

Honorable Michael B. Donley
 Secretary of the Air Force
 United States Department of the Air Force
 1670 Air Force Pentagon
 Washington, DC 20330-1670

Dear Secretary Donley:

As you may know, the Senate Armed Services Committee is conducting an investigation into counterfeit electronic parts in the Department of Defense's (DOD) supply chain. During the course of its investigation, Committee staff has held two meetings with U.S. Air Force (USAF) personnel regarding suspect counterfeit electronic parts that are installed on aircraft flown by the USAF.

During these meetings, Committee staff shared information collected during the investigation regarding suspect counterfeit parts that were installed on the C-27J and C-130J. The suspect counterfeit electronic parts at issue originated with a company in China, which sold them to an independent distributor in the U.S. That independent distributor sold the parts to L-3 Communications Display Systems, which installed them on Color Multipurpose Display Units (CMDUs). More than 500 of those units were sold to both L-3 Communications Integrated Systems, the prime contractor on the C-27J, and Lockheed Martin, the prime contractor to the C-130J.

It became clear during the staff's meeting with the USAF that Committee staff had more information regarding this suspect counterfeit part than L-3 Communications and Lockheed Martin had provided to the USAF program offices. USAF personnel expressed surprise and disappointment that they had not been provided information they considered critical to judging the severity of the problem and making informed decisions.

The following information about the suspect counterfeit became clear during the course of the meetings:

- Pertinent information regarding the reliability and performance of the suspect counterfeit parts, including an independent test report showing the part to be "suspect counterfeit," was not shared with the USAF by L-3 Communications or Lockheed Martin.

- Despite representations by Lockheed Martin and L-3 Communications Integrated Systems that there had been no increase in CMDU failures attributable to the suspect counterfeit part, according to the USAF, neither of the contractors had reviewed sufficient data to come to that determination.
- Lockheed Martin represented to the USAF that it had conducted six months of “monitoring” of the CMDUs to determine whether the suspect counterfeit parts were causing increased failures. Data provided by Lockheed Martin to the Committee, however, showed that only approximately three months of limited data was reviewed.
- Lockheed Martin told the USAF that the suspect counterfeit parts were “functionally compliant” to authentic genuine parts. The USAF was apparently not informed that the failure rate of the part tripled during acceptance and environmental stress testing.

In addition to the failure to provide sufficient information on the parts, there was also a concern about L-3 Communications’ failure to provide timely notification to the USAF about the parts in the C-27J. L-3 Displays, a division of L-3 Communications, learned of the problem in November 2010. Despite being a division of the same company that identified the problem, L-3 Integrated Systems has stated that it did not learn of the suspect counterfeit parts until September 2011. As a result, L-3 did not notify the USAF that the over 30 display units with the suspect counterfeit parts had been installed on eight C-27Js, including two C-27Js deployed to Afghanistan, until September 19, 2011 (one day before the first Senate Armed Services Committee staff meeting with the USAF Program offices).

At their most recent meeting, USAF personnel indicated to Committee staff that they intended to review the new information provided by the Committee and assess a course of action with the contractors. Please inform the Committee by November 7, 2011 regarding what actions the USAF is considering.

If you have any questions or would like to discuss this request, please contact us or have your staff contact Armed Services Committee majority staff Ilona Cohen (202-224-5089) and Bryan Parker (202-224-8265) of the minority staff. Thank you for your prompt attention to this matter.

Sincerely,



John McCain
Ranking Member



Carl Levin
Chairman