PROCUREMENT PROCESS

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MICRO SYSTEMS, INC.
35 Hill Avenue  
Fort Walton Beach, FL  32548-3858  
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1  PURPOSE

This instruction implements the process used to plan and buy materials and services.

2  RESPONSIBILITY

It shall be the responsibility of the Sr. Production Manager/Sr. Supply Chain Manager to ensure this instruction reflects the procurement processes planned for the Micro Systems, Inc. quality management system. It shall be the responsibility of the Purchasing Department staff to follow and enforce these processes. It shall be the responsibility of company personnel to follow the processes specified in this instruction.

3  REFERENCE

The following documents are required to implement this instruction.

- OP-8.4  Purchasing (parent document)
- OPF-8.7  Nonconformance Report (NCR)
- WI-8.4A  QA Requirements for Suppliers, Appendix A
- WI-8.4B  Assessment of Subcontractors
- WI-8.5.4E  Return of Unacceptable Parts
- WI-9.1B  Receiving Inspection
- WIF-8.4A2  Purchasing Request
- WIF-8.4A4  Bill of Material Substitute Part Form
- WIF-8.4A7  Signature Authority Matrix for Purchase Orders
- WIF-8.4A8  Sole Source Justification
- WIF-8.5.4B2  Bad Part Form
- WIF-8.5.4C5  Domestic Packing List
4 DEFINITIONS

• **Direct Purchase** – acquisition of materials, goods, or services for production and/or manufacture of customer requested product.

• **Indirect Purchase** - acquisition of materials, goods, or services required for company Operations Resource Management (OPM) and/or company Maintenance Repair and Operations (MRO).

• **Purchase Order** – a contractual document generally used for short-term services or procurement of common hardware, electronic components, chassis, and/or standard commercial items. If in doubt about whether to use a P.O. or Subcontract agreement, consult with the Supply Chain Manager.

• **Subcontract** - a contractual document generally used for procurement of services or items involving significant development or other unique circumstances. As a general rule, subcontracts will normally have P.O.s created in the purchasing database, with the subcontract agreement forming the basis for extended terms and conditions incorporated to protect the rights of Micro Systems, Inc. and the customer. If in doubt about whether to use a P.O. or Subcontract agreement, consult with the Supply Chain Manager.

• **Buyer** – a qualified Micro Systems, Inc. procurement agent authorized to obligate company funds through Purchase Orders or Subcontract agreements in accordance with Purchasing Signature Authority.

• **Flow-Down** – a clause in a prime contract which is incorporated into a Purchase Order or Subcontract agreement with little or no modification; this can include terms and conditions, or other clauses needed to carry out the requirements of the contract.

• **Prime Contract** – a contractual action entered into by the customer to obtain supplies, services, materials or equipment which is awarded to the customer’s first tier supplier.

• **Original Component Manufacturer (OCM)** - The original designer or name manufacturer of a component.

• **Original Equipment Manufacturer (OEM)** - The original designer or manufacturer of an item other than an electronic component.

• **Authorized or Franchised Distributor (AFD)** - A party that is authorized to sell an OCM/OEM device to a contractor or user.

• **Broker** - An individual or organization who acts as an intermediary for purchasing and selling of electronic components.

• **Non-Franchised Distributor** - A Distributor who has not been granted the right or license by the OCM to distribute goods or services.
• **Independent Distributor** - An organization that purchases new excess inventories from end users (Original Equipment Manufacturers and Contract Manufacturers) with the intention to resell and redistribute back into the market.

• **Vendor (or supplier)** - A business entity that supplies MSI with an individual component(s) such as nuts, bolts, resistors, integrated circuits, or wire. A distributor would usually be a vendor. A machine shop that purchases metal and then fabricates a (“MA”) component (even with plating and/or paint) is usually a vendor.

• **Supplier / Outsource Supplier (or Electronic Services Manufacturer)** - A business entity that performs a service, typically labor to assemble a product. MSI performs the procurement and inspection of parts and materials to be supplied and may provide specifications, drawings, and standards of workmanship, quality requirements to include customer flow-down requirements, and/or a statement of work covering requirements if not already addressed. The products that a supplier assembles are usually incomplete and require inspection, test, conformal coating, etc. upon arrival at MSI.

• **Subcontractor** - A business that performs a turn-key process that results in a completed product being supplied to MSI. The turn key process would include procuring materials, assembly, testing and inspection and any related processes.

5 **INSTRUCTION**

This section specifies the process to be followed in procurement.

5.1 **Purchase Order Pre-Award**

5.1.1 **Purchase Request**

The Purchase Request is the initial document that sets in motion the process of identifying supplies/services required for performing a contract. It is also used to acquire the necessary authorizations and approvals for the purchase. The Purchase Request has four purposes:

a. To request quotations on materials, goods, services

b. To request the purchase of materials, good, services

c. To request modification to an existing purchase order

d. To obtain required authorization signatures

Buyers shall not act on Purchase Requests without the required approvals and cost accounting information. The requestor shall provide to the Buyer a properly authorized request for purchase
of items, regardless of value. Where appropriate, purchasing information shall define the requirements for the product purchased to include:

   a. Use of customer-designated or approved external providers, including process sources.
   b. Requirements for approval of product, services, methods, processes, equipment, and their release.
   c. Requirements for qualification of personnel and awareness of:
      i. their contribution to product or service conformity
      ii. their contribution to product safety
      iii. the importance of ethical behavior
   d. Quality management system requirements

Purchasing information for suppliers/subcontractors shall include (as / when required):

   a. Identification and revision status of specifications, drawings, process requirements/inspection / verification instructions and other relevant data.
   b. Requirements for design and development control, test, and inspection, verification (to include process verification), acceptance.
   c. Test/inspection specimens, as required.
   d. Requirements for
      i. notification of nonconforming processes, product, or services
      ii. obtaining approval for product disposition
      iii. notification of changes in product and/or processes, changes in suppliers, change of facility location
   e. Flow down of requirements and record retention requirement
   f. Rights of access to documents and records

5.1.1.1 Use of Purchasing Request Form (WIF-8.4A2)

A Purchase Order Request is used by departments to order material or items for specific department needs (i.e.: Toner for printers). Purchase Order requests can be submitted to the Purchasing Department on form WIF-8.4A2 or via E-mail. In no case shall the person requesting an item be the sole approver or the buyer of a requirement. The request must contain the following information, as applicable:

1. REQUESTED BY – The name of the individual requesting the material or service.
2. DATE REQUESTED – The date the request was filled out.
3. JOB NUMBER – The account number to which the material or service is to be charged.
4. NEED DATE – The date the material is needed by the requester.
5. DATE COMPLETE – The date the request was completed by the buyer.
6. Requested by Dept. No. – The department number of the requesting department.
7. Item # - This is a sequential listing number, by item, of the material requested.
8. Quantity (QTY) – The exact quantity of the material required.
9. Unit of Measure (U/M) – The purchasing unit of measure, e.g., gallons, pounds, each, etc., as shown in the Parts Master File (M.1.2.1).
10. MSI Part Number – The part number for the material or service exactly as it exists in Costpoint Part Master File.

All approved Purchasing Request forms will be forwarded to the Purchasing Department. It is the responsibility of each department head to review and approve the purchasing request to verify the accuracy and necessity of the request and to receive President/Designee Approval. It is the responsibility of the Purchasing Department to receive all purchasing requests, obtain competitive pricing quotes to the maximum extent practicable, identify possible alternate sources, and complete a Purchase Order.

5.1.2 Control of Obsolete and Substitute Parts

When a part is identified from the vendor as being “obsolete” or coming up for a LTB (Last/Life Time Buy), notify Engineering with the “where used” information.

5.1.2.1 Obsolete Parts

If the obsolete part does not have any suitable subs on Part Master Page 2 or in the assemblies where the part is used and the LTB has passed, fill out a new part master form with the following information.

- Manufacturers Code: OBSDNB
- Manufacturers Name: OBSOLETE – DO NOT BUY
- Manufacturers Part #: xxxx (“x” being the part number), OBS x/xx/xx (Date obsolete)
- Commodity Code: O15

The above information will be on the line below the original part information so history can be maintained. If the obsolete part has suitable subs listed on Part Master Page 2 or in the assemblies where the part is used but the suitable subs are also obsolete, follow the instructions from Paragraph 5.1.5 for each part.

If the obsolete part has suitable subs listed on Part Master Page 2 or in the assemblies where the part is used and they are NOT obsolete, follow the instructions from Paragraph 5.1.5 for the original obsolete part only.
If a part has a LTB with a future date, change the Part Master Page 2 information to OBS LTB xxx (xxx being the future last time buy date) and change the commodity code.

5.1.2.2 Loading of Substitute parts

All parts that are identified as a substitute part must be loaded into the BOM comments section of the assembly where the main part is used by DATA. The substitute must be submitted using WIF-8.4A4 with engineering approval.

After a substitute part has been identified, approved, and loaded into the BOM comments and the part has been purchased, the Material Planner must be notified to change the work order to reflect the part that is actually being bought and used. NOTE: All substitutions shall be driven by the ECN system or the Material Review Board and documented on an NCR, Form OPF-8.7.

5.1.3 Make/Buy Decisions

A make or buy decision occurs in the planning stages of procurement whether to make a product or perform a service in-house vs buying a product or service from an outside source. Functions involved in making the decision can include operations, manufacturing, purchasing, contracts and/or others as needed. The evaluation can include:

- Technical Capability
- Capacity/Strategic Capability
- Schedule
- Cost Estimates
- Supplier Quotes
- Supplier Availability/Capability

Decisions to make vs buy shall be documented and recorded as part of the procurement package.

5.1.4 Material to be Out Sourced

If it has been determined that material (to include Board or Cable assemblies) is to be outsourced, the buyer will send all appropriate drawings and parts lists to approved suppliers for quote. Special requirements, critical items, or key characteristics will be identified in the Work Instructions and/or Statement of Work (SOW) provided with the purchase order.

5.1.5 Procurement of Material by Source / Specification Control Drawing

For purchase requests on the latest configuration of a part, it is the responsibility of the Configuration Department, upon request from the Purchaser, to ensure the latest Source/Specification Control Drawing (SCD) and any pending Engineering Change Notices (ECNs) are issued for procurement.
For purchase requests on a configuration of a part other than the latest configuration, it is the combined responsibility of the Program Manager (Project Engineer), the Configuration Department and the Materials Department to assure at the time of the purchase request, the Materials Department has the required revision of SCD/PL. The Material Buyer will request the required revision from the Configuration Department, then, upload a copy of the print and all associated files to the supplier’s secure server.

5.1.5.1 Using Source / Specification Control Drawing Ordering Data

The ordering data section in the SCD shall be used to purchase the item. A Micro Systems, Inc. part number referenced in the SCD ordering data section (which will match the parts list number) shall be the part number on the purchase order. Manufacturer’s part number in parenthesis can be optionally added after part description for reference purposes only.

Source Control drawings are normally used for sole/single source procurements. If more than one supplier has been approved, the purchase order may be issued to any of the listed suppliers. New suppliers must be added IAW WI-8.4B. The approval of the Engineering Department must be obtained and the new supplier’s name must be added to the SCD.

For any single/sole source purchases over ($3,500), the Requisitioner is responsible to provide the Buyer with Source Justification, (WIF-8.4A8) explaining why the purchase is a sole source purchase. The form should include the name of the requestor of the source, unless the buyer tries to compete the item and can’t find other responsive bidders, in which case, the buyer would complete the justification.

5.1.6 Bid Process

The Bid package Process is the method used to contain the documentation accumulated for the procurement process for the “Bid”. As required, documentation relevant to the associated proposal is to be contained within the file. Use only one file per customer proposal and place “Bid” folder into the appropriate cabinet in the Purchasing office. The quotes are filed numerically.

Generating the Bid Package:

To accomplish the bid package, complete the following:

---Bid Folder---

Obtain a red file folder with label and provide the following information:

a. Proposal Number
b. Program Manager

c. Quantity to Bid

d. Assembly number and Revision being bid

e. TINA required? (Any U.S. Government non-competitive contractor modification that exceeds $700,000.00. If not, label the folder “TINA not required”)

f. Date received, date required and date completed Store the following in the red folder:

g. Quotes from all the vendors for this job

h. Bid Package Cost Matrix

i. The TINA quotation shall be approved by the Production Manager then submitted to the Proposal Manager

Create a folder (using the proposal number as folder name) in the BID PACKAGES folder located in the PURCH folder. All worksheets associated with this job will be saved to the proposal folder.

**Submitting the Bid Package:**

Proposals must be sent to at least 3 vendors for price, lead-time and minimum/multiple comparisons; the exception being sole sourced items.

**Analyzing the Quote:**

- Does Programs or Engineering need to be part of this evaluation? Is the Requisitioner here?
- Was the quote responsive and is this response for the correct material/service?
- Is cost and pricing data current, accurate, and complete?
  - Is the cost broken down and is it fair and reasonable?
  - How does this quote compare against the competition?
  - How does the quote compare against previous quotes (qty, $, Ts&Cs)?
  - How does it compare to similar/like items?
  - Compare to published price lists/regulated prices.
  - Compare to other sources.
- Does the quote address the evaluation criteria established for the solicitation, SOW and Ts&Cs?

Completed analysis must be documented and provided to the Proposal Manager.

**Supplier Negotiation and Documentation:**

The Buyer shall be the only person authorized to conduct supplier negotiations and should understand the goal of the negotiation is to produce an acceptable outcome that is fair and
reasonable to both the supplier and Micro Systems, Inc. When negotiations are necessary, the buyer will:

- Establish pre-negotiation objectives
- Develop a strategy based on a balance between:
  - Suppliers proposal
  - Price/cost analysis
  - Terms and Conditions
  - Delivery
  - FOB point
  - Other points needed

5.2 Purchase Order Award

5.2.1 Selecting the Supplier

Bid packages are presented only to those vendors known to be responsible and are based on price/cost, schedule, technical compliance, and past performance. With those known parameters, the ultimate selection decision shall be based on who can provide the *best value* to our customer and Micro Systems, Inc.

5.2.2 Documenting the Award

The Purchasing selection group shall decide the winning bid. The original bid package completed by the selected supplier shall be presented to the Bid and Proposal Specialist. This package shall constitute the award document.

5.2.3 Credit Card Policy

Petty cash funds and expense reports (other) are managed and controlled by the Finance department. Credit cards may be used for purchasing buys and shall follow the same functional and documentation requirements for any company purchase. Documentation supporting credit card receipts and packing slips which certify receipt of goods or services must be forwarded to Accounts Payable.
5.3 Purchase Order Post Award

5.3.1 Procurement Stages

5.3.1.1 Material Requirements Planning (MRP) Report generation

MRP is generated weekly. These Costpoint reports are generated to assist in buying or transferring materials to include cancellation and rescheduling of purchase orders.

5.3.1.2 General Rules to Apply to Purchase Orders

All parts are to be ordered under the part number that is on the Bill of Materials (BOM). If a sub is ordered it must be equal to or better than the original and be approved by Engineering. Do not order one part number when planning to receive another part number.

Do not order a substitute part number which has not been approved by the Program Engineer and/or has not been entered into the BOM and/or part master by DATA Management as a substitute.

When a substitute part is identified (see 5.1.2.2), immediately notify Configuration Management with the following information:

a. Job Number
b. Original Part Number
c. Substitute Part Number
d. Assembly Where-Used

Once the part master has been updated with substitute part, proceed accordingly.

Do not enter a purchase order into Costpoint for material which does not have a part number unless the proper documentation is being added to the system.

When doing any change to a purchase order, a change notice added at the top of the P.O. is ALWAYS necessary. Information which must be included:

a. Change notice number.
b. Date of change.
c. A brief, but thorough description of the change to each line item.
d. The last line of the change order must state “A total PO decrease/increase of $xxx”, and initials of person making changes.

The changed purchase order must be printed and forwarded to the Supply Chain Manager for signature.
5.3.1.3  Generating a Purchase Order from Costpoint

“Order types generated by Buyers shall be Firm-Fixed Price; any other type shall be at the direction and guidance of the Supply Chain Manager”. All purchase orders, whether electronic or hard-copy, shall be entered into the Costpoint system by Purchasing personnel. This provides the highest level of accuracy, tracking and control of purchases.

See Task Instructions located at: T:\PURCH\Cost Point 7 Task Instructions for step by step instructions to create a purchase order in Cost Point.

5.3.1.4  Expedite Documentation

Efforts to expedite parts on purchase orders can be documented in the Header notes section of the Purchase Order. When a new commitment date is received, the due date block on the purchase order can be updated to reflect the new delivery date.

Administrative/Services purchase orders shall be generated by the same method as other purchase orders as detailed herein except these purchase orders shall not require engineering or quality approval.

5.3.1.5  Printing the Purchase Order

All purchase orders will be printed from Costpoint using CutePDF and saved to the Purchasing directory on the MSI network.

Appropriate Quality Assurance standards, e.g., Certificate of Compliance Required, MIL standards, etc. will print on the purchase order as a result of quality code assignments provided by Quality Assurance when the part number was loaded in Costpoint. The auto-load function will be used for each part number when creating the purchase order in Costpoint. Ensure that the default is applicable to the item that you are ordering. All quality codes are identified in “Appendix A” of this document.

5.3.1.6  Purchasing Authority and Signature Authorization

Authority to make contractual commitments for the expenditure of company funds is provided only to those individuals holding specifically delegated positions. Actions that commit Micro Systems, Inc to expenditure of funds or other obligation with a supplier shall always be made by employees within their limits of delegated authority and the use of the Signature Authority Matrix, WIF-8.4A7 if needed.
### 5.3.1.7 Direct Purchases

The below figures identify signature authority for direct orders with and without firm commitment.

<table>
<thead>
<tr>
<th>PO Value</th>
<th>MICRO SYSTEMS, INC.</th>
<th>KRATOS</th>
<th>Buyer</th>
<th>Supply Chain Manager</th>
<th>Director, Mfg Operations</th>
<th>VP of Operations</th>
<th>CFO</th>
<th>SR. Vice President &amp; General Manager</th>
<th>USS President</th>
</tr>
</thead>
<tbody>
<tr>
<td>If PO is &lt;$100</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If PO is &gt;$100 and &lt;$25,000</td>
<td>X</td>
<td>X</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>If PO is &gt;$25,000 and &lt;$50,000</td>
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<td>X</td>
<td>X</td>
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</tr>
<tr>
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<td>X</td>
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</tr>
<tr>
<td>If PO is &gt;$75,000 and &lt;$100,000</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>If PO is &gt; $2,000,000</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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</tr>
</tbody>
</table>

**Figure 1. Signature Authority Matrix for Purchase Orders – Firm Contract**

<table>
<thead>
<tr>
<th>PO Value</th>
<th>MICRO SYSTEMS, INC.</th>
<th>KRATOS</th>
<th>Buyer</th>
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<td>X</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If PO is &gt;$100 and &lt;$20,000</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>If PO is &gt; $20,000</td>
<td>X</td>
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</table>

**Figure 2. Signature Authority Matrix for Purchase Orders – Without Firm Contract**

The Senior Vice President/General Manager (or designee) – Shall be approval authority to expend funds to procure material if:

- Material is for engineering or R&D Jobs
- Material is for repairs/rework or special engineering request

To ensure direct purchase orders contain the concise requirements needed to adequately meet the contract requirements, the following reviews are accomplished for each P.O. prior to communication to the supplier:
• The Director, Quality Assurance – shall review all direct purchase orders to ensure,
  o Contractual flow down requirements are attached as needed,
  o Appropriate quality standards are identified for the material as needed,
  o Specification documents are current and the correct revision.
• The Supply Chain Manager (or designee) – shall review the accuracy of material
  requirement(s) to the product requirement(s) for engineering, R&D, repair / rework or
  special engineering requests.
• The Mechanical Engineering Manager (or designee) shall verify the specification of
  Printed Circuit Boards.

5.3.1.8 Indirect Purchases

Purchase orders for indirect material (office supplies, etc.) or overhead fees must first have a
Purchase Requisition form (WIF-8.4A2) signed by the Department Manager. An overhead report
is run each week from Costpoint and approved by the SR VP/GM before purchase is made. Please
note the below listed items is not a complete list, but a guideline:

• Equipment and tools – Any kind of equipment or tool needed for production such as
torque wrenches, testers, gages etc.
• Computers – Any new computer or computer upgrade. This includes printers, servers
  and any type of hardware associated with computing.
• Fee’s – All type of fee’s which includes insurance, taxes etc.
• Consultants.
• Help wanted Ads.
• Building renovations – This is major building upgrades such as roof repairs, additions
  etc.
• Schools / Conferences.
• Parties – Holiday celebration and summer party.
• Printer / copier cartridges and toner.
• Cleaning supplies.
• Coffee.
• Office supplies – This to include stocked items and special department specific items.
• Production supplies – The items we store in the stockroom for production such as
  soldering iron tips, solder wick etc.
• Calibration – The calibration of all of our test equipment.
• Recurring Fee’s – Such as yearly alarm service, fire alarm inspection etc.
• Building cleaning – After a company has been selected, the recurring cost would be approved.
• Building maintenance – Supplies to maintain the building such as light bulbs, paint, lawn mower repair, fertilizer etc.
• Chemicals – Nitrogen, alcohol etc.
• Haz-Mat disposal.

5.3.1.9 Emergency Purchases

The following guidelines shall be followed for those instances where MSI employees are in the field, or after normal duty hours, and need to make emergency purchases that exceed petty cash authority.

• The requestor shall take steps to ensure the price is fair and reasonable and attempt to check prices from two sources.
• The requestor shall then contact the Program Manager or Department Manager for approval.
• The approving authority shall send an approved purchase requisition, with receipts, delivery paperwork, etc., to the responsible Buyer identifying the circumstances of the purchase.
• The Buyer upon receipt of the approved PR shall create a purchase order and the items shall be received and accepted in the Costpoint database.

5.4 Stop Work Order / Termination for Convenience or Cause

Although coordinating the activities, Purchasing will conduct Stop Work Orders and/or Termination Notices only as coordinated through the Programs and Contracts departments.

5.5 Processing Rejected Material

When purchased material is rejected and action by the Material Buyer is required, a Non-conforming Material Report and a Rejection Report will be provided to Materials by the Quality Assurance Department. When required, the Material Buyer will request a Return Material Authorization (RMA) number from the supplier within 48 hours of receipt of report, and verify that material is being physically returned within the U.S. If material is to be returned to a foreign country, the Buyer will contact the Contracts Department for Export/License documentation before material is shipped back. Upon receipt of the RMA, the Material Buyer will generate a shipper document and provide it to the Shipping and Receiving Department for processing. The material will be prepared for return to the supplier. Materials Department will monitor the
progress of the returned material, maintain contact with the supplier, and expedite return of the material. The target date for return of rejected material is 30 working days from receipt of the rejection report (reference WI-8.5.4E).

5.5.1 **Obtaining a Return Materials Authorization (RMA) Number**

After receiving QA’s “Return to Vendor” list or a QA “Rejection Slip”, the Purchasing Department notifies the vendor of the PO number, part number, quantity, and reason for return.

5.6 **Obtaining a Shipper Number**

Purchasing will access the Shipper Log spreadsheet located at T:\Shared_Data\Shipper Log. The information required will include Vendor’s name, Requestor’s name, PO number, current date, part number, quantity, serial number (if available), RMA number (if applicable), NMR number, Job number, and shipment method. Shipment method is usually “Ground”.

5.6.1 **Generating a Shipper**

Shippers are prepared for a number of reasons. Most notably for customer deliveries and returns to vendors resulting from non-conformances.

All material leaving Micro Systems, Inc. premises require a shipment form WIF-8.5.4C5. Shipments for substandard material are generated from Bad Parts Form WIF-8.5.4B2. This form is routed through QA Inspection Department for warranty identification. A Return to Vendor list or rejection slip is provided to the Purchasing Department for processing.

Generating a Shipper is a four-step process consisting of:

1. Notifying the Vendor and obtaining a Return Material Authorization (RMA) number (if applicable)
2. Obtaining a Shipper number
3. Generating the Shipper
4. Routing the Shipper

Using Word, access the Shipper template form, WIF-8.5.4C5, located at T:\Shared_Data\Shipper20xxBlank Shipper.doc. Enter the Shipper Number (obtained from the shipper log), NMR number, and date at the top. In the “Ship To” address fill in the vendor’s physical address (no post office boxes). Use the “Marked For” area to enter the RMA number (e.g., RMA# 13035).
Fill in Job Number, PO number, and Shipped via boxes with appropriate entries. Enter the number “1” in the Carton box if you are sure of the number of boxes in the shipment. If in doubt, leave it blank and Shipping personnel will fill that in. Leave the QA box blank.

The Item block is numbered consecutively starting with 001. The Quantity and Unit of Measurement (U/M) are self-explanatory.

Enter the Part Number and Description as required. Add the manufacturer’s part number to avoid confusion. This is very important when returning parts that were bought on a specification control drawing.

Enter a part description and serial number, if available.

Enter a brief description of why the part(s) is/are being returned. For example, “Returned for warranty rework, repair or replacement because”

If multiple parts are being returned under multiple NMR numbers and/or multiple RMA numbers, then include this information in the Part Description area of the Shipper. This aids Accounting in tracking debit and credit information.

Enter the name of the requestor at the bottom of the Shipper Form.

Finally, save the Shipper information in the directory T:\Shared_Data\Shipper\20xxShip.doc using the “Save As” function. For calendar year 2005, use the 2005SHIP directory; for 2006, use the 2006SHIP directory, and so forth. Use the Shipper number as the file name.

5.6.2 Routing Shipper

Print and make one copy of the Shipper information. Attach any QA documentation, vendor RMA correspondence, or other related material to the Shipper information and file it in the Shipper files in the Purchasing office. Provide the second copy of the completed shipper to Shipping and Receiving. Shipping personnel will obtain the parts from QA and route the completed Shipper to Accounting.

5.7 Rental Equipment Process

There are occasions when the best option for Micro Systems Inc. is to rent test equipment rather than investing in the purchase of the equipment. The following guidance shall be followed to control vendor costs and ensure the equipment will be available when needed.
When a requirement exists for rental equipment, the using department, normally the Engineering Department or Test Department will follow the same process as when purchasing equipment by initiating a Purchase Request form, WIF-8.4A2. This form should have a thorough description of the required equipment as well as a suggested source of rental.

Once the source has been contacted, a Purchase Order can be created. Since the actual rental period is not normally known prior to shipment of the equipment, the purchase order should include line items for the first and last month’s rent. As the rental time progresses, modifications to the purchase order will show additional month’s rental.

Always set the date to review the rental and check with the using department a minimum of five working days prior to the expiration date to see if the equipment will be returned to the vendor or an additional month is required. If it is determined an additional month is required; a change notice should be made to the purchase order and then forwarded for proper authorized signatures IAW paragraph 5.3.1.6.

5.8 Payments / Disputes

Upon notification of satisfactory completion for goods or services, Accounts Payable will process payment in accordance with the payment terms of the order or subcontract.

Should a dispute arise under a particular purchase order, the Buyer shall notify the Supply Chain Manager of the situation. The Buyer will attempt to resolve the issue at the lowest level possible. Once the dispute is resolved the Purchase Order will be modified to reflect the agreed-to solution.

5.9 Purchase Order Closeout

Documented closeout actions shall at least include:

- Deliverables fully accepted
- Customer property fully dispositioned
- Any post-performance audits completed
- Ensure PO file is fully documented
- Patent clearances obtained
- Invoices received and paid in full
- De-obligating excess PO funds
- Retain POs pending final prices determination
5.10 Subcontracts

5.10.1 Subcontract Pre-Award

5.10.1.1 Subcontract Administration

As defined by this instruction, Micro Systems, Inc. subcontracts are defined by those purchase orders for services or materials with extended terms and conditions, Statements of Work (SOW), and flow down requirements from prime contracts. Subcontractors selected for these orders are those vendors that can provide the skill, expertise, and technical capability needed to provide the best value to our customer and Micro Systems, Inc. Factors considered when selecting subcontractors are:

- Goods or services which provide custom developments or enhancements
- Compliance capability with Statements of Work, terms and conditions, and flow-down requirements.
- Meet critical schedules
- Services that provide added complexity or carry special significance

5.10.1.2 Non-Disclosure Agreements

Non-Disclosure agreements shall be enforced for any subcontract dealing with proprietary processes or data sources containing proprietary information.

5.10.1.3 Requests for Proposal

Teaming Agreements shall be controlled through Operations/Contracts. Requests for Proposal (RFP) for direct charge subcontractors shall be drafted by the Purchasing Department in a package form consistent with the requirements of the prime contract RFP. The RFP shall contain company required terms and conditions and other flow-down requirements or underlying requirements of the prime contract.

5.10.2 Subcontract Award

Unless otherwise directed, Letter Subcontracts are prohibited and standard subcontract documents shall be utilized when subcontracting to vendors. Consultants shall only be used as specified by the prime contract.
5.10.2.1 File Documentation

Purchasing documents shall support the:

- Compliance with laws and regulations,
- Selection of the supplier,
- Technical, quality and flow down requirements of the contract,
- Agreed to prices; and other significant features of the program.

5.10.3 Subcontract Post-Award

In support of subcontract efficiency, Buyers will closely monitor contract schedule, keep suppliers advised of anticipated changes in technical specifications, contract options that are exercised, and customer modifications for changes in delivery, packing or shipping.

5.11 Subcontract Closeout

Documented closeout actions shall at least include:

- Deliverables fully accepted
- Customer property fully dispositioned
- Any post-performance audits completed
- Ensure PO file is fully documented
- Patent clearances obtained
- Invoices received and paid in full
- De-obligating excess PO funds
- Retain POs pending final prices determination

As required, direct subcontractors to submit incurred cost proposals to the ACO/DCAA

6 DOCUMENTATION

The following documents were generated as a result of this instruction.

- WIF-8.4A2 Purchasing Request Form
- WIF-8.4A3 Material Transfer Form
- WIF-8.4A4 Bill of Materials Substitute Part Form
- WIF-8.4A5 Checklist for Preparation of Quote
- WIF-8.4A6 Checklist for Purchase Orders Issued for Outsourcing
- WIF-8.4A7 Signature Authority Matrix for Purchase Orders
- WIF-8.4A8 Sole Source Justification