



Prime Machine, Inc.

QFM-242 External Provider Quality Flow Down Requirements

Revision	Reason for Change	Date	Approval
E	Added Revision History Table, Malpractice, Fraud and Falsification	10/26/23	KBB

1.0 SCOPE

External provider requirements noted below apply to all external providers and sub-tier external providers to Prime Machine, Inc. (PMI) providing raw materials, manufactured components and products as well as performing material processing such as: heat treating, surface treatment, non-destructive and destructive testing, coatings; welding, waterjet, flame cutting, etc.

Acceptance of a purchase order from PMI binds the external provider to the terms and conditions listed in the purchase order and the requirements listed in this document unless alternate terms and conditions have been agreed to in writing between PMI and the external provider. The external provider is required to flow down these requirements to any sub-tier external providers.

2.0 EXTERNAL PROVIDER QUALITY PROGRAM REQUIREMENTS

External providers shall maintain a quality system. The external provider's quality system shall satisfy the requirements of the ISO9000 and/or the AS9100 standard, unless otherwise approved by PMI. Any substantial changes to the external providers' quality system must be communicated to PMI in writing.

3.0 TRACEABILITY

Traceability for raw material used to manufacture components and parts is required and shall be retained and provided to PMI upon delivery of manufactured parts.

4.0 QUALIFIED EXTERNAL PROVIDER

External providers to PMI must achieve qualified external provider status. Failure to achieve qualified external provider status may result in a cessation of the business relationship between PMI and the external provider. The external provider shall meet the following criteria:

- Meet PMI's quality flow-down requirements and provide an acceptable on-time delivery record. If quality and on-time delivery standards are not met, the external provider may be placed on probationary status and monitored to determine if qualification will remain active.
- Shall have evidence of ISO9000 or AS9100 compliance unless otherwise approved by PMI.

5.0 NONCONFORMING PRODUCT AND CORRECTIVE ACTION

External provider product that does not meet engineering drawing and/or purchase order requirements shall be communicated to PMI prior to product shipment. PMI may deem any nonconforming product as scrap. Unless otherwise stated in the purchase order, in the cases in which PMI provides an external provider with raw material or components, the external provider shall be responsible for the replacement cost of such raw material or component. If the external provider believes that PMI has not supplied enough raw material or components to fulfill the requirements of the purchase order including scrap, the external provider must notify PMI in writing. If the external provider fails to notify PMI, the external provider may still be required to fulfill the purchase order requirements even if this requires the external provider to commence a new production run. External provider product discovered after shipment by the external provider to be nonconforming to any engineering drawing and/or purchase order requirement shall be immediately disclosed to PMI upon discovery, including but not limited to quantity shipped, date shipped, and the extent of the nonconformance.

external providers that receive notification of nonconforming product shall take appropriate action to contain the nonconforming condition and prevent it from occurring again. The external provider will be notified if formal corrective action is required to be submitted to PMI. The response shall be submitted within a time frame agreed upon between PMI and the external provider.

6.0 EXTERNAL PROVIDER CONTROL OF ENGINEERING DATASETS

External providers to PMI who receive CAD models or drawings from PMI either in hardcopy or electronic format shall not alter or modify these datasets or drawings. External provider must treat these datasets and drawings as PMI confidential information and protect them as outlined in any non-disclosure agreement between PMI and external provider.

7.0 ON-SITE INSPECTION

PMI reserves the right to perform an on-site inspection of the external provider's facility. This includes PMI, their customer, and regulatory authorities to the applicable areas of facilities and to applicable documented information, at any level of the supply chain. PMI will give reasonable notification to the external provider prior to the on-site inspection. The on-site inspection may include surveillance of the external provider's facilities, procedures, production methods, processes, and the external provider's quality system. The external provider shall furnish, at no cost, the necessary data as required by applicable drawings, purchase order, specifications, and inspection instructions to facilitate the on-site inspection.

8.0 SPECIFICATION REVISIONS AND RECORD RETENTION

Unless otherwise specified on the purchase order, the latest specification revision in effect at the time the lot of raw material/parts was originally manufactured or processed shall apply. In the event a document has been superseded, the latest revision of the superseding document shall apply. All certifications, test reports, and inspection reports, as well as receiving inspection, in-process inspection, and final inspection records shall be retained indefinitely unless otherwise specified by PMI. PMI shall have access to these records during any onsite visit or upon request. Calibration records shall be retained for a minimum of 15 years.

9.0 SAMPLING REQUIREMENTS

If the external provider chooses to use sampling as a means for product acceptance, the external provider shall comply with ARP9013, Statistical Product Acceptance Requirements with minimum protection levels meeting ARP9013 Figure B1. When statistical process control is used as an option for either in-process or final inspection, the external provider shall satisfy the requirements of Aerospace Recommended Practice ARP9013/3, "Statistical Product Acceptance Requirements Using Process Control Methods" available at <http://www.sae.org/servlets/index>. In all cases, inspection requirements identified by engineering drawing or specification take precedence over the inspection requirements defined herein.

10.0 COUNTERFEIT MATERIAL / PART AND / OR SUBSTITUTIONS

To prevent the purchase of counterfeit or suspect / unapproved products and to ensure product identification and traceability (and for other reasons), external provider will institute controls that include the requirement of material certificates, certificates of conformity, and/or other supporting documentation as is appropriate. The external provider shall notify PMI as soon as it becomes aware of any counterfeit materials or suspected counterfeit materials supplied to PMI.

Material and part substitutions are not allowed unless authorized by PMI and documented in writing.

11.0 ADDITIONAL QUALITY REQUIREMENTS

The following additional Quality Requirements shall be required as applicable unless otherwise noted. If the external provider is unable to meet any of the applicable requirements, the external provider must notify PMI before starting any work or fulfilling any purchase order.

11.1 Variation Management of Key Characteristics

If noted in the purchase order, the external provider shall meet the requirements of AS9103 (or equivalent) to develop and monitor a process to meet variation management requirements for Key Characteristics. Records pertinent to such shall be available for review and delivery to PMI upon request.

11.2 First Article Inspection

If noted in the purchase order, the external provider shall submit a first article inspection (FAI) report that conforms to AS9102 requirements (or equivalent) on the first production run of product. Also, per AS9102 section 5.3, the external provider shall perform and submit a full FAI, or a partial FAI for affected characteristics, when any of the following events occurs:

1. A change in the design affecting fit, form or function of the part.
2. A change in manufacturing source(s), process(es), inspection method(s), location of manufacture, tooling, or materials, that can potentially affect fit, form or function.
3. A change in numerical control program or translation to another media can potentially affect fit, form or function.
4. A natural or man-made event, which may adversely affect the manufacturing process.
5. A lapse in production for two years or as specified by PMI.
6. The external provider should, when practical, clearly identify (mark/tag – non-permanent) the product used to develop the FAI. All certifications and test reports required by the purchase order and/or drawing(s) shall be submitted with the FAI package which includes a copy of the assembly, sub-assembly, and detailed FAI reports as applicable.

11.3 Shelf-Life Identification

All material shall have at least ½ the shelf life remaining on the product at time of receipt. Unless otherwise specified in the material specification or purchase order, each container shall be identified to include at a minimum:

- Manufacturer Name
- Compound & Specification Number (if applicable)
- Batch Number assigned by manufacturer.
- Expiration Date
- Storage Temp Requirements (if applicable)

11.4 Special Processes – NADCAP

If indicated in the purchase order that a NADCAP approved external provider is required, the external provider must not perform any work or process any part if they are not NADCAP approved and listed in the PRI on-line QML (www.pri-network.org or www.eauditnet.com). Should a external provider have a change to their NADCAP certification or accreditation, the external provider MUST notify PMI per the terms of the NADCAP requirements. If processing has been performed on parts where NADCAP certification is required and the processor is not NADCAP accredited or has lost their NADCAP accreditation, the external provider will be responsible for the replacement costs of the parts including any expediting fees necessary for PMI to meet our requirements to our customer.

11.5 Statement of Conformance

If indicated in the purchase order, each shipment must be accompanied by one legible copy of a statement of conformance. This statement shall specify that all contractual requirements have been adhered to, including all specifications and other applicable documents as cited in the purchase agreement and that evidence is on file for review by a PMI quality representative. The statement of conformance must contain as a minimum: the part number, purchase.

order number, quantity, revision as specified on the purchase order, name and address of the company certifying the part.

11.6 Special Process Certification

A copy of the certified inspection report shall be submitted with the shipment that assures conformance to all applicable processing requirements. These certificates must contain reference to the specification and revision to which the processing conformed, the condition to which the material was processed (when applicable), the name and address of the agency that performed the processing. Traceability from the certification to the material submitted is required and shall be retained. All lot test and inspection results as required by applicable process specification shall be reported.

11.7 Raw Material Certification

A copy of the raw material certification shall be submitted with the shipment that assures conformance to all applicable raw material specification requirements. These certificates must contain reference to the specification and revision to which the material conforms. All chemical, physical, and mechanical properties test results required by the specification shall be retained by the external provider. Traceability from the certification to the material submitted is required and shall be retained. Unless otherwise specified, material temper conditions must match the purchase order.

11.8 FOD (Foreign Object Debris) Prevention.

The external provider shall implement a FOD Prevention Program that meets specifications required in purchase order to assure product is delivered to PMI without contamination by foreign objects. This should include, as a minimum, a) FOD Prevention work instructions, b) Employee FOD Training, c) Management periodic review to assess effectiveness of program, d) a system for reporting FOD incidents, e) Inspection documentation showing completion of a FOD check, and f) a method for formally notifying PMI of delivered product known or suspected to be contaminated with foreign object debris.

11.9 Calibration Traceability

For calibration purchase orders, all gauges and instruments must be calibrated using standards whose accuracies are traceable to the National Institute of Standards and Technology, the General Conference of Weights, and Measures, or fundamental or natural physical constants. All provided calibration certifications must specifically state this traceability.

11.10 Ensuring that persons are aware of their contribution to product or service conformity, their contribution to product safety, and the importance of ethical behavior.

External provider must be committed to the highest standards of ethics and business conduct. External provider must comply with the law, honor commitments, act in good faith, and be accountable. External provider must strive to maintain full compliance with all laws and regulations applicable to the operation of the business and customer relationships. External provider must not offer, promise, authorize, or provide, directly or indirectly, anything of value (including business gifts or courtesies) with the intent or effect of inducing anyone to engage in unfair business practices. External provider will avoid involvement in activities that may be perceived as a conflict-of-interest. External provider will respect the legitimate proprietary rights and intellectual property rights of customers and external providers and take proper care to protect sensitive information, including confidential, proprietary, and personal information.

External provider will support product safety by ensuring robust management of special requirements, critical items, and key characteristics. If there are concerns with respect to product safety, external provider will communicate them to PMI. If there is a concern at the external provider's premises with respect to safety during the manufacture of the product, external provider will notify its own Employees of the concern and whenever possible, mitigate the concern.

External provider will ensure that employees and people working on its behalf are aware of:

- Their contribution to product or service conformity
- Their contribution to product safety
- The importance of ethical behavior

11.11 Statutory and Regulatory Requirements.

PMI will flow down to external providers applicable requirements including statutory and regulatory customer requirements on the purchase order. External providers must meet these requirements and shall apply appropriate controls to their direct and sub-tier external providers, to ensure that requirements are met.

PMI may ask external providers to provide test specimens for design approval, inspection/verification, investigation, or auditing purposes. PMI may also ask for documented information or access to providers' facilities, or their customers, to verify requirements are met.

Examples of statutory and regulatory customer requirements are listed below. This is not a comprehensive list; additional requirements may be listed in a purchase order. Examples:

11.11.a. Defense Priorities and Allocations System (DPAS).

DPAS is used to prioritize national defense related contracts and orders throughout the U.S. supply chain to support military, energy, homeland security, emergency preparedness, and critical infrastructure requirements. All companies in the United States must comply with the provisions of the DPAS regulation. Any company who places or receives priority ratings should be thoroughly familiar with and must comply with, the provisions of the DPAS regulation.

There are two levels of priority established by the DPAS regulation, identified by the rating symbol "DO" and "DX". All DO rated orders have equal priority status with each other and take preference over unrated orders. All DX rated orders have equal status and take preference over DO rated orders and unrated orders. DX rated orders are of the highest national industrial priority and DO rated orders are critical to national defense.

Rated Orders. A rated order is a prime contract, a subcontract, or a purchase order in support of an approved program issued in accordance with the provisions of the DPAS. Each DPAS priority rated contract or purchase order must contain the following:

- Priority Rating (Rating symbol (DX or DO) + Program ID)
- Required Delivery Date or Dates
- Authorized Written or Digital Signature
- Certification Statement—A statement that reads in substance:
This is a rated order certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR Part 700).

Acceptance and Rejection of Rated Orders:

Mandatory Acceptance of Rated Orders:

- All companies in the United States must accept and fill all rated orders for items that the company normally supplies.
- A company may not discriminate against rated orders in any manner, such as by charging higher prices or by imposing different terms and conditions than for comparable unrated orders.
- The existence of previously accepted unrated or lower rated orders is not sufficient reason for rejecting a rated order.

Mandatory Rejection of Rated Orders:

- A company may not accept a rated order for delivery on a specific date if unable to meet that date. However, the company must inform the customer of the earliest date on which delivery can be made and offer to accept the order based on that date.
- The existence of previously accepted unrated or lower rated orders is not sufficient reason for rejecting a rated order.

Optional Rejection of Rated Orders:

- A company may reject a rated order in any of the following cases as long as the external provider does not discriminate among customers: (1) if the person placing the order is unwilling or unable to meet regularly established terms of sale or payment; (2) if the order is for an item not supplied or for a service not performed; (3) if the order is for an item produced, acquired, or provided only for the external provider's own use for which no orders have been filled for two years prior to the date of receipt of the rated order. If, however, an external provider has sold some of these items, the external provider must accept rated orders up to the quantity or portion of production, whichever is greater, sold within the past two years; or (4) if the person placing the rated order, other than the U.S. Government, makes the item or performs the service being ordered.

Preferential Scheduling

- A company is required to schedule its production or operations, including the acquisition of all needed production items, to satisfy the delivery requirements of each rated order you receive.
- A company is required to reschedule unrated orders if they conflict with performance against a rated order and must reschedule "DO" rated orders if they conflict with performance against a "DX" rated order.

Extension of Priority Ratings (Flow Down):

- A company who receives rated orders must in turn place rated orders with its external providers for the items needed to fill the rated orders. The priority rating must be included on each successive order placed to obtain items needed to fill a customer's rated order. This continues from contractor to external provider throughout the entire supply chain.
- Company staff should check Schedule 1 to Part 700 of the DPAS regulation to ensure the company has received a proper rated order. If the company receives a rated order with a program identification symbol not listed in Schedule 1, consequently the order is not properly rated, and the company should promptly notify the company who placed this priority rating or the appropriate contract administration officer for guidance or assistance.
- Exception: A company is not required to place a priority rating on an order for less than \$75,000 if delivery can be obtained in a timely fashion without the use of the priority rating.

Customer Notification Requirements

- A company must accept or reject a rated order and transmit the acceptance or rejection (in writing or electronically) to the customer placing the order within 15 working days after receipt of a "DO" rated order and 10 working days after receipt of a "DX" rated order. If the order is rejected, a company must provide the reasons for the rejection.
- If a company has accepted a rated order and subsequently finds that the shipment or performance will be delayed, the company must notify the customer immediately, give the reasons for the delay, and advise of new shipment or performance date.

Changes or Cancellations of Priority Ratings and Rated Orders

- A priority rating on a rated order may be changed or canceled by written notification from the company who placed the rated order.
- If a company no longer needs items to fill a rated order, any rated orders placed with external providers for the items, or the priority rating on those orders, must be cancelled.

Use of Rated Orders

- Under the rule of mandatory extension, a company must use rated orders to purchase production or construction materials; component parts; services; containers or other packaging materials needed to make delivery; or maintenance repair, and operating supplies that you need to produce finished items to fill a rated order.
- A company may use a DO rated order to replace inventoried items (including finished items) if such items were used to fill rated orders. The order must be placed within 90 days of the use of the inventory.
- A DX rated order may not be used to replace inventory.
- Combining rated orders: If a company receives priority ratings on rated orders from one customer or several customers and contain different program identification symbols, the rated orders may be combined using the program identification symbol A1 (e.g., DO-A1).

- Combining rated and unrated orders: A company may combine rated and unrated order requirements on one purchase order provided that the rated order quantities are clearly identified, and include the four elements of a rated order for the rated portion of the order with the certification statement required in section 700.12(d) modified to read in substance:

This purchase order contains rated and unrated quantities certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System regulation (15 CFR Part 700) only as it pertains to the rated quantities.

Limitations on Placing Rated Orders

1. A company may not use rated orders unless entitled to do so under the DPAS regulation.
2. A company may not use rated orders to obtain:
 - a. delivery on a date earlier than needed
 - b. a greater quantity of the item than needed (with exceptions);
 - c. production or construction equipment or items for plant improvement, expansion, or construction (unless authorized by DoD)
 - d. items not delegated to Commerce under Executive Order 13603.

Record Keeping Requirements

- A company is required to make and preserve for at least three years, accurate and complete records of any transaction covered by the DPAS regulation.

Requests for Special Priorities Assistance

- The DPAS is designed to be largely self-executing. Assistance can be sought through Delegate agencies and Commerce if problems arise.

Defense Contact Management Agency (DCMA) Assistance

- DCMA can help assure understanding and compliance with the DPAS and flow down of contractual requirements during:
 - Contract initial receipt and review
 - Post award contact conferences
 - Periodic surveillance of contactor compliance
- DCMA can also provide DPAS briefings and training for contractors to ensure they are aware of their responsibilities and benefits.

11.11.b. DFARS Required Material

For purchase orders specified as DFAR or DFARS (Defense Regulations Acquisition Regulations System), the following clauses are incorporated in their entirety:

DFARS 252.225-7008 and
DFARS 252.225-7009 and
DFARS 252.225-7010 and
DFARS 252.225-7012

All applicable clauses above are incorporated into the purchase order and must also be flowed down to all sub-external providers that provide any articles delivered under this purchase order that include Specialty Metals. All such clauses provide the same definition of Specialty Metals and prohibit PMI and all of its external providers at every tier from incorporating Specialty Metals into US Military parts, components and/or end item deliverables unless the Specialty Metals have been smelted (the deviation clauses add "or produced") in the United States, its outlying areas, or a qualifying country listed in DFARS 252.225-7012. Exemptions to requirements of the above clauses may exist, as outlined in the clauses themselves, or by operation of applicable Department of Defense Domestic Non-Availability Determination (DNADS) posted on its public website for that purpose.

If material is found not to be compliant with DFARS, the material will be returned to the external provider at the external provider's expense and PMI will be reimbursed for the entire cost of the material even if the material is in a machined state. If after delivery, PMI or the external provider determines that the supplied material was not DFARS compliant, the external provider shall be responsible for any and all costs associated with any remedy including any penalties imposed upon PMI from either the United States Government (or applicable contracting authority) or their contracted external provider.

11.11.c. Export Control and ITAR

PMI may provide external providers technical data (documentation, software, drawings, and specifications), hardware, or other tooling which may be regulated by the U.S. International Traffic in Arms Regulations (ITAR) in 22 CFR Parts 120-130 and the U.S. Export Administration Regulations (EAR) 15 CFR Parts 730-774. These documents include the export control laws of the U.S. Government and are available online.

Purchase orders may contain drawings and specifications with an ITAR warning written on them. All PMI tooling, software, and documents shall be handled following ITAR requirements, regardless of whether they are labeled with the requirement or not.

Employees, agents, or representatives of any external provider may not transfer such technical data, hardware, or other tooling by any means to a foreign person, whether in the United States or another country, without prior written approval from PMI. Note: This is a legal obligation and is enforced by Federal Law.

Employees of external providers that are a foreign person shall not be given access to technical data, hardware, or other tooling supplied to external providers by PMI.

12.0 Malpractice, Fraud and Falsification.

External Providers and their Sub-Tiers (management and employees) are contractually obligated to meet all PO requirements, including but not limited to adherence to all applicable laws, regulations, and contract terms and conditions.

External Providers and their Sub-Tiers shall be vigilant in their efforts to prevent Malpractice and Fraud and Falsification (F&F), as it affects contract compliance, impacts costs, and can cause grave safety issues.

NOTE:

External Providers and their Sub-Tiers are made aware through terms and conditions that any falsification, concealment, gross mistake tantamount to fraud, alteration of any material fact, or any false, fraudulent, or fictitious statement or representation in connection with the work under the PO resulting in malpractice is not only prohibited by the Purchaser's policy but may also be punishable under law.

External Providers must ensure that employees and Sub-Tier External Providers are provided all the proper and pertinent documentation necessary to perform work in compliance with all contractual requirements, including letters and posters.

Any party aware of, or having reason to suspect, malpractice or F&F is obligated to report this violation anonymously or in person to:

- a) Local Supervision or Management
- b) Purchaser Supervision or Management
- c) Purchaser Quality Representative
- d) Purchaser Buyer
- e) Department of Defense Hotline

• Telephone (800) 424-9098 • Email: hotline@dodig.osd.mil

Website https://www.dodig.mil/Components/Administrative-Investigations/DoD_Hotline/Hotline-Complaint/

Revision History

Revision	Description	Date
E	Added Revision History Table, Malpractice, Fraud and Falsification (Section 12).	10/26/2023