

Title:	PURCHASING AND WAREHOUSE PROCEDURE	Doc.ID:	840-1P Formerly 741-1P
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Project/Function:	Materials Management		

1. PURPOSE

This procedure provides the requirements and methods for purchasing, the delivery of goods and services, and the effective management of suppliers. The purpose of this procedure is to ensure that customer requirements and internal requirements, as well as Quality, Environmental, Health and Safety requirements are met when purchasing goods or services.

2. SCOPE

This procedure applies to all Defense Maritime Solutions personnel.

3. REFERENCED DOCUMENTS

- 3.1 Supplier Evaluation Questionnaire (840-2F)
- 3.2 Federal Form W-9 Request for Taxpayer Identification Number and Certification
- 3.3 RFQ Desk Guide FIN552
- 3.4 Warehouse Work Instructions 751-W001, 751-W002, 751-W003
- 3.5 Federal Form W-89BEN-E Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)
- 3.6 Compliance and Security/Safety Quality/Departmental-Policies and Procedures/SCM

4. DEFINITIONS

- 4.1 **Supplier:** Any organization that provides products or services to the company
- 4.2 **System:** As referenced in this procedure, any type of method, process or configuration that has been implemented to manage elements of this procedure.
- 4.3 **Requisitioner:** *Any employee with the responsibility and authority to issue a requisition.*
- 4.4 **Flow down:** The systematic cascade of requirements from source requirements, including but not limited to, such as drawings, manuals, customer purchase orders into requests for quotes (RFQs), requisitions and subsequently purchase orders to an approved supplier.
- 4.4 **Incident:** In regards to Non-Pass through Suppliers, an incident is any occurrence where a requirement is not met in regards to either quality or delivery.
- 4.5 **Pass Through Suppliers:** Where goods or services are specifically dictated by customer, i.e. customer is asking for vendor part number and there is no interpretation by DMS.
- 4.6 **Non-Pass Through Suppliers:** Where the goods or services require some type of interpretation from personnel at DMS.



5. CRITERIA FOR APPLICATION

- As the method for procurement activities regarding business needs
- As the method for evaluating and selecting suppliers
- For the evaluation of supplier performance
- As the method for receiving and product verification activities
- As the method for shipping activities

6.0 PROCEDURE

NOTE: How to execute any of the following processes can be found in the contents of section 3 above.

6.1 Supplier Qualification, Selection, and Evaluation

- 1 Requisitioner is responsible to get form filled out properly.**
- 2 Requisitioner assigns risk level (per criteria below) and submits Supplier Evaluation Questionnaire (840-2F) to supplier along with a W-9 form for US company or a W-89BEN-E for a foreign company to be completed. (Risk Level 3 Suppliers do not require completion of a supplier evaluation questionnaire if they are not being issued a purchase order).

SUPPLIER SELECTION EVALUATION CRITERIA				
RISK LEVEL	ONE	TWO	THREE	WA
REQUIREMENT Application: Who/What/ When/Where	1). Where Product/Service does not impact customer product/service requirements. 2).Supplier is not subject to meet customer or DMS specifications, certification or drawing.	Product/Service is subject to meet customer or DMS specification, certification or drawing.	Product/Service procured and 100% verified by DMS Onsite personnel. (such as Field Service Personnel.	Wartsila Affiliate suppliers
Evaluation Questionnaire Requirements	Sections 1 & 2	Sections 1-7 mandatory. Section 8 required if supplier is not ISO 9001 (or equivalent) certified.	Sections 1 & 2.	Not required.
QMS Certification (ISO 9001 or equivalent)	Desired but not Required.	Highly desired. If no QMS certification, <u>determination will be made by conducting a document review, site visit, phone interview, or other appropriate means</u>	Highly desired but not Required.	Mandatory ISO 9001 Certification
QMS Document Review	Not Required	Optional. See above.	Optional	Optional
Site Audit	Not Required	Optional. See above.	Optional	Optional

- 3 The Requisitioner receives the Supplier Evaluation Questionnaire from the supplier and reviews it for accuracy and completeness. If there are any inaccuracies, the Requisitioner resolves them with the supplier.
- 4 The Requisitioner forwards the Supplier Evaluation Questionnaire to the SCM Director or designee for approval.
- 5 SCM Director or designee assesses supplier based on:
 - a) Ability to meet contract requirements
 - b) Technical competencies necessary to execute production or service needs
 - c) Previous performance
 - d) Ability to meet delivery dates
 - e) Ability to meet statutory and regulatory requirements
 - f) Price
 - g) Overall "Best Value" with comprehensive consideration.
 - h) Input from quality, technical and/or Operations may be needed to make decision
- 6 The SCM Director or designee routes to appropriate departments for input (i.e. quality, technical etc.).
- 7 If a risk level 2 supplier, the SCM Director or DMS ISO Audit Management representative determines whether a phone interview, document review, a site audit, or other review is appropriate.
- 8 The SCM Director or designee assesses the supplier's competency based on responses of the supplier questionnaire and input from other departments.
- 9 If the supplier is rejected by the SCM Director or designee, then the Requisitioner is notified. The Requisitioner must return to step 1. If the supplier is approved, the SCM Director or designee forwards the supplier questionnaire, W-9 and other appropriate documentation to the Controller for approval. The Controller reviews payment terms, ensures the presence and correct completion of all documents, and forwards them to the authorized Accounting Employee responsible for entering new suppliers into the system. If there is a discrepancy, the Controller resolves the issue with the Requisitioner.
- 10 Accounting Representative will check the government's Excluded Parties List using Descartes Visual Compliance and ensure that the supplier is not on the list of excluded parties

Note: In cases where new suppliers are performing services on-site, or in situations where suppliers are performing services on behalf of DMS, then a certificate of insurance must be provided to purchasing. The Requisitioner ensures this is complete prior to any work against a purchase order. There is also a requirement for QEHS scan to determine Environmental, Health, and Safety approval is obtained since DMS employees will be exposed to work being done on site. This documentation will also need to be stored with the approved paperwork in the central storage location.

- 1 Once complete, the accounting employee returns the documents to SCM Director or designee for filing. SCM Director or designee updates the supplier list and notifies requestor of approval or non-approval.

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- 2 If proof of insurance is attached to the returned documents, the Requisitioner forwards the proof of insurance document to Purchasing to file as part.

NOTE: Purchasing ensures that current copies of proof of insurance documents for vendors are on file and maintained as current as old versions expire.

6.2 Purchasing Process

In order to purchase goods or services a requisition must first be created by an authorized "Requisitioner". The requisition is reviewed and (normally) approved and becomes a Purchase Order which is issued to the vendor as authorization to purchase the goods or services.

NOTE: The Requisitioner must use a supplier who is approved in the accounting system. If the supplier that the Requisitioner wishes to use is not in the accounting system, see section 6.1 of this Procedure.

1) Requisitions by Customer Service Representatives (CSRs):

- a. The Requisitioner (CSR) creates an RFQ unless:
 - A partnership agreement has been established
 - Prices are established in a price book
 - Prices are established in a catalog/on-line
 - Current Prices are documented elsewhere
 - There is no other established requirement(s) mandating that quotes must be obtained.
- b. The Requisitioner must ensure that any applicable customer, DMS and or statutory/regulatory requirements are flowed down into the RFQ before issuing it to the supplier for quotation. Examples of such requirements include:
 - Quality documents such as C of C's, test data, material certifications, and dimensional reports (or other quality documentation as required)
 - Delivery date(s)
 - Packaging and labeling requirements
 - Shipping method
 - Source Inspection requirements (Government, Customer, DMS, Classification Society)
 - Quality, Safety and/or Environmental management system requirements
 - Technical requirements
 - Statutory and/or regulatory requirements
 - Requirements related to qualification of employees
 - Any other special requirements

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- c. The Requisitioner reviews the quotes returned from the suppliers for total cost (including packaging and shipping), technical competencies, previous performance, ability to meet quality and delivery, customer base, business size, and general overall ability to meet contractual requirements.

Note1: Some government contracts require a minimum amount of quotes to be obtained as part of the estimating process.

Note2: additional specific requirements related to quotes are reflected in the RFQ Desk Guide FIN 552

- d. Requisitioner recommends supplier for order.
- e. The Requisitioner checks the Supplier List (located at: <https://onwartsiladefense.sharepoint.com/:f:/r/sites/ComplianceSecurityFiles/Safety/Quality/Departmental/PoliciesandProcedures/SupplyChain>) to see if the vendor is approved and matches the same risk level that they are buying. If they are a new supplier, they must be evaluated per section 6.1 (in this procedure). Note: The Supplier List is a record which is maintained and controlled by the (SCM Director or designee) in accordance with Control of Records Procedure (750-2P).
- f. The Requisitioner inputs the requisition (see 6.2 – 3)

2) General Requisitioning (other than Customer Service)

- a. The Requisitioner requests a quote for all goods and services from vendor or for the purchaser to source items.
- b. The Requisitioner must ensure that all applicable requirements have been flowed down into the quote from suppliers. Examples of requirements include:
 - Quality documents for traceable material.
 - Delivery dates acceptable and agreed upon by both parties.
 - Standard packaging unless otherwise noted (I.E. Mil Spec).
 - Product meets applicable Safety and Environmental requirements.
- c. The Requisitioner reviews quote for accuracy (I.E. pricing, quantity, and requirements).
- d. All orders requiring quality inspections and or documentation must be reviewed by a Quality Control representative for requirements and accuracy in the requisition. All discrepancies must be corrected before creating the Purchase Order and submitting it to the vendor.
- e. Get required approvals from department head or superiors to proceed with order.

3) Inputting the Requisition:

- a. The Requisitioner initiates the requisition into system and reviews to ensure the requisition and order are equivalent. Insure that all accounts, projects and organizations are correct.

4) Requisition approval.

- a. The Requisitioner notifies the Approver, that the requisition and applicable related material such as: quote, order, contract, and specifications and forwards the documents or the link to the documents to the appropriate authority for review and approval.
- b. Approval is conducted through pre-established electronic approval processes embedded in the business system.
- c. If there is a discrepancy with the requisition, then the requisition is rejected in the business system and returned to the Requisitioner to resolve the discrepancy.

5) Purchasing

- a. Once approved, the requisition is converted into a purchase order in the system by purchasing.
- b. **ORDERS REQUIRING GOVERNMENT SOURCE INSPECTION** must have a DCMA QAR stamp (indicating QAR review) on the Purchase Order prior to processing the Purchase order. If the order requires Government Source Inspection, Purchasing puts the requirements on the Purchase Order(s). QC will review the material upon receipt and either accept or reject prior to warehouse receipt.
- c. Purchasing submits the purchase order to the approved supplier.
- d. Purchasing requires some form of an order acknowledgement from all vendors. (I.E. Fax, email).
- e. Purchasing will follow through with vendors to make sure they are able to meet all of the requirements of the purchase order.
- f. When DMS Purchasing is notified by the supplier or transportation supplier that a delivery date has changed, Purchasing updates Costpoint and notifies Customer Service who passes the information to our customer.

6.3 Receiving – Verification of Product

- 1) Refer to Work instructions 751-W001 or 751-W002.

6.4 Supplier Performance Evaluation Metric

- 1) Our primary suppliers are Wärtsilä companies. The (SCM Director or designee) will select appropriate primary suppliers for evaluation and re-evaluation. Delivery performance of the suppliers is evaluated and reported to the selected suppliers on a periodic basis.
- 2) Information on serious or repetitive quality related Nonconformance by suppliers is kept in the CAR database in accordance with Corrective and Preventive Actions Procedure (1020-1P). Supplier quality related issues are continually

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monitored and corrective action decisions are made on a case by case basis.

- 3) If management decides that due to poor quality, poor delivery performance, or for any other reasons the supplier should be re-sourced, the (SCM Director or designee) changes the status of the supplier to “Hold” in the system. The (SCM Director or designee) then communicates the status change of the supplier to the organization through the Supplier Spreadsheet located at:

"[https://onwarsiladefense.sharepoint.com/:x:/r/sites/ComplianceSecurityFiles/Safety/Quality/Departmental-Policies and Procedures/Supply Chain/Approved vendors](https://onwarsiladefense.sharepoint.com/:x:/r/sites/ComplianceSecurityFiles/Safety/Quality/Departmental-Policies%20and%20Procedures/Supply%20Chain/Approved%20vendors)"

6.5 Shipping

Refer to Work Instruction 751-W003.

Revision	Explanation of Change	Date	Author
A	Added Revision Block and Level	3/29/04	G. Adams
B	12.3.2 Determined how supplier quality will be calculated (PPM) 12.4 Per CAR 1646 Request for Corrective Action is addressed for delivery/quality performance. Removed Controlled Distribution List. See QMS001 for hardcopy distribution.	4/2/04	G. Adams
C	1) Added form 741-7F to paragraph 6.3 & 6.4. 2) Signature clarification to paragraph 5.4.1 per CAR 1656	4/19/04	G. Adams
D	Deleted Manager Aftermarket Sales and Service and changed Manager Field Service to Manager Service.	5/28/2004	G. Adams
E	Added to section 5.4.2 statement for purchases of software and computer hardware/peripherals. Added to section 5.5.2 the following statement: Purchases of supplies and services for the operation of the business (excluding software and computer hardware/peripherals) that are \$250 or less may only be purchased without a requisition and purchase order by the list of Authorized Signatories (3.2.3). These authorized signatories are responsible for assigning general ledger account coding and signature approval of the respective invoices prior to payment processing.	6/29/2004	B. Rutter
F	Modified Section 5.5 to reference FIN 551. Modified 13.3.5 for receiving inspection requirements.	2/1/2005	N. Smith
G	Clarified the Supplier Evaluation/Approval Process to include the Manager of Supplier Development and inserted hyperlinks.	6/1/05	G. Adams
H	Section 1 revised to eliminate reference to old document control procedure.	3/23/2006	K. Bertsch
I	Procedure completely revised.	9/15/06	K. Bertsch
J	Procedure completely revised.	02/07/08	J. Graham
K	Clarified 6.1- 9) order acknowledgment // Re-sequenced 6.2 steps 1-6	02/26/08	J. Graham
L	Updated supplier list location (6.1.3 and 6.4.3), Revised Supplier Performance Evaluation Metric (6.4)	03/28/08	J. Graham
M	Revised 6.4 (1) to allow Materials Manager flexibility in selecting primary suppliers for evaluation.	01/31/2012	A. Clark
N	Revised to clarify Customer Service and Propeller Shop purchasing processes	10/25/2012	W. Boswell
O	Clarified “Purpose” statement. Added “Note” at 6.2 referring back to 6.1 if supplier is not in “system”. At 6.2 (2) d, clarified QC review.	11/08/2012	F. Gilliland W. Boswell
P	6.2 5)b – Added process for POs with GSI	01/21/2014	W. Boswell J. Graham
Q	6.1 7 – Risk Level 2 screening now Ops Dir / QC Supv.	06/03/2014	B. Heninger
R	Changed references from FIN551 to 721-1F	07/14/2016	J. Graham
S	Minor revision and numbering change to align with ISO 9001:15	03/21/2017	J. Graham
T	Added requirements for international suppliers and updated references	07/13/2018	A. Clark
U	Added reference 3.6 to include “How-To’s” and “Desk Guides”	06/22/2021	M. Chafin
V	Corrected Company Name and updated procedure	5/27/2023	J. Pingel