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Revision:	7			
Effective Date:	7/1/2022	Approved By:	Mark J Zelek	
Document Name:	Procurement Compliance Manual			

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Procurement Manual Overview


1.0 PURPOSE

- 1.1. To define the processes/procedures employed at (RAM) to acquire goods and services as necessary to support business operations consistent with internal and external regulations.


2.0 SCOPE

- 2.1. The processes defined in this manual are applicable to purchases tendered by RAM. Each section of this manual will reference the applicable FAR/DFAR and or corporate policy as applicable.


SECTION	TITLE	REQUIREMENT	NAME/DESCRIPTION
000	SUPPLY CHAIN MANAGEMENT	DFARS 252.244-7001	N/A
001	INTER-DIVISIONAL WORK AUTHORIZATION	RESERVED	
002	COUNTERFIT PARTS PREVENTION	PUBLIC LAW 122-81	NATIONAL DEFENSE AUTHORIZATION ACT
		FAR 52.211-5	MATERIAL REQUIREMENTS
		DFAR 252.211-7003	ITEM UNIQUE IDENTIFICATION AND VALUATION
		DFAR 252.246-7007	CONTRACTOR COUNTERFIT ELECTRONIC PART DETECTION AND AVOIDANCE SYSTEM
		FAR SUBPART 13.2	ACTIONS AT OR Below the Micro-Purchase Threshold
003	SOURCE JUSTIFICATION SELECTION	FAR SUBPART 13.2	ACTIONS AT OR BELOW THE MICRO-PURCHASE THRESHOLD
		FAR SUBPART 13.201	MATERIAL REQUIREMENTS
		FAR SUBPART 13.203	PURCHASE GUIDELINES
		FAR 52.244-5	COMPETITION IN SUBCONTRACTING
004	SUPPLIER FINANCING FOR COST-REIMBURSEMENT AWARDS	N/A	
005	PROCUREMENT SUBCONTRACT MANAGEMENT	FAR 15.408	INSTRUCTIONS FOR SUBMITTING COST/PRICE PROPOSALS WHEN CERTIFIED COST OR PRICING DATA ARE REQUIRED
		FAR 52.216-7	ALLOWABLE COST AND PAYMENT
		FAR 52.216.16	PROGRESS PAYMENTS
		FAR 52.216.18	ORDERING
		FAR 52.216.26	PAYMENTS OF ALLOWABLE COSTS BEFORE DEFINITIZATION
		FAR 52.216.29	TIME AND MATERIALS/LABOR HOUR REQUIREMENTS - NON COMMERCIAL ITEM ACQUISITION WITH ADEQUATE PRICE COMPETITION

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		FAR 52.216.30	TIME AND MATERIALS/LABOR HOUR REQUIREMENTS - NON COMMERCIAL ITEM ACQUISITION WITHOUT ADEQUATE PRICE COMPETITION
		FAR 52.216.31	TIME AND MATERIALS/LABOR HOUR REQUIREMENTS - COMMERCIAL ITEM ACQUISITION
		FAR 52.216.32	PERFORMANCE BASED (MILESTONE) PAYMENTS
		DFAR 252-242-7004	MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM
		DFAR 252-242-7005	CONTRACTOR BUSINESS SYSTEMS
		DFAR 252-242-7006	ACCOUNTING SYSTEM ADMINISTRATION
006	AUTHORIZED SIGNATURE APPROVAL AUTHORITIES	DFARS 252.44-7008, 7009 AND 7010	N/A
007	SUPPLIER FINANCING AND PAYMENTS	FAR SUBPART 32.4	ADVANCE PAYMENTS FOR NON-COMMERCIAL ITEMS
		FAR 32.5	PROGRESS PAYMENTS BASED ON COSTS
		FAR 32.10	PERFORMANCE BASED Conflict PAYMENTS
		FAR 32.705-2	CLAUSES FOR CONTRACTING IN ADVANCE OF FUNDS
		FAR 50.102-3 (b)(4)	LIMITATIONS ON EXERCISE OF AUTHORITY
		FAR 52.216-7	ALLOWABLE COST AND PAYMENT
		FAR 52.232-12	ADVANCE PAYMENT
		FAR 52.232-16	PROGRESS PAYMENTS
		FAR 52.232-18	AVAILABILITY OF FUNDS
		FAR 52.232-19	AVAILABILITY OF FUNDS FOR THE NEXT FISCAL YEAR, IN SOLICITATION AND CONTRACTS IF A ONE-YEAR INDEFINITE-QUANTITY OR REQUIREMENTS CONTRACT FOR SERVICES IS CONTEMPLATED AND THE CONTRACT
		FAR 52.232-28	PERFORMANCE-BASED PAYMENTS
		FAR 52.232-32	PERFORMANCE-BASED PAYMENTS
		PUBLIC LAWS U.S.C. 2307 (e) AMD 41 U.S.C./ 255	N/A
		PUBLIC LAW 85-804	(U.S.C. 1431-1435)
		PUBLIC LAW 31 U.S.C. 3909	AND PROMPT PAYMENT REGULATIONS AT 5 CFR PART 1315
		DFAR 252.242-7005	CONTRACTOR BUSINESS SYSTEMS
		DFAR 252.242-7006	ACCOUNTING SYSTEM ADMINISTRATION
008	SPECIALTY METALS PROCEDURE	FAR SUBPART 2.101	DEFINITIONS
		DFAR 252.225-7008	RESTRICTION ON ACQUISITION OF SPECIALTY METALS
		DFAR 252.225-7009	RESTRICTION ON ACQUISITION OF CERTAIN ARTICLES CONTAINING SPECIALTY METALS

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009	BALL AND ROLLER BEARING REQUIREMENTS	DFAR 252.225-7016	RESTRICTION ON ACQUISITION OF BALL AND ROLLER BEARINGS
010	DEFENSE PRIORITIES AND ALLOCATIONS SYSTEMS DPAS	FAR 11.6, DFARs 252-244-7001 C (1)	PRIORITIES AND ALLOCATIONS
011	COST AND PRICE ANALYSIS	FAR 13.002	PURPOSE (SIMPLIFIED ACQUISITIONS PROCEDURES)
		FAR 13.003	POLICY (SIMPLIFIED ACQUISITIONS PROCEDURES)
		FAR 15.403-1	N/A
		FAR 15.404-1	N/A
		FAR 15.404-3	N/A
		FAR 15.406-2	N/A
		FAR 15.408 TABLE 15-2	N/A
		FAR 52.232-8	DISCOUNTS FOR PROMPT PAYMENT
012	DEBARMENT, SUSPENSION, AND INELIGIBILITY	FAR 52.209-6	PROTECTING THE GOVERNMENTS INTEREST WHEN SUBCONTRACTING WITH CONTRACTORS DEBARRED, SUSPENDED, OR PROPOSED FOR DEBARMENT
013	CONTROL OF GOVERNMENT OWNED PROPERTY	FAR 52.245-1	GOVERNMENT PROPERTY
		FAR 52.245-2	GOVERNMENT PROPERTY INSTALLATION OPERATION SERVICES
014	TERMS AND CONDITIONS	DFARs 252.244-7001 c (2)(16)(19)	TERMS AND CONDITIONS FLOWDOWNS
015	SMALL BUSINESS PROGRAM ADMINISTRATION	FAR 19.702	PUBLIC LAW-95-507
		FAR 32.501	PUBLIC LAW-99-661 (SECTION 1207)
		FAR 52.212-5	PUBLIC LAW 100-189 (SECTION 831)
		FAR 52.219-8	UTILIZATION OF SMALL BUSINESS CONCERNS
		FAR 52.219-9	SMALL BUSINESS SUBCONTRACTING PLAN
		FAR 52.219-10	INCENTIVE SUBCONTRACTING PROGRAM
		FAR 52.226-1	UTILIZATION OF INDIAN ORGANIZATIONS AND INDIAN OWNED ECONOMIC ENTERPRISES
		FAR 52.226-2	HISTORICALLY BLACK COLLEGE OR UNIVERSITY AND MINORITY INSTITUTION REPRESENTATION
		FAR 52.232-14	NOTICE OF AVAILABILITY OF PROGRESS PAYMENTS EXCLUSIVELY FOR SMALL BUSINESS CONCERNS
		FAR 52.232-16	PROGRESS PAYMENTS
		FAR 52.244-6	SUBCONTRACTS FOR COMMERCIAL ITEMS
		FAR SUBPART 19	SMALL BUSINESS PROGRAMS
		FAR SUBPART 22.8	EQUAL EMPLOYMENT OPPORTUNITY
016	PROCUREMENT CARD PROGRAM	N/A	
017	GOVERNMENT PURCHASE ORDER DOCUMENTATION	FAR 15.402	PRICING POLICY

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		FAR 15.403-1	PROHIBITION ON OBTAINING CERTIFIED COST AND PRICING DATA
		FAR 15.408 TABLE 15-2	INSTRUCTIONS FOR SUBMITTING COST/PRICE PROPOSALS WHEN CERTIFIED COST AND PRICING DATA ARE REQUIRED
		DFAR 252.244-7000	SUBCONTRACTS FOR COMMERCIAL ITEMS
018	COST AND PRICE AUDIT	N/A	
019	LETTER SUBCONTRACT UNDEFINITIZED PROCUREMENT	N/A	
020	COST ACCOUNTING STANDARDS (CAS)	52.230-1	COST ACCOUNTING STADARDS
021	FOREIGN PROCUREMENTS	N/A	
022	REQUEST FOR QUOTE PROCESSING	N/A	
023	ADVANCE NOTIFICATION AND CONSENT	FAR 44.201-1	CONSENT REQUIREMENTS
		FAR 44.201-2	ADVANCE NOTIFICATION REQUIREMENTS
		FAR 52.244-2	SUBCONTRACTS
024	CODE OF CONDUCT & SUPPLIER RELATIONS	N/A	
025	VALUE ENGINEERING	FAR PART 48	VALUE ENGINEERING
		FAR 52.248-1	VALUE ENGINEERING
		FAR 52.248-2	VALUE ENGINEERING - ARCHITECT-ENGINEER
		FAR 52.248-3	VALUE ENGINEERING - CONSTRUCTION
026	TERMINATIONS AND STOP WORK ORDERS	FAR PART 49	TERMINATIONS
		FAR 52.249-2	TERMINATION FOR CONVENIENCE OF THE GOVERNMENT (FIXED PRICE)
		FAR 52.249-4	TERMINATION FOR CONVENIENCE OF THE GOVERNMENT (SERVICES) (SHORT FORM)
		FAR 52.249-6	TERMINATION (COST-REIMBURSEMENT)
		FAR 52.249-8	DEFAULT (FIXED-PRICE SUPPLY AND SERVICE)
		FAR 52.249-9	DEFAULT (FIXED-PRICE RESEARCH AND DEVELOPMENT)
		FAR 52.249-14	EXCUSABLE DELAYS
027	EEO PRE-AWARD CLEARANCE	FAR 44.201-1	CONSENT REQUIREMENTS
		FAR 44.201-2	ADVANCE NOTIFICATION REQUIREMENTS
		FAR 52.244-2	SUBCONTRACTS
028	PROCUREMENT INTERNAL AUDIT	DFAR 252.215-7002	COST ACCOUNTING SYSTEM REQUIREMENTS
029	SUBCONTRACT CLOSE-OUT	N/A	
030	NEGOTIATIONS	FAR 15.406-1	PRE-NEGOTIATION OBJECTIVES
		FAR 15.406-3	DOCUMENTING THE NEGOTIATION
031	FEDERAL FUNDING ACCOUNTABILITY & TRANSPARENCY ACT	FAR 52.204-10	REPORTING EXECUTIVE COMPENSATION AND FIRST TIER SUBCONTRACT AWARDS

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032	CERTIFIED COST OR PRICING DATA REQUIREMENTS	FAR 2.101	DEFINITIONS
		FAR 15.403	OBTAINING CERTIFIED COST OR PRICING DATA
		FAR 15.403-3	SUBCONTRACTING PRICING CONSIDERATIONS
		FAR 15.405	PRICE NEGOTIATIONS
		PUBLIC LAW 87-653	10 U.S.C. §2306(a) TRUTH IN NEGOTIATIONS ACT (TINA); 41 U.S.C. 253 - COMPETITION IN CONTRACTING ACT (CICA)
033	CYBER SECURITY	DFARs 252.204-7012	SAFEGUARDING COVERED DEFENSE INFORMATION AND CYBER INCIDENT REPORTING
037	REPRESENTATIONS AND CERTIFICATIONS	N/A	
038	DETERMINING NEED AND REQUESTING A TECHNICAL EVALUATION	N/A	
039	PROCUREMENT TRAINING	N/A	
040	PROCUREMENT DELIVERY EXPEDITING AND FOLLOW-UP	N/A	
041	SUPPLIER COMPENSATION	N/A	
042	SUPPLIER TEAMING AGREEMENTS	N/A	
043	BLANKET PURCHASE AGREEMENT-BASIC ORDERING AGREEMENTS-CORPORATE PURCHASE AGREEMENTS	FAR SUBPART 13.303	BLANKET PURCHASE AGREEMENTS
		FAR SUBPART 16.702	BASIC AGREEMENTS
		FAR SUBPART 16.703	BASIC ORDERING AGREEMENTS
		DFAR SUBPART 216.703	BASIC ORDERING AGREEMENTS
044	NON-GOVERNMENT PURCHASE ORDERS		
REVISION HISTORY	REVISION HISTORY		

SECTION 000: Supply Chain Management


1.0 SCOPE

1.1. This Manual is applicable to SCM activities at RENK America (RAM).

2.0 AFFECTED ORGANIZATIONS

2.1. Procurement

3.0 REFERENCES

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3.1. Federal Acquisition Regulation

3.2. Defense Federal Acquisition Regulation Supplement (DFARS 252.244-7001)

3.3. Procurement 599 series procedures, work Instructions and templates/forms

3.4. The following U.S. Government thresholds for certifications or processes are in effect as of May 2022:

3.4.1.	Federal Funding and Transparency Act	\$30,000
3.4.2.	Debarment Certification	\$35,000
3.4.3.	Anti-Lobby Certification	\$150,000
3.4.4.	Simplified Acquisition Threshold	\$250,000
3.4.5.	Certificate of Responsibility Matters	\$250,000
3.4.6.	Small Business Subcontracting Plan (Lg Business only)	\$750,000
3.4.7.	CAS Certification	\$2,000,000
3.4.8.	Certified Cost and Pricing Data	\$2,000,000
3.4.9.	Commercial Item Determination	\$2,000,000
3.4.10.	Equal Employment Opportunity Clearance	\$10,000,000

4.0 DEFINITIONS

4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

5.1. Vice President Supply Chain Management


6.0 GENERAL

6.1. N/A


7.0 PROCEDURE

7.1. There are several established components of effective supply chain management that shape RAM business processes and infrastructure that include:

- 7.1.1. Executive support of the Procurement function.
- 7.1.2. Clear plant wide communication of roles and responsibilities among RAM stakeholders involved in the procurement cycle.
- 7.1.3. Open team-based communications among RAM departments involved in the supply chain management process.
- 7.1.4. Effective organizational structure.
- 7.1.5. Workflow processes that reduce redundancy and increase efficient fulfillment of customer requirements while providing Procurement with

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- sufficient lead time to establish competition, perform analyses, and obtain certifications.
- 7.1.6. Institutional risk management processes that objectively and regularly consider performance risks during the contract life cycle ("bid/no bid" decision through contract close out).
- 7.1.7. Continuous review and implementation of innovative management techniques and initiatives.
- 7.1.8. Cooperative, problem-solving approaches through supplier and interactions that clearly communicate shared goals.
- 7.1.9. Negotiation strategies and performance reviews that ensure fair and reasonable compensation to suppliers for work performed.
- 7.1.10. Routine review of supply chain management initiatives.
- 7.2. RAM has incorporated the following enterprise processes into its procurement functions:
 - 7.2.1. Competitive sourcing whenever practicable in accordance with the objectives and requirements of the Prime/Customer Contract.
 - 7.2.2. Procurement of commercial items whenever practicable to meet Customer requirements.
 - 7.2.3. Use of a continuously maintained Supplier Rating System to ensure effective sourcing based on documented past performance.
 - 7.2.4. Careful case-by-case consideration of the most effective subcontract type available for assured subcontractor performance and appropriate assignment of performance risks.
 - 7.2.5. Compliance with Corporate Policies, Procedures, Work Instructions and Guidelines.
 - 7.2.6. Compliance with FAR, DFAR, Public Laws and Executive Orders, Export/ITAR some examples are:
 - 7.2.6.1. Berry Amendment Requirements and Specialty Metal Restrictions
 - 7.2.6.2. Detection and Avoidance of Counterfeit Electronic Parts
 - 7.2.6.3. Dodd-Frank Act Including Requirements to Disclose Use of Conflict Minerals
 - 7.2.6.4. Combatting Trafficking in Persons
 - 7.2.6.5. American Recovery and Reinvestment Act

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7.2.6.6. Buy American Act


- 7.3. Regular internal reviews of RAM procurement activities and purchasing system outputs for compliance to applicable public laws, regulations, policies and procedures.
- 7.4. Regular training on all aspects of the supply chain management process. Training may include but is not limited to in-house and formal training sessions hosted by RAM, external training and individual training undertaken by RENK America personnel via membership in professional groups or outside training opportunities.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

- 9.1. N/A

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SECTION 001: Inter-Divisional Work Authorization with RENK America Companies

1.0 SCOPE

1.1. N/A

2.0 AFFECTED ORGANIZATIONS

2.1. Procurement

2.2. Contracts

3.0 REFERENCES

3.1. Federal Acquisition Regulation Part 31

3.2. RENK America TC001 Terms and Conditions for non-commercial items under a U.S. Government Contract

3.3. RENK America TC002, Terms and Conditions for Commercial items under a U.S. Government contract

4.0 DEFINITIONS

4.1. SOW - Statement of Work

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

5.1. Vice President Supply Chain Management


6.0 GENERAL

6.1. N/A


7.0 PROCEDURE

7.1. Inter Divisional Work Authorization Process is as follows:

7.1.1. It is the policy of RENK America for its divisions or subsidiaries to utilize the capabilities of other RENK America organizations when it is consistent with providing the best overall price and performance to its customers. This practice governs the inter-organizational transfer of material, supplies, and services between RENK America affiliates, subsidiaries, or other organizations under the common control of RENK America where those transfers are subject to Federal Acquisition Regulation (FAR) Part 31, Contract Cost Principles and Procedures.


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- 7.1.2. The Requesting Division and the Performing Division, unless they agree to transfer costs only, may agree to share fee and the proposed fee percentage shall be the same for both divisions. All such agreements shall be thoroughly documented and coordinated through the Division's finance departments. Inter Division Fee shall be identified as a separate line item in the IDWA to prevent pyramiding of fee in billings to the U.S. Government.
- 7.2.** For prime contracts not subject to FAR 31.205-26, in most circumstances it is not considered effective utilization of the capabilities of the Corporation to perform additional work with no additional profit on the effort. Therefore, including negotiated profit, rather than cost only, may be billed to RAM. Appropriate scenarios that allow inter-company transactions at price are as follows:
- 7.2.1. When the award to another RENK America unit was made as a result of adequate competition with non-RENK America.
- 7.2.2. When the prime US Government contract is awarded on the basis of "adequate price competition", or another exception to cost or pricing data requirements under the Truth in Negotiation Act is obtained and is applicable at the time the inter-company transfer is established (See Federal Acquisition Regulation (FAR) 15.403-1).
- 7.2.3. When the prime contract is with a commercial customer.
- 7.2.4. When there are specific contract or business provisions necessitating use (possibly such circumstances as "fire-wall" provisions imposed by the SEC as part of a business combination, or "arm's length" procurements negotiated prior to business combination). Coordination with the office of the Vice President Finance and Controller is required prior to such use in lieu of a purchase order.
- 7.3.** Inter-company transactions can be either fixed price or cost reimbursable. For both fixed price and cost reimbursable type inter-company transactions, the agreed price or cost, including both cost and profit, shall be billed to RAM by the performing business unit.
- 7.4.** If RAM conducts an adequate price-based competition among non-RAM and other RENK America, and a RENK America unit is awarded the work, the transaction shall be documented by a purchase order/subcontract and treated administratively on a basis consistent with that of an outside supplier. An exception exists if the request for proposal for the competition clearly informs the non-RENK America

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bidders that specific inter-company benefits will be taken into consideration in evaluating the bids. In that event, if the RENK America business unit is awarded the work, an IDWA shall be used. For such inter-company transactions, the agreed-to-price, including both cost and profit, shall be billed to RAM by the performing business unit. If the prime contract is U. S. Government subject to FAR 31.205-26, and the IDWA includes fee, Procurement shall obtain a documented breakdown between cost and profit, clearly segregate both cost and profit in the inter-company transaction and ensure that RAM Finance is in possession of the information in order to allow appropriate billing to the customer.

- 7.5.** The performing RENK America business unit will perform under the terms and conditions of the requesting business unit's prime contract, if applicable. If necessary, RAM will specify the applicable terms and conditions in the IDWA and provide a copy of the applicable prime contract terms and conditions to the performing business unit. In the event that Bid & Proposal costs are deemed recoverable within the awarded prime contract, the Performing Business Unit is responsible for providing the requisite detail to the Requesting Business Unit's Estimating Group for inclusion in the bid to the customer. Determination as to the ability to recover Bid & Proposal costs within the contract shall be provided by the Requesting Business Unit's Program Manager and shall be stated as such on any request for pricing or requisition. RENK America General Terms and Conditions are not to be imposed on other RENK America entities.
- 7.6.** When the Requesting entity requests IDWA pricing in support of a proposal effort, the Performing entities proposed cost and supporting cost or pricing data shall be submitted to the customer as part of the Requesting Entity's cost or pricing data package. It is the responsibility of the Performing entity to provide adequate (and auditable) information to meet applicable cost and pricing disclosure requirements of the FAR. Performing Entities shall not withhold financial data requested by Requesting Divisions when required for cost/price analysis, termination, or close-out of IDWAs.
- 7.7.** It is assumed that the performing business unit is in compliance with all U.S. Government certifications, representations etc. that RAM may require in the IDWA. Procurement shall notify the performing business unit that any exceptions must be identified.
- 7.8.** RAM and the performing business unit have mutual responsibility to protect proprietary information/data generated and/or furnished in performance of an

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IDWA. Both business units shall ensure that proprietary legends are properly affixed to information/data exchanged in performance of an IDWA as necessary. Proprietary Information Agreements (PIAs) are not required within RENK America to support IDWA's. If there are situations in which the Divisions feel that PIAs are warranted (e.g., in cases of 3rd party involvement) PIAs may be implemented

7.9. IDWA's shall contain appropriate definition of work scope (i.e. drawing, subcontract statement of work, and/or specifications). IDWA's shall be managed in accordance with this manual. RAM Procurement shall request the Performing Entity to identify any data rights assertions as part of the RFQ. The Performing Entity has the responsibility of ensuring that it has clearly identified any applicable IP/Data Rights Assertions to the Requesting Division.

7.10. Invoicing:


7.10.1. In the event Progress Payments are allowed, Progress Payment billing and liquidation rates shall be the same for the Performing Business Unit as they are for the Requesting Business Unit. If Progress Payments are not allowed, alternative payment terms can be negotiated between the RENK America Business Units.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
SOW	ML-599	Procurement	Bid Rate and Proposals

9.0 EXHIBITS

9.1. N/A

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SECTION 002: Counterfeit Parts Prevention

1.0 SCOPE

- 1.1. This applies to all Purchase Order awards.

2.0 AFFECTED ORGANIZATIONS


- 2.1. Procurement
- 2.2. Supplier Quality Assurance

3.0 REFERENCES

- 3.1. Public Law 122-81 - Section 818 FY12 of the National Defense Authorization Act
- 3.2. FAR 52.211-5 – Material Requirements
- 3.3. DFAR 252.211-7003 - Item Unique Identification and Valuation
- 3.4. DFAR 252.246-7007–Contractor Counterfeit Electronic Part Detection and Avoidance System

4.0 DEFINITIONS

- 4.1. Active Component – An electronic component that relies contains semiconductor junctions. Examples of active components include monolithic microcircuits, hybrid microcircuits and semiconductor devices such as diodes, silicon-controlled rectifiers, and transistors.
- 4.2. Authorized Aftermarket Manufacturer - A manufacturer that meets one of more of the following criteria:
 - 4.2.1. The manufacturer is authorized by the OCM to produce and sell replacement parts, usually due to an OCM decision to discontinue production of a part. Parts supplied are produced from materials that have been:
 - 4.2.1.1. Transferred from the OCM to the Aftermarket Manufacturer, or
 - 4.2.1.2. Produced by the Aftermarket Manufacturer using OCM tooling and Intellectual Property (IP).
 - 4.2.2. The manufacturer produces parts using semiconductor dice or wafers, manufactured by and traceable to an OCM, that have been properly stored until use and are subsequently assembled, tested and qualified

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using processes that meet technical specifications without violating the OCM's Intellectual Property Rights (IPR).

- 4.2.3. The manufacturer produces parts through emulation, reverse-engineering, or redesign, that match the OCM's specifications and satisfy customer needs without violating the OCM's IPR. The Aftermarket Manufacturer must label or otherwise identify its parts to ensure that the "as shipped" aftermarket manufactured part should not be mistaken for the part made by the OCM.

- 4.3. Authorized Distributor (AD) - Transactions conducted by an OCM-Authorized Distributor distributing product within the terms of an OCM contractual agreement. Contractual Agreement terms include, but are not limited to, distribution region, distribution products or lines, and warranty flow down from the OCM. Under this distribution, the distributor would be known as an Authorized Distributor. The term Franchised Distributor is considered synonymous with Authorized Distributor.


- 4.4. Authorized Reseller - For certain Commercial Off-The-Shelf (COTS) assemblies and material commodities such as Information Technology (IT) equipment, mechanical hardware, fasteners and raw materials, Authorized Resellers purchase parts and materials either from the manufacturers or their authorized distributors and then sell to the end user. Chain of custody is maintained throughout the process. Authorized Reseller is synonymous with Authorized Distributor when buying these types of commodities.

- 4.5. Commercial off-the-shelf (COTS) Assemblies - Any item of supply (including construction material) that is:


- 4.5.1. A commercial item:

- 4.5.1.1. Sold in substantial quantities in the commercial marketplace; and
- 4.5.1.2. Offered to the Government, under a contract or subcontract at any tier, without modification, in the same form in which it is sold in the commercial marketplace.
- 4.5.1.3. COTS assemblies should be purchased directly from the OEM or its authorized distributor/reseller in lieu of flowing down part level counterfeit prevention clauses.


- 4.6. Contract Manufacturer (CM) - A supplier who produces items in accordance with a specification or a Statement of Work. This includes building of assemblies to supplied Bills of Material (BOM) and/or assembly drawings.

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- 4.7. Counterfeit Electronic Part** - Counterfeit electronic part means an unlawful or unauthorized reproduction, substitution or alteration that has been knowingly mismarked, misidentified or otherwise misrepresented to be an authentic, unmodified electronic part from the original manufacturer, or a source with the express written authority of the original manufacturer or current design activity, including an authorized aftermarket manufacturer. Unlawful or unauthorized substitution includes used electronic parts represented as new, or the false identification of grade, serial number, lot number, and date code or performance characteristics.
- 4.8. Counterfeit Material** - Material that has been confirmed to be a copy, imitation or substitute that has been represented, identified, or marked as genuine, and/or altered by a source without legal right with intent to mislead, deceive or defraud. Electronic Part: Electronic part means an integrated circuit, a discrete electronic component (including, but not limited to, a transistor, capacitor, resistor, or diode) or a circuit assembly.
- 4.9. ERAI** - An information services organization that monitors, investigates, reports, and mediates issues affecting the global supply chain of electronics.
- 4.10. GIDEP (Government-Industry Data Exchange Program)** - A cooperative activity between U.S Government and industry participants seeking to reduce or eliminate expenditures of resources by sharing technical information essential during research, design, development, production and operational phases of the life cycle of systems, facilities and equipment.
- 4.11. Independent Distributor** - A distributor that purchases parts with the intention to sell and redistribute them back into the market. Purchased parts may be obtained from Original Equipment Manufacturers (OEMs) or Contract Manufacturers (typically from excess inventories), or from other Distributors (Franchised, Authorized, or Independent). Resale of the purchased parts (redistribution) may be to OEMs, Contract Manufacturers or other Distributors. Independent Distributors do not normally have contractual agreements or obligations with the OCMs.
- 4.12. Maintenance, Repair and Overhaul (MRO)** - An organization that will retain or restore an item in or to a state in which it can perform its required function. The actions include the combination of all technical and corresponding administrative, managerial and supervision actions. MRO often refers to civil aviation maintenance and Depot Level Maintenance often refers to military vehicle maintenance.

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- 4.13. Original Component Manufacturer (OCM)** - An entity that designs and/or engineers a part and is pursuing or has obtained the intellectual property rights to that part.
- 4.13.1. The part and/or its packaging are typically identified with the OCM's trademark.
- 4.13.2. OCMs may contract out manufacturing and/or distribution of their product.
- 4.13.3. Different OCMs may supply product for the same application or to a common specification.
- 4.14. Original Equipment Manufacturer (OEM)** - A company that manufactures products that it has designed from purchased components and sells those products under the company's brand name.
- 4.15. Obsolete Electronic Part** - Obsolete electronic part means an electronic part that is no longer in production by the original manufacturer or an aftermarket manufacturer that has been provided express written authorization from the current design activity or original manufacturer. For the purposes of this policy, any references to the obsolescence management requirements are related to electronic parts.
- 4.16. Parts and Materials** - Parts and Materials include electrical, mechanical, electro-mechanical, hardware, wire, cable, connectors, assemblies, and raw materials used in qualification units and deliverable products. This also applies to parts and assemblies used in test equipment and inspection fixtures for acceptance of deliverable products.
- 4.17. Passive Component** - An electrical and/or electromechanical component that does not contain semiconductor junctions. Examples of passive components include resistors, capacitors, inductors, transformers, and connectors.
- 4.18. Refinished** - Using post-manufacture plating methods (such as solder dipping) to alter the plating composition on a part's leads.
- 4.19. Refurbished** - Parts that have been renovated in an effort to restore them to a "like new" condition, e.g., leaded parts may have their leads re-aligned and re-tinned and subjected to cleaning agents and chemical processing.
- 4.20. Subcontractors** - A third party that delivers in accordance with a specification or a Statement of Work; work includes some or all of the following: design, development, assembly, test, services and production; deliverables may include software, hardware and/or services.

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- 4.21. Suspect Counterfeit Electronic Part** - Suspect counterfeit electronic part means an electronic part for which credible evidence (including, but not limited to, visual inspection or testing) provides reasonable doubt that the electronic part is authentic.
- 4.22. Suspect Counterfeit Material** - Material, items, or products in which there is an indication by visual inspection, testing or other information that it may meet the definition of counterfeit material.
- 4.23. Unused (New Surplus)** - Parts that have not been previously used (i.e., attached to a board, powered up, installed, since leaving the supply chain). A shipment of unused material can contain mixed date codes, lot codes or countries of origin, and should be received in unused factory or third-party packaging. The material may have minor scratches or other physical defects as a result of handling but should be in good condition and should not be refurbished. The material should be guaranteed to meet the manufacturer's full specifications. Unused programmable parts should be received without having been previously programmed.
- 4.24. Up-rated** - Assessment which results in the extension of a part's ratings to meet the performance requirements of an application in which the part is used outside the manufacturer's specification range.
- 4.25. Upscreened** - Additional part testing performed to produce parts verified to specifications beyond the manufacturer's operating parameters. Examples are Particle Impact Noise Detection (PIND) testing, temperature screening, Radiation Hardness Assurance testing, etc.
- 4.26. Used (Refurbished or Pulled)** - Product that has been electrically charged or mechanically exercised and subsequently pulled or removed from a socket, unit, system or other electronic and/or mechanical application. Used product may be received in non-standard packaging (i.e., bulk), and may contain mixed lots, date codes, be from different facilities, etc. Parts may have physical defects such as scratches, slightly bent leads, test dots, faded markings, chemical residue, mechanical wear, or other signs of use. Used product may sold with a limited warranty, and programmable electronic parts may still contain partial or complete programming which could impact the part's functionality. Used parts marketed as refurbished should be declared as such.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

5.1. Vice President Supply Chain Management

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6.0 GENERAL

6.1. The RENK America President is responsible to ensure that:

6.1.1. A Counterfeit Part Risk Mitigation and Obsolescence Management Point(s) of Contact are assigned.

6.2. The Quality Director is responsible for:

6.2.1. Ensuring company compliance with this manual

6.2.2. Ensuring independent quality audits that assess compliance with this manual are part of the division's quality system.

6.2.3. Providing support of nonconforming material actions and related activities that ensure the identification, quarantine, and disposition and reporting of counterfeit parts. Quarantined areas for counterfeit parts shall be access controlled.

6.2.4. Ensuring that personnel engaged in counterfeit part and obsolescence management processes are trained.

6.3. The Procurement Manager is responsible for:

6.3.1. Ensuring that other options are deemed unfeasible before making purchases on the independent market (Figure 1).

6.3.2. Ensuring that all purchases on the independent market are placed with RENK approved Independent Distributors.

6.3.3. Reviewing and concurring with purchases from RENK America approved independent distributors and assuring flow-down of the policy exhibits to approved independent distributors and suppliers.


6.3.4. Ensuring that when a RENK America subcontractor or contract manufacturer requests approval to purchase from Independent Distributors, the purchase order is placed to a RENK approved Independent Distributor, states the order is for an RENK contract, and that the Buyer flows the proper policy exhibits are referenced to ensure the appropriate authenticity testing is conducted. See exhibits A – D.

6.4. The RAM Counterfeit Part Risk Mitigation and/or Obsolescence Management Points of Contact are responsible for:

6.4.1. Ensuring suspect counterfeit parts are reported to ERAI and GIDEP.

6.4.2. Reporting suspect counterfeit parts to the Sr. Director RENK America Quality Management via Counterfeit Part Incident Report (Figure 3) and providing ongoing updates through closure.


6.4.3. Disposition and closure of obsolescence End of Life (EOL) notices.

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- 6.5.** Procurement will engage Program Management, Engineering and Quality and assess the need for a design change to specify a part, material, or assembly currently available from the OCM or through authorized distributors. If a design change is not feasible, then the decision to remanufacture the part from an approved authorized aftermarket manufacturer shall be assessed. Design change or remanufacture assessments shall be documented in the procurement records.
- 6.6.** Exceptions to this policy require the written approval of the Sr. Director, Corporate Quality Management.

7.0 PROCEDURE

- 7.1.** RAM requires suppliers to provide notification to the Buyer upon discovery of a counterfeit or suspect counterfeit part having been delivered or received for use on an applicable Purchase Order. Such notices must be immediately passed on to the Procurement Manager and the Quality Director. In most cases, Customer notification and/or concurrence is required within two working days which will be made by the Contracts Department.
- 7.2.** Buyers shall procure from RENK America approved Independent Distributors for the purchase of obsolete parts and materials, COTS assemblies, or active and passive part authentication testing when the OEM/OCMs, Authorized Distributors (ADs), cannot support the program schedule.
- 7.2.1.** Buyers are not authorized to place purchase orders for materials with Independent Distributors without prior written approval of the Procurement Section Manager and the Quality Director. A copy of the consent will be placed in the Purchase Order.
- 7.2.2.** The Buyer shall require of the Independent Distributors the use of either Exhibits A, B, C or D based on the part type appropriate test.
- 7.3.** Records and Reporting Requirements:
- 7.3.1.** RENK America shall request and retain original Certificates of Conformance (C of Cs) for all parts and materials purchased directly from OEMs/OCMs and Authorized Distributors of OEMs/OCMs either electronically, physically, or both. This may include other test reports to assure that materials meet applicable specifications.
- 7.3.2.** RENK America shall assure suppliers, subcontractors, CMs and MROs retain all required certifications and records related to this policy.

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- 7.3.3. All documentation received with products from RENK America approved Independent Distributors and/or test labs are to be retained by the company. RAM will ensure that authenticity test reports are thoroughly reviewed by procurement design engineering, quality engineering, or other subject matter experts. RAM buyers will confer with the leader of the RENK America Counterfeit Parts Team when a report indicates that a part is deemed suspect counterfeit. If a test is indicated as N/A in the authenticity test reports, rationale must be indicated by the test facility and approved by the Division.
- 7.3.4. Supply Chain Management is to notify the Senior Director, Quality Management before sending parts in inventory for authenticity testing.
- 7.3.5. RAM Supply Chain is to report counterfeit part activity as depicted in Figure 3.
- 7.3.6. Record retention requirements shall be in accordance with contract and division requirements.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS - The Buyer will attach the appropriate Exhibit to the purchase order based on the items being procured

- 9.1. Exhibit A – Independent Distributor Purchase Order Clause – Active Components
- 9.2. Exhibit B - Independent Distributor Purchase Order Clause – Passive Components and Connectors
- 9.3. Exhibit C - Independent Distributor Purchase Order Clause – COTS Assemblies (Including Electro-mechanical items, Hard Drives, Network Equipment, and Peripheral Cards)
- 9.4. Exhibit D – Test Lab Purchase Order Clause – Mechanical Parts and Materials
- 9.5. Figure 1 – Part Procurement Process
- 9.6. Figure 2 – Independent Distributor and Third-Party Test Lab Inspection & Test Process

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9.7. Figure 3 - Process for Counterfeit Part Mitigation

EXHIBIT A

Independent Distributor Purchase Order Clause – Active Components


Independent Distributor's procedures shall meet the requirements of IDEA-STD-1010 and AS6081. Quality Management System shall be certified to AS9120 and/or AS9100.

Inspections and tests shall be conducted in accordance with IDEA-STD-1010 and AS6081. IDEA-STD-1010 and the inspection and tests defined below shall take precedence over AS6081 for conflicts in inspection methodology and defect criteria. Manufacturer specifications and parameters shall be used for part requirements as applicable. Recorded evidence of all testing performed shall be included with each shipment. When available, OEM/OCM and/or AD Certificates of Conformance (C of Cs) shall also accompany each shipment.

The following inspections and tests are required for active components as applicable based on device package type.

- 100% Visual Microscopy Inspection of all parts in the order is required to a magnification level capable of identifying nonconformities related to part size. This includes visual inspection requirements for packaging. Sampling for mechanical dimensions shall be as defined by Seller's internal procedures.
- X-Ray inspection (100% of the lot)
- XRF/RoHS (3 parts per lot date code)
- Solder ability testing per IPC/EIA J-STD-002 (3 parts per lot date code)
- Scanning Electron Microscopy (1 part per lot date code)
- Solvent Testing for Remarking (3 parts per lot date code)
- Solvent Testing for Resurfacing w/acetone, (same 3 parts per lot date code)
- Scrape testing - only applicable to parts that cannot be heated solvent tested (same 3 parts per lot date code)
- Solvent Testing for Resurfacing (If pass acetone test) - Heated Solvent testing w/ Dynasolve 750, (same 3 parts per lot date code)
- De-lid and Die Verification (3 parts per lot date code)
- Flash and programmable memory devices shall be verified (100%) for clean memory, not pre-programmed

If suspect/counterfeit parts are furnished under this subcontract and are found in any of the goods delivered hereunder, such items will be impounded by Buyer. The Seller shall promptly

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replace such suspect/counterfeit parts with parts acceptable to the Buyer and the Seller shall be liable for all costs relating to the removal and replacement of said parts as specified in the subcontract requirements or Distributor's insurance policies. Buyer reserves all contractual rights and remedies to address grievances and detrimental impacts caused by suspect/counterfeit parts.

Seller shall report all occurrences of Counterfeit parts to GIDEP and ERAI.

EXHIBIT B


Independent Distributor Purchase Order Clause – Passive Components and Connectors

Independent Distributor procedures shall meet the requirements of IDEA-STD-1010 and AS6081. Quality Management System shall be certified to AS9120 and/or AS9100.

Inspections and tests shall be conducted in accordance with IDEA-STD-1010 and AS6081. IDEA-STD- 1010 and the inspection and tests defined below shall take precedence over AS6081 for conflicts in inspection methodology and defect criteria. Manufacturer specifications and parameters shall be used for part requirements as applicable. Recorded evidence of all testing performed shall be included with each shipment. When available, OEM/OCM and/or AD Certificates of Conformance (C of Cs) shall also accompany each shipment.

The following inspections and tests are required for passive components and connectors as applicable based on device package type:

- 100% Visual Microscopy Inspection of all parts in the order is required to a magnification level capable of identifying nonconformities related to part size. This includes visual inspection requirements for packaging. Sampling for mechanical dimensions shall be as defined by Seller's internal procedures.
- X-Ray inspection for non-glass diodes and tantalum capacitors (100% of the lot)
- XRF/RoHS (3 parts per lot date code)
- Solder ability testing per IPC/EIA J-STD-002 (3 parts per lot date code)
- Scanning Electron Microscopy (1 part per lot date code)
- Solvent Testing for Remarking (3 parts per lot date code)
- Solvent Testing for Resurfacing w/acetone, (same 3 parts per lot date code)
- Scrape testing - only applicable to parts that cannot be heated solvent tested (same 3 parts per lot date code)

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- Solvent Testing for Resurfacing (If pass acetone test) - Heated Solvent testing w/ Dynasolve 750, (same 3 parts per lot date code)

All electrical test reports shall contain a read/record data table showing the measured values of each device tested. Electrical test shall be performed after parts have passed the inspection and tests listed above.

Sample value measurements required per ANSI/ASQ Z1.4 at ambient temperature, 1% AQL level II. Component value tests are defined in the following chart:

COMPONENT	TEST
Resistors	DC resistance
Capacitors	Capacitance
Inductors	Inductance
Transformers (open framed/wiring)	Winding-to-winding isolation, winding continuity, winding inductance, turns or voltage ratio
Connectors	Continuity on a 1% AQL sample of pins/connections
Relays	Contact and coil resistance

If suspect/counterfeit parts are furnished under this subcontract and are found in any of the goods delivered hereunder, such items will be impounded by Buyer. The Seller shall promptly replace such suspect/counterfeit parts with parts acceptable to the Buyer and the Seller shall be liable for all costs relating to the removal and replacement of said parts as specified in the subcontract requirements or Distributor's insurance policies. Buyer reserves all contractual rights and remedies to address grievances and detrimental impacts caused by suspect/counterfeit parts.

Seller shall report all occurrences of Counterfeit parts to GIDEP and ERAI.


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EXHIBIT C

Independent Distributor Purchase Order Clause – COTS Assemblies (Including Electro-mechanical items, Hard Drives, Network Equipment, and Peripheral Cards)

Independent Distributor procedures shall meet the requirements of IDEA-STD-1010 and AS6081. Quality Management System shall be certified to AS9120 and/or AS9100.

Manufacturer specifications and parameters shall be used for part requirements as applicable. Recorded evidence of all testing performed shall be included with each shipment. When available, OEM/OCM and/or AD Certificates of Conformance (C of Cs) shall also accompany each shipment.


The following inspections and tests are required for general COTS assemblies, hard drives, network equipment and peripheral cards:

General COTS Assemblies

- Packaging inspection (part number, evidence of tampering, etc.)
- Mechanical dimensions (3 parts minimum per lot)
- Visual Inspection (100%) for indications of prior usage/refurbishment/counterfeiting including damage to:
 - Components visible on circuit cards when applicable
 - Interface connector(s)/contact(s)
 - Crimped, cut, spliced, pinched, and/or broken wire(s) where applicable
- Manufacturer label bar code information verification

Hard Drives

- Packaging inspection (part number, evidence of tampering, etc.)
- Mechanical dimensions (3 parts minimum per lot)
- Visual Inspection (100%) for indications of prior usage/refurbishment/counterfeiting including damage to:
 - Components visible on circuit cards when applicable
 - Interface connector(s)/contact(s)
 - Casing
- Manufacturer label bar code information verification

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- 100% Power on test
- 100% Read/write benchmark
- 100% Self-Monitoring, Analysis, and Reporting Technology (S.M.A.R.T.) data pull (when applicable)
 - Verification of serial number
 - Total power on hours
 - Serial numbers recorded


Network Equipment

- Packaging inspection (part number, evidence of tampering, etc.)
- Mechanical dimensions (3 parts minimum per lot)
- Visual Inspection (100%) for indications of prior usage/refurbishment/counterfeiting including damage to:
 - Components visible on circuit cards when applicable
 - Interface connector(s)/contact(s)
 - Casing
- Manufacturer label bar code information verification
- 100% Power on test
- 100% Test RJ-45 ports (when applicable)
- Serial numbers recorded

Peripheral Cards

- Packaging inspection (part number, evidence of tampering, etc.)
- Mechanical dimensions (3 parts minimum per lot)
- Visual Inspection (100%) for indications of prior usage/refurbishment/counterfeiting including damage to:
 - Components visible on circuit cards when applicable
 - Interface connector(s)/contact(s)
- Manufacturer label bar code information verification

If suspect/counterfeit parts are furnished under this subcontract and are found in any of the goods delivered hereunder, such items will be impounded by Buyer. The Seller shall promptly replace such suspect/counterfeit parts with parts acceptable to the Buyer and the Seller shall

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be liable for all costs relating to the removal and replacement of said parts as specified in the subcontract requirements or Distributor's insurance policies. Buyer reserves all contractual rights and remedies to address grievances and detrimental impacts caused by suspect/counterfeit parts.

Seller shall report all occurrences of Counterfeit parts to GIDEP and ERAI

Exhibit D

Test Lab Purchase Order Clause – Mechanical Parts and Materials

Manufacturer specifications and parameters shall be used as applicable for part and material requirements. Recorded evidence of all testing performed shall be included with each shipment. The following inspections and tests are required for mechanical parts and materials by an accredited third-party testing facility:

- Packaging inspection (part number, evidence of tampering, etc.)
- Part/Packaging marking inspection for evidence of remarking or alterations (part number, mfg. name, trademark or logo, lot or date code, grade, etc.) - Sample of 3 pieces per lot for part markings.
- Mechanical parts external visual inspection (100%) for damage, wear, contamination, or use.
- Mechanical parts dimensional inspection – selected critical dimensions shall be verified per manufacturer specifications on a sample of 3 pieces per lot.
- Plating Verification (e.g., XRF) - sample of 3 pieces per lot.
- Base material verification (certification of composition/chemical analysis, heat treatment, hardness testing, tensile strength, torque testing, magnetic particle, etc. as applicable per material specification) - sample of 1 piece per lot.
- Mechanical Item Test Verification (if required by the item specification) - sample of 1 piece per lot.

Seller shall report all occurrences of Counterfeit parts to GIDEP and ERAI.


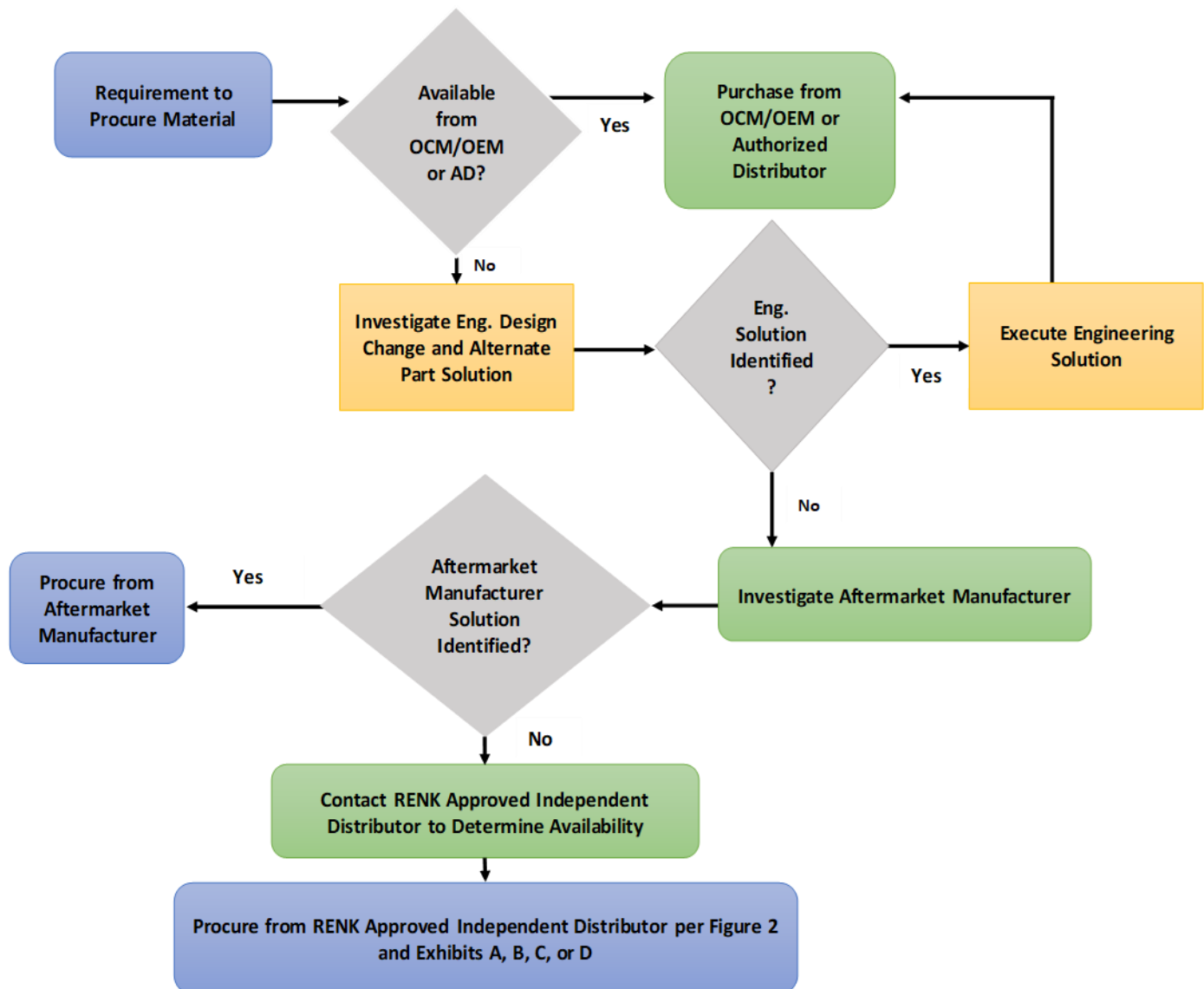
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Figure 1 – Part Procurement Process




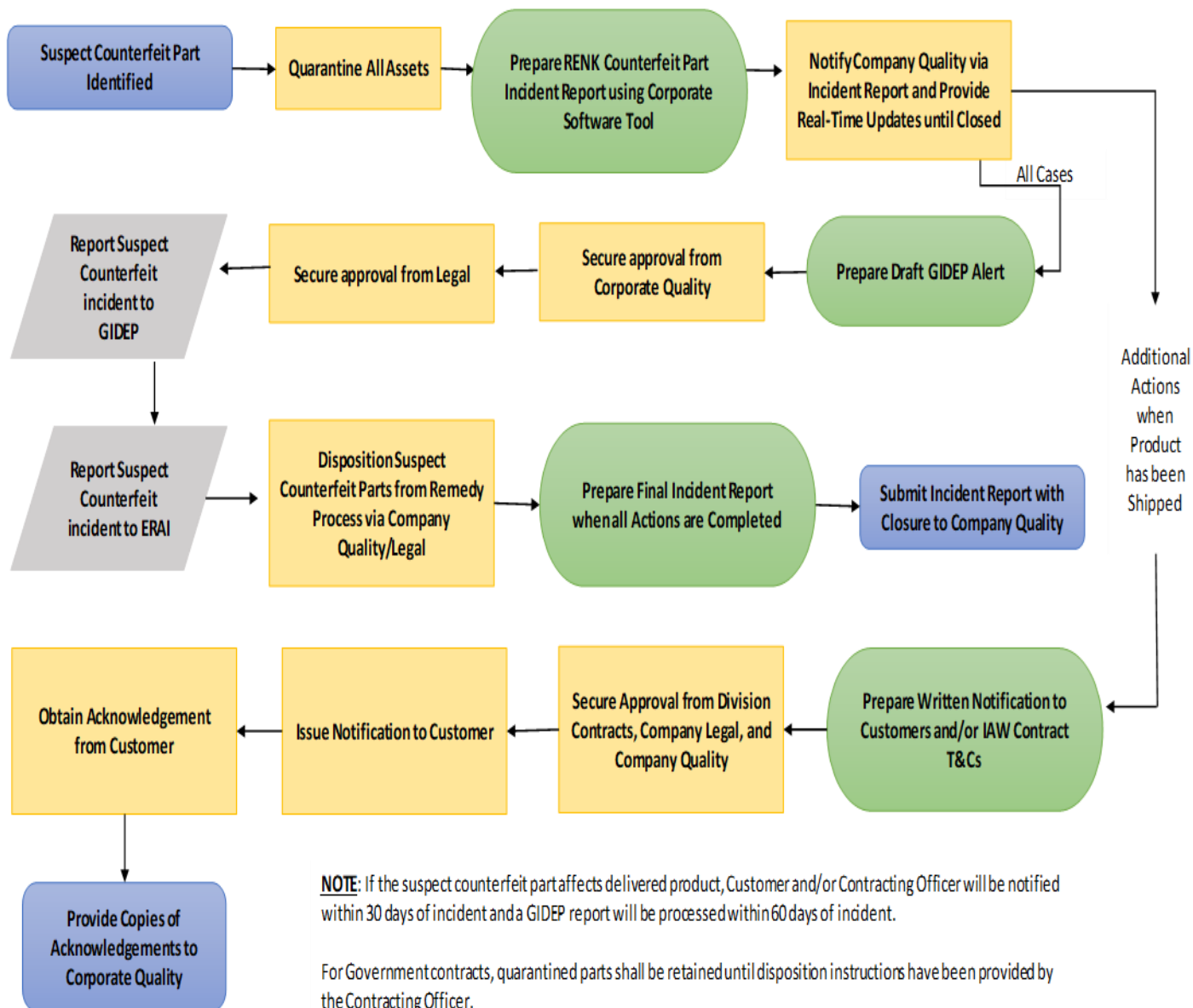

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Figure 3 – Process for Counterfeit Part Mitigation



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SECTION 003: Source Selection & Justification

1.0 SCOPE

- 1.1. Only Procurement has the authority to award a purchase order, obligate RENK America (RAM) for goods or services, or modify/change purchase orders.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Quality / Supplier Quality Assurance
- 2.3. Engineering
- 2.4. Manufacturing Engineering

3.0 REFERENCES

- 3.1. FAR Part 6 Competition Requirements
- 3.2. FAR Subpart 13.2 – Actions at or Below the Micro-Purchase Threshold
- 3.3. FAR Subpart 13.201 - General
- 3.4. FAR Subpart 13.203 – Purchase Guidelines
- 3.5. FAR 52.244-5 – Competition in Subcontracting
- 3.6. FM-599-017-1 – Government PO Checklist

4.0 DEFINITIONS

- 4.1. Source Selection Committee (SCC) – The SSC is comprised of the applicable Program Manager, Buyer, Engineer, Supplier Quality, Quality Engineering representative and Manufacturing Engineer (as applicable).


5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management


6.0 GENERAL

- 6.1. This process is not applicable to MIL Spec part. Example, AS/MS/NAS, etc.
- 6.2. Where required the Buyer will complete the Source Selection Request Form FM 599-003-2. Based on the information received by the SSC members a meeting may need to be called before a decision to place an order with the suggested vendor. When feedback has been received by the SSC or due date for input has expired.

7.0 PROCEDURE

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- 7.1.** Developing new sources is an integral part of RAM's overall objective of purchasing materials, supplies and services in a price competitive environment. Procurement initiates alternate source action, whenever it is feasible, to accomplish any or all of the following:
- 7.1.1. Introduce effective price competition.
 - 7.1.2. Reduce product cost or delivery time.
 - 7.1.3. Improve product performance, quality, design, or reliability.
 - 7.1.4. Provide best value to RAM
- 7.2.** Procurement is responsible for obtaining or completing a Vendor Request Form prior to issuing an award to a new supplier. Procurement is responsible for ensuring the existing suppliers have a valid Vendor Request Form prior to issuing a purchase order. Procurement shall verify that the supplier is in the Quality information System (QIS).
- 7.2.1. If the supplier is not an approved supplier in the QIS, then the buyer shall submit a Supplier Approval Request (SAR) form to the SQA commodity lead for processing in the QIS. See FM 599-003-1.
- 7.3.** Competition in Subcontracting - In accordance with FAR Part 6, or FAR Subpart 13.104 for awards using the simplified acquisition procedures, subcontractors and suppliers shall be selected on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract.
- 7.4.** Procurement is required to pursue the solicitation and award of competitive procurements to the maximum practical extent regardless of acquisition type.
- 7.4.1. Supplier Selection Other Than Low Bidder - In the event the low bidder is disqualified as non-responsive for any reason other than receipt of quotation after the closing date and time (such as known quality deficiencies, chronic late deliveries, financial instability, etc.), the Buyer documents the supplier selection within the price negotiation.
 - 7.4.2. Supplier Selection other than low bidder, based on competition FAR 15.403 states that a price is "based on" adequate price competition if it results directly from price competition or if price analysis alone clearly demonstrates that the proposed price is reasonable in comparison with current or recent prices for the same or substantially the same items purchased in comparable quantities, terms, and conditions under contracts that resulted from adequate price competition. If the selection of other than low bidder is based on competition, the Buyer is

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required to write a memorandum of record to the file documenting how the award meets the "based on competition" requirements. The Buyer may determine due to lead time the low bid supplier cannot meet the Customer's requirements and deem the procurement as "Best Value" based on competition. Items that do not receive competition should include a price analysis indicating how the price for those items is deemed fair and reasonable. This rationale is based on FAR Part 15.

7.5. Single-Source Selection

- 7.5.1. Directed Source: Procurement may be directed by the customer, procurement management, engineering, or program management to procure goods or services from a single source. A copy of the document directing the Buyer to procure from a specific source shall be placed in the file. (This includes requisitions and/or source-controlled drawings.
- 7.5.2. Procurement shall review each source directed procurement for adequate justification. The Buyer shall reject single source requests when not adequately justified. Procurement is the final approval authority in all source selection actions.
- 7.5.3. Single-source selection may be based on the following rationale however, this is not an all-inclusive list:
 - 7.5.3.1. Tooling Cost
 - 7.5.3.2. Qualification Test Cost
 - 7.5.3.3. Delivery Requirements
 - 7.5.3.4. Proprietary Items
 - 7.5.3.5. Logistic/Support Cost
 - 7.5.3.6. Sole Respondent with a Bid
- 7.5.4. Whenever the award is made to a single source, the requestor shall generate a comprehensive single/sole source justification which is a summary describing the basis for the decision. The requestor shall state the type of award, single or sole source, the product or service to be procured and to who is the recommended supplier. If the award is a source-controlled drawing, a copy of the drawing shall be included in the purchase order file. If the award is Customer directed there shall be documentation stating so and the document calling out the supplier. The justification should contain the author's name, title, and date.


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7.6. Sole-Source or Single Source Justification


- 7.6.1. Sole-Source is defined as the situation in which only one source of supply exists that is capable of producing the service or supply required.
- 7.6.2. Single Source is defined as an award made to only one of potentially several sources capable of producing the service or supply required and is usually due to considerations such as required deliveries, product availability, quality issues with multiple suppliers etc.
- 7.6.3. When award will be made to a sole source of supply, the requestor shall generate a comprehensive sole/single source justification describing the basis for the decision.
- 7.6.4. The requestor shall state specific details limiting the sources for award the type of award, single or sole source, the product or service to be procured and to whom the award must be made to.
- 7.6.5. If the award is a source-controlled drawing, a copy of the drawing shall be included in the purchase order file. If the award is Customer directed there shall be documentation stating so. This is the same if it is Engineering directed or RAM management directed.
- 7.6.6. When the Purchase Order is awarded as Sole Source, based on a technical reason that are identified by the technical representative, the representative must provide a Source Justification Memorandum to the Buyer and placed in the purchase order folder. The justification should contain the author's name, title, and date.

7.7. Dual-Source Justification

- 7.7.1. There may be instances where it is desirable to dual source an item. The following criteria may be considered for dual sourcing though the list below is not all inclusive:
 - 7.7.1.1. National Security (during time of war or conflict)
 - 7.7.1.2. Lead-time
 - 7.7.1.3. Quality
 - 7.7.1.4. Monetary Consideration, unit/vehicle
 - 7.7.1.5. Overseas Supplier (during time of war or conflict)
 - 7.7.1.6. Capacity Constraints
 - 7.7.1.7. Testing of New Suppliers
 - 7.7.1.8. Contract Directed

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- 7.7.1.9. Technical Risk
- 7.7.2. The Buyer may recommend an item for dual sourcing if any of the above exist. The Buyer will prepare a memorandum outlining the reasons dual sourcing is recommended for the concurrence of Supply Chain Management.
- 7.8. Purchases at or below Micro-Purchase Threshold
 - 7.8.1. The Buyer is responsible for obtaining competition whenever practicable. The Buyer is not required to perform a price analysis based on FAR 13.203(3) when the total value of the purchase order is less than the micro-purchase threshold unless the buyer has reason to believe the quoted price is not fair and reasonable as compared to previous prices paid for example. The cost of analyzing low dollar procurements is outweighed by any potential savings.
 - 7.8.1.1. If competitive quotations were solicited and award was made to other than the low bidder, the Buyer is required to provide a source justification which may be limited to identification of the solicited concerns and an explanation for the award decision.
- 7.9. Late Bids/Proposals
 - 7.9.1. In the event it is necessary for the Buyer to accept a Late Bid or proposal, the Buyer shall include this information in the written justification. The Buyer may accept a late bid if only one supplier was solicited. Prior to the close of the bid response date, if the Buyer is aware that one or more suppliers will not be able to respond before the bid response date, the Buyer may extend the response date to **ALL** suppliers solicited prior to the close of the bid response date. In the event a supplier is unable to meet the RAM due date the supplier shall contact the buyer with rationale for being late and request and extension. If approved the extension may be granted to all suppliers.
- 7.10. Supplier Pre-Award Evaluation
 - 7.10.1. Notwithstanding the above, prior to the award of a Purchase Order (in excess of the current micro-purchase threshold) to a Supplier who has not previously conducted business with RAM or a previously approved Supplier who has not received a Purchase Order or within the

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preceding twelve-month period prior to the proposed award date, a pre-award evaluation will be conducted.


7.11. The buyer will submit a Request for Supplier Evaluation.

7.11.1. Pre-award evaluations will be conducted by a Supplier Quality Assurance (SQA) representative as requested by Procurement management. Primarily emphasis will be placed on the Supplier's capability to produce the commodity or commodities proposed and their ability to meet and maintain an acceptable quality level. The buyer may request a Dun & Bradstreet and/or a Rapid Ratings report or financial information obtained from the supplier or recognized other documentation to evaluate the supplier's financial stability. Evaluations will be made only of Supplier(s) to whom the Buyer intends to make the award of a Purchase Order. Follow-up evaluations will be conducted at the discretion of SQA.

7.12. The Following are Exceptions to Award of a Contract to the Lowest Bidder

- 7.12.1. A supplier who is not the low bidder may still receive a purchase order based on "best value" to the customer and to RAM. Best Value criteria can include factors such as supplier delivery schedule, supplier past performance, degree of supplier "responsibility," Favorable terms and conditions, product quality, and supplier flexibility/adaptability (FAR sub-part 15.1) though the listed factors are not all inclusive.
- 7.12.2. An order may be placed with a subcontractor for a non-standard item which may be sole source (source controlled).
- 7.12.3. An award may be made to a subcontractor furnishing a standard commercial Off-The-Shelf (COTS) or stock item.
- 7.12.4. It is preferable for Buyers to request a Supplier Quality System Survey/Audit be performed on all potential new suppliers prior to, or simultaneous with, Buyer issuance of a Request for Quote. Supplier Survey/Audits must be completed for all new suppliers. SCM and Quality determine frequency of supplier re-audits.

7.13. A follow-on procurement action exists when, within ~365 days after the award of a purchase order or subcontract, a subsequent requirement is received for the same item or items in the same or similar quantities and can be awarded to the same supplier under essentially the same terms and conditions of purchase. A follow-on

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procurement may occur both under competitive and non-competitive circumstances.


7.13.1. When the original award was determined fair and reasonable resulting from competition, the follow-on purchase may be documented as fair and reasonable based on the original competition. Documentation of the follow-on award shall be supported with copies of the competitive analysis performed under the original award. No further price analysis is required.

7.13.2. When the original award was determined fair and reasonable on a non-competitive basis, the follow-on purchase may be documented as fair and reasonable utilizing the same price analyses technique(s) as the original award. Documentation of the follow-on award shall be supported with copies of the price analysis techniques employed under the original award.

7.14. The Buyer shall use one of the following codes (4A – 8A) when coding the award type:

7.14.1. Competition Recording Code (CRC) for Government Purchase Orders (See company Quality Information System (QIS) for full chart.

<u>GOVT</u>	<u>DESCRIPTION</u>
4A	Non-Competition - Catalog or Market Price
5A	Only Qualified Source: P.O.'s issued to the only approved source to manufacture an item.
5B	Proprietary Source: Indicates the design of the items purchased belongs to the supplier.
5C	International Agreement Directed Source: A mandatory source is identified by name in an international agreement.
5D	Government Directed Source: Source Controlled Drawings for a specific item.
5E	Engineering Directed Source: either by drawing or a manual requisition for a specific item.
5F	Other Single/Sole Source - Any sole source item not falling into one of the above categories
5G	Interdivisional Sole Source: Interdivisional awards made without competition.

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6A	Non-Profit Agency Awards: P.O.'s issued to non-profit organizations.
7A	Regulated Business Awards: P.O.'s placed where pricing is set by law or regulation.
8A	Small Purchase Awards – Low valued P.O.'s under \$3K.

8.0 RECORDS

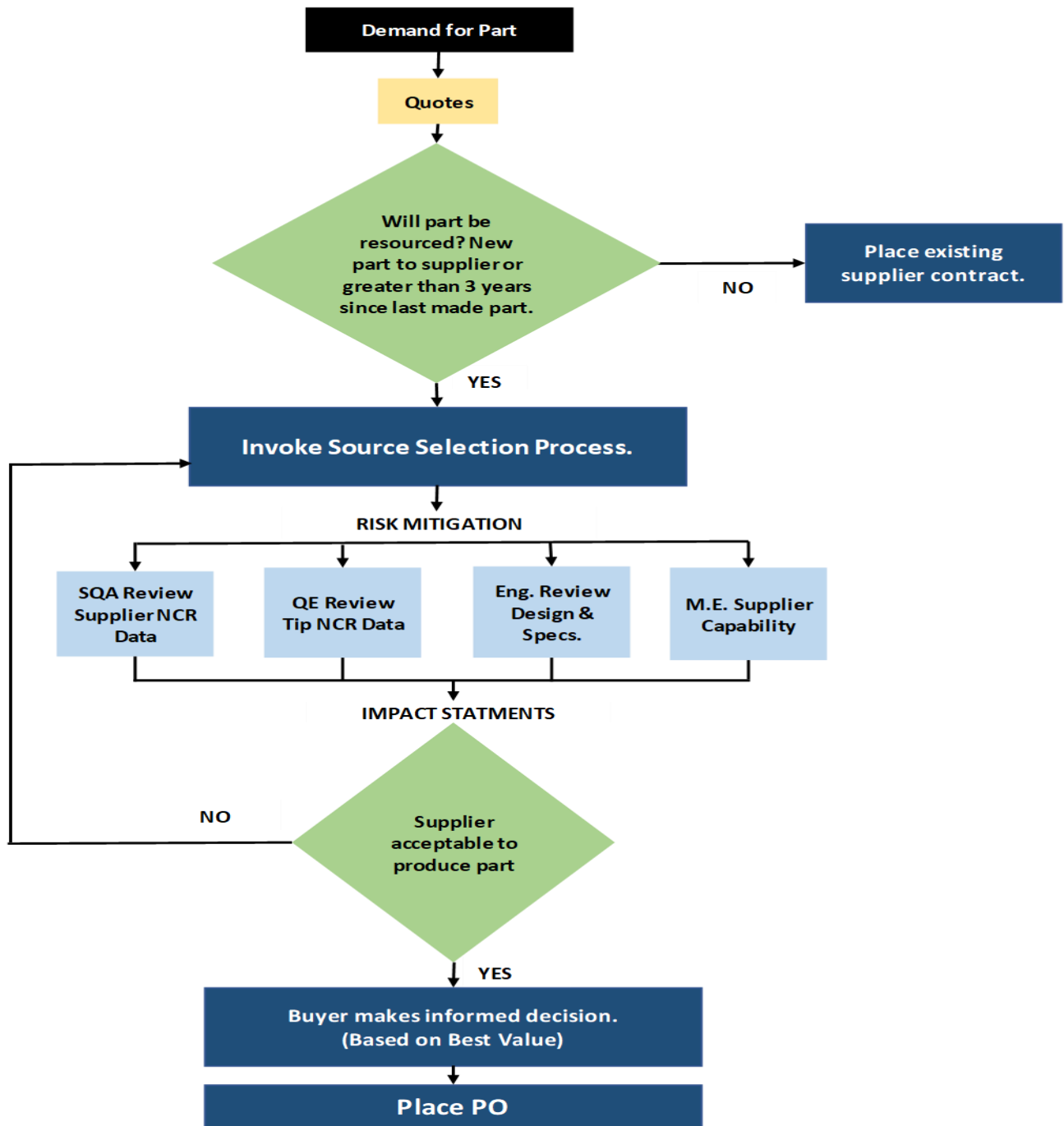
List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-003-3: Request for Vendor Information	PR 599-03	Procurement	Procurement Source Approvals
FM 599-003-2: Source Selection Request	PR 599-03	Procurement	Procurement Source Approvals
FM 599-003-1: Supplier Approval Request	PR 599-03	Procurement	NA – Transitory
FM 599-003-4: Source Impact Statement	PR 599-03	Procurement	Procurement Source Approvals


9.0 EXHIBITS

9.1. Supplier Selection Process Flow

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Supplier Selection Process Flow



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SECTION 004: Cost-Reimbursement Awards and Supplier Financing

1.0 SCOPE

- 1.1. This procedure applies to situations in which Cost Reimbursement contract vehicles are contemplated.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR Part 16 – Types of Contracts
- 3.2. FAR Part 31 – Contract Cost Principles and Procedures
- 3.3. FAR Part 32 – Contract Financing

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. Request for Quote/Proposal Requirements
 - 7.1.1. Prior to releasing a request for quote/proposal that solicits a cost-reimbursable proposal, the Buyer shall obtain direction from the appropriate program representative and, obtain or prepare documentation explaining the contract type. Factors to consider when selecting the award types are included in FAR Part 16.104.
- 7.2. Subcontractor/Supplier Request for Cost-Reimbursable Award
 - 7.2.1. Prior to obtaining approvals, the Buyer shall review the supplier documentation and determine if it is sufficient for the type of cost-reimbursement, Time and Material or Labor Hour award proposed.
 - 7.2.2. The Buyer should determine the supplier's financial viability prior to approving any form of supplier financing. This may be done by

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obtaining a Dunn & Bradstreet (D&B) Report, and/or a Rapid Ratings Report and/or requesting an internal financial capability audit.

7.3. Cost-Reimbursable Award Requirements

7.3.1. Additional information regarding the cost-reimbursable cost types can be found at FAR Part 16.3 – Cost Reimbursement Contracts. Additional information regarding T&M and Labor Hour awards can be found at FAR Part 16.6 – Time-and-materials, Labor-Hour, and Letter Contracts.

7.3.1.1. Supplier Eligibility – Accounting & Billing System

7.3.1.1.1. The Buyer shall ensure the supplier/subcontractor has an adequate accounting and billing system to collect cost for billings throughout the period of performance. The Buyer shall determine whether the supplier has completed and submitted a Cost Accounting Standards (CAS) Certification (Large Business Only) for each eligible award.

7.3.1.2. Supplier Eligibility – Invoicing


7.3.1.2.1. The Buyer shall ensure the supplier/subcontractor is familiar with the responsibilities and requirements for submitting cost vouchers and invoicing cost-reimbursable awards.

7.3.1.3. Supplier Eligibility – Submitting Indirect Rate Proposals

7.3.1.3.1. The Buyer shall ensure the supplier/subcontractor is familiar with the responsibilities and requirements for updating and submitting final indirect rates to the U.S. Government in a timely manner if required.

7.3.1.4. Applicability to Commercial Item Acquisition

7.3.1.4.1. If the supplier/subcontractor has submitted an Assertion of Commerciality and by and through a Commercial Item Determination, the acquisition appears to be for a

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commercial item, the Buyer should not place a cost-reimbursable award with that supplier/subcontractor for that effort.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 005: Procurement Subcontract Management

1.0 SCOPE

- 1.1. Procurement Subcontract as identified by the Procurement Manager.


2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Engineering Organization
- 2.3. Quality/Supplier Quality Assurance
- 2.4. Contracts Organization
- 2.5. Production and Delivery
- 2.6. Program Management

3.0 REFERENCES

- 3.1. FAR Part 31 Contractor Cost Principles and Procedures
- 3.2. FAR Part 32 Contract Financing
- 3.3. FAR 15.408 Table 15 2 Instructions for Submitting Cost/Price Proposals When Certified Cost or Pricing Data Are Required
- 3.4. FAR 52.216-7 Allowable Cost and Payment
- 3.5. FAR 52.216-16 Progress Payments
- 3.6. FAR 52.216-18 Ordering
- 3.7. FAR 52.216-26 Payments of Allowable Costs before Definitization
- 3.8. FAR 52.216-29 Time and Materials/Labor Hour Requirements – Non Commercial Item Acquisition with Adequate Price Competition
- 3.9. FAR 52.216-30 Time and Materials/Labor Hour Requirements – Non Commercial Item Acquisition without Adequate Price Competition
- 3.10. FAR 52.216-31 Time-and-Materials/Labor-Hour Proposal Requirements—Commercial Item Acquisition.
- 3.11. FAR 52.232-32 Performance Based (Milestone) Payments
- 3.12. DFAR 252-242-7004 Material Management and Accounting System
- 3.13. DFAR 252.242-7005 Contractor Business Systems
- 3.14. DFAR 252-242-7006 Accounting System Administration
- 3.15. FM-599-05 SOW Internal Approval Form

4.0 DEFINITIONS

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- 4.1. Subcontracts - Acquisitions that are generally of a higher dollar value but maybe at a lower value, typically include statements of work or technical specifications and require a greater degree of administrative effort on a sustained basis.
Subcontracts may also be awarded on other than a firm-fixed price basis.
- 4.2. Major Subcontract - is a significant transaction which requires extensive Program and Procurement attention before and after award and requires a greater degree of attention than standard purchase order or subcontract procurement actions.
- 4.3. System Generated Requisition - is a requisition that is generated based on the demand that is loaded in ERP.
- 4.4. Manual Requisition - is generated by other functional groups and requires that the full anticipated value be identified, the complete scope of work scope, quantities and schedules, etc.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. Supply Chain Subcontract Management embraces all phases of the Procurement process, material planning, supplier selection, negotiation, subcontract preparation, and post award management of the subcontract.
- 6.2. There is no legal difference between a Purchase Order and a Subcontract as both are contracts. Distinctions listed below apply when determining what type of contract will be awarded.
- 6.3. Procurement is the only Department that is authorized to obligate funds on behalf of RAM for the procurement of goods or services. Formal Purchase orders or subcontracts shall be used for all commitments.
- 6.4. In conjunction with other functional departments, SCM will investigate and select potential suppliers for the procurement of all goods and services as required.
- 6.5. SCM will evaluate responses and establish a negotiation target price.
- 6.6. Other functional departments assist Main reviewing subcontractor performance and resolving problems to ensure that Company responsibilities are accomplished in a timely manner.

7.0 PROCEDURE


- 7.1. Procurement

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- 7.1.1. Prepares the RFP/RFQ, to be issued to suppliers that will include the Contract requirements that shall be provided by the Contracts group. Other functional areas may provide inputs to this activity. Engineering, Quality, Contracts, Programs Organization, Finance, and Procurement subcontracts to develop suppliers, scope, schedules, etc. If a purchase order is contemplated, the generation of a Scope of Work, Schedule, Quality Requirements and Terms and Conditions may be required.
- 7.1.2. After the final SOW has been completed the file and routed to the appropriate reviewers and approvers, the reviewers/approvers shall sign off on the SOW Internal Approval Form FM-599-005. This document shall be returned to procurement prior to the issuance of a formal RFP/RFQ.
 - 7.1.2.1. The Subcontract Administrator (SCA) shall receive from Contracts, the required Proprietary Information Agreement, (PIA), Memorandum Of Understanding (MOU), Technical Assistance Agreement (TAA), or Teaming Agreement, along with the appropriate language to place on technical data. The SCA shall review and insure their correctness from Contracts.
- 7.1.3. SCA requests the appropriate language to place on technical data and confirmation that suppliers both US and Foreign are free to receive technical data e.g., MOU, PIA, TAA, Teaming Agreements, etc., are in place from the Import/Export Manager for foreign suppliers who shall determine whether or not licensing is required.
- 7.1.4. Issues the official RFP/RFQ that includes a bid response date to ensure that the proposals and quotes are returned on time to selected suppliers with all applicable requirements.
- 7.1.5. Coordinates subcontractor proposal evaluations as needed to ensure that all requirements of the RFQ/RFP are complied with and evaluated by the responsible functional departments. Maintains all final documentation in a file so that the information may be used for any future purchase orders or subcontracts that may be awarded.
- 7.1.6. Coordinates subcontractor proposal evaluations as needed to ensure that all requirements of the RFQ/RFP are complied with and evaluated by the responsible functional departments. Maintains all final

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- documentation in a file so that the information may be used for any future purchase orders or subcontracts that may be awarded.
- 7.1.7. Prepares subcontract file write-up for approval. A subcontract must have file required write-up, documentation, and approval in accordance with the RAM approval matrix
- 7.1.7.1. The SCA shall request a DCAA assist audit when required for single/sole source awards that meet or exceed the current Truth in Negotiations Act (TINA) threshold if RAM is unable to perform cost analysis.
- 7.1.7.2. The SCA along with other functional departments (if required) will negotiate a definitive subcontract or purchase order with supplier.
- 7.1.8. Subcontract Administrator manages the purchase order or subcontract to:
- 7.1.8.1. Ensure that the requirements as delineated in the SOW are followed.
- 7.1.8.2. Resolution of problems, cost control and maintain schedule.
- 7.1.8.3. Maintains appropriate purchase order/subcontract files as required.
- 7.1.8.4. Process purchase order/subcontract changes through documented revisions.
- 7.1.8.5. Expedite delivery of items when required. Ensure that supplier is providing compliant to obtain correction or replacement of non-conforming material. Note: The above list is not all inclusive.
- 7.1.9. In the event the subcontractor received a Cost Type, Time and Material, Labor Hour, Performance Based Payments or Progress Payments. The SCA shall ensure that the Subcontractor has submitted a Cost Accounting Certification and are capable of tracking costs to individual contracts.
- 7.1.9.1. Obtain objective evidence that the subcontractor has incurred the cost invoiced or submitted on a public voucher. Review and approval of subcontractor invoices/public vouchers submitted for payment and obtain

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additional approvals from Finance and or/Program Management.

7.2. Contracts Department

7.2.1. Acts as the sole contact point with the Government/Customer for resolution of subcontract problems which affect terms and conditions of the prime contract.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-005	Procurement	SOW Internal Approval Form	Bid Rate and Proposals

9.0 EXHIBITS

9.1. Exhibit A - Flowchart of Manual Requisition SOW


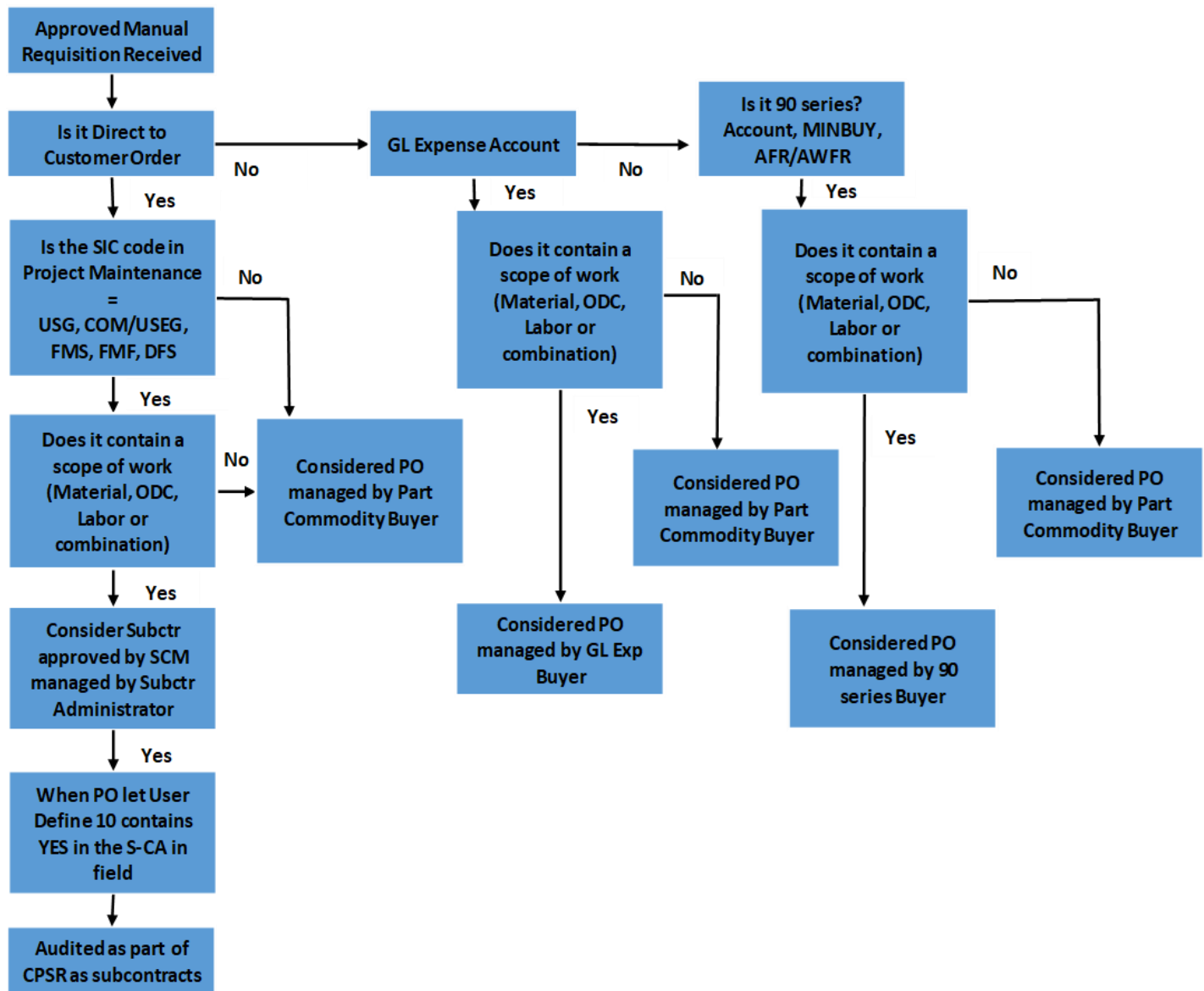

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EXHIBIT A – FLOWCHART OF MANUAL REQUISITION SOW



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SECTION 006: Authorized Signature Approval Authority

1.0 SCOPE

- 1.1. This procedure is applicable to Procurement personnel at all levels of approval authority.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. Procurement 599 series procedures
3.2. RENK America Approval Authority Matrix

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE


- 7.1. Levels of approval for procurement personnel to release purchase orders /subcontracts is contained in the RENK America Approval Authority Matrix maintained by the company finance organization.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-006 Government Approval	NA	Procurement	Procurement Source Approvals

9.0 EXHIBITS

- 9.1. N/A

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SECTION 007: SUPPLIER FINANCING AND PAYMENTS

1.0 SCOPE


- 1.1. This procedure applies to situations in which suppliers request financing for production programs and pre-production programs, in accordance with RENK America Systems policies and procedures and applicable regulations found in the FARs, DFARs, and Public Laws.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Finance

3.0 REFERENCES

- 3.1. FAR Part 31 - Contract Cost Principles and Procedures
- 3.2. FAR Subpart 32.4 – Advance Payments for Non-Commercial Items
- 3.3. FAR 32.5 - Progress Payments Based on Costs
- 3.4. FAR 32.10 - Performance-Based Payments
- 3.5. FAR 32.705-1 - Clauses for Contracting in Advance of Funds
- 3.6. FAR 50.102-3(b)(4) – Limitations on Exercise of Authority
- 3.7. FAR 52.216-7 - Allowable Cost and Payment
- 3.8. FAR 52.232-12 - Advance Payment
- 3.9. FAR 52.232-16 - Progress Payments
- 3.10. FAR 52.232-18 - Availability of Funds
- 3.11. FAR 52.232-19 - Availability of Funds for the Next Fiscal Year, in solicitations and contracts if a one-year indefinite-quantity or requirements contract for services is contemplated and the contract
- 3.12. FAR 52.232.28 - Performance-Based Payments
- 3.13. FAR 52.232.32 – Performance-Based Payments
- 3.14. Public Laws U.S.C 2307(e) and 41 U.S.C. 255
- 3.15. Public Law 85-804 (U.S.C. 1431-1435)
- 3.16. Public Law 31 U.S.C. 3903 and prompt payment regulations at 5 CFR part 1315.

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3.17. DFAR 252.242-7005 - Contractor Business Systems

3.18. DFAR 252.242-7006 - Accounting System Administration

3.19. Standard Form 1443 – Contractor's Request for Progress Payment (SF1443)

4.0 DEFINITIONS

4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

5.1. Vice President Supply Chain Management

6.0 GENERAL

6.1. N/A


7.0 PROCEDURE

7.1. Levels Progress, Performance Based (Milestone) & Advance Payments

7.1.1. Progress Payments and Performance Based Payments are payments made as work progresses on Fixed Price Subcontracts and Purchase Orders. These Payments may be approved for small businesses with an award of \$150,000 or more and a period of performance of 4 months or longer, and large businesses with an award of \$2,500,000 or more and a period of performance of 12 months or longer. Advance Payments other than to the US Government (Army Depots, etc.) and foreign suppliers will generally not be approved. (The U.S. Government considers Advance Payments to be the least preferred method of financing and should not be used when another type of financing is reasonably available).

7.1.2. Progress Payments are based on Supplier costs incurred, subject to satisfactory progress by the Supplier as determined by the Buyer. The Progress Payment rate for Small Business is 85% of total cost and large business is 80% of total cost. The limit for Progress Payments is 80% on work accomplished under un-definitized contract actions and the un-liquidated Progress Payments shall not exceed 80% of the funded amount. A supplier may not bill more frequently than once a month or below a value of \$2,500.

7.1.3. The Supplier shall not be entitled to payment of a request for performance-based payment prior to successful accomplishment of the event or performance criteria for which payment is requested. The Buyer shall determine whether the event or performance criterion for


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which a payment is requested has been successfully accomplished in accordance with the terms of the award. The Buyer shall require the Supplier to provide supporting documentation. Performance Based Payment Certification is not adequate support of performance and will require review and concurrence by engineering personnel, (in some cases) receivers, or documentation supporting the supplier's issuance of purchase orders for direct material. Supporting the successful performance/milestone of any event or performance criterion which has been or is represented as being payable. The Buyer shall obtain, review, and substantiate that the progress has been made prior to invoice approval. A review of the Performance Based Certification shall be performed by Procurement Compliance once it is obtained by the buyer from the supplier. The Buyer shall request the Supplier to complete and return the Performance Based Payment Certification, FM-599-007. The basis for Performance Based Payments may be either specifically described events (e.g., milestones) or some measurable criterion of performance. Total Performance Based Payments shall not exceed 90 percent of the contract price if on a whole contract basis, or 90 percent of the delivery item price if on a delivery item basis. A supplier may not bill more frequently than once a month.

7.1.4. The supplier will include requests for Financing Payments at the time they submit their quotation or proposal. When a supplier requests Progress Payments the Buyer shall seek a review and approval from the Finance and/or the Program Manager. Supplier requests for Progress, Performance Based, or Advance Financing must be received in writing prior to any purchase order/subcontract placement (this includes Letter Contracts). If the supplier did not request supplier financing prior to award they may not be approved unless there is an exception and will require approval by Finance and/or Program Management.

7.1.5. If Financing Payments are not granted to the Supplier, the Buyer must notify the Supplier of denial of the Request for Supplier Financing Payments as soon as possible in order to minimize any cost impact to the Supplier or RAM.

7.1.5.1. The Buyer shall provide a copy of the Supplier's Request for Payments and a copy of a current D&B report or Rapid Ratings report to the authorized personnel in Finance for final approval. The buyer may then place the award containing progress payments. A Letter Contract may be


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issued noting that progress payments may be authorized, contingent on approval of the supplier's accounting system adequacy and financial condition if there is not adequate time to complete the review and approval to meet urgent requirements.


- 7.1.5.2. Prior to approval of performance-based payments to the Supplier, Supply Chain Management or Compliance shall determine if the supplier is financially capable of performing the award. Once the determination has been made to approve the performance-based payment, the buyer will be advised to proceed with development of the performance-based payment plan/schedule with program finance and the supplier. Upon approval, the payment plan, along with the Supplier's Request for Payments, shall be provided to the authorized personnel in Finance and Program Management for final approval. The buyer may then place the award containing performance-based payments. A Letter Contract may be issued noting that performance-based payments may be authorized.
- 7.1.5.3. The Buyer shall add a line to the purchase order for the supplier Advance Payments, Performance Based (Milestone) Payments or Progress Payments.

7.2. INDIVIDUAL PAYMENT REQUESTS – after financing is approved for a Purchase Order or Subcontract:

- 7.2.1. Upon the submission of a Progress Payment request (SF1443), the Buyer shall review the form and supporting documentation for accuracy to ensure that the supplier has incurred the costs commensurate with the progress made and obtain approval(s) from Program Management, Finance and/or Engineering to ensure that the SF1443 accurately reflects the progress billing amount. In accordance with FAR 32.503-4, when there is reason to question the reliability or accuracy of the supplier's certification or believe that the subcontract will involve a loss, the buyer should ask for a review or audit of the request before payment is approved. When there is reason to doubt the amount of a progress payment request, buyer should ask for a review or audit of the request, but only the amount in question should be withheld, subject to later adjustment after the review or audit and any clearly proper and due amounts should be paid without awaiting resolution of the differences. In accordance with FAR 32.503-5, post-payment reviews (including audits when considered necessary) shall be made

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- periodically, or when considered desirable by the Buyer to determine the validity of progress payments already made and expected to be made. The Buyer may request a review/audit from the RAM Authorized Representative or DCAA. The request shall include a copy of the Supplier's SF1443 and supporting documentation.
- 7.2.2. If the Buyer determines satisfactory supplier performance based on the accompanying documentation for the payment and approves the payment request, Accounts Payable will process the request/payment.
- 7.2.3. Upon a post-payment review or audit, the results of the audit are transmitted to the Buyer as a report or memorandum. Any necessary payment adjustments will be addressed by the buyer and Accounts Payable, supported by the review/audit report.
- 7.2.4. Upon submission of a Performance Based Payment Invoice, the Buyer shall review the invoice and supporting documentation to ensure that the supplier has successfully accomplished the event or performance criterion in accordance with the terms the subcontract.
- 7.2.5. If the Buyer determines satisfactory supplier performance and approves the payment request, Accounts Payable will process the request/payment.
- 7.2.6. The Buyer may reduce or suspend financing payments, after finding substantial evidence such as: The Supplier failed to comply with any material requirement of the order, failed to make progress, or is in an unsatisfactory financial condition.
- 7.3. Liquidation of Supplier Financing Payments**
- 7.3.1. Progress payments shall be liquidated by deducting a percentage from the price of items delivered, accepted, and invoiced. The liquidation rate will be specified in the purchase order. The ordinary method is that the liquidation rate is the same as the progress payment rate.
- 7.3.2. Performance based payments shall be liquidated by deducting a percentage from the price of items delivered, accepted, and invoiced. The liquidation rate will be specified in the purchase order. The method of liquidation shall ensure complete liquidation no later than final payment.
- 7.3.3. Due to the fact that Government Entities do not submit invoices, the Buyer is responsible for ensuring that there is a planned method in place for liquidating the advance payment. It is the buyers/SCA's responsibility to ensure that the entity we're contracting with has adequate documentation to facilitate receipt of material. If unsure, please contact accounting for further guidance. For non-receivable efforts, the Buyer will notify accounting periodically as costs are

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incurred by the Government Entity. This notification should be via email and should contain some type of documentation adequate enough to substantiate the costs as having been incurred by the Government Entity. The Buyer will contact accounting for further guidance on liquidation requirements.

7.4. Supplier Payment Terms

7.4.1. A Buyer is not authorized to agree to payment terms less than the RAM Standard Terms, without prior written approval by the Controller.

7.5. Deviations

7.5.1. All deviations shall be reviewed and approved by the following:


- 7.5.1.1. Procurement Management
- 7.5.1.2. Controller
- 7.5.1.3. Program Finance
- 7.5.1.4. Program Management

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Subcontractor Certification	PR-599-007	Procurement	Product and Vendor

9.0 EXHIBITS

9.1. N/A

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SECTION 008: Specialty Metals

1.0 SCOPE

- 1.1. This procedure applies to procurements of Specialty Metals against for U.S. Government contracts.

2.0 AFFECTED ORGANIZATIONS


- 2.1. Procurement

3.0 REFERENCES


- 3.1. US Code Section 2533a – Restrictions on Acquisition of Specialty Metals/Articles
- 3.2. FAR Subpart 2.101 - Definitions
- 3.3. DFAR 252.225-7008 - Restriction on Acquisition of Specialty Metals
- 3.4. DFAR 252.225-7009 - Restriction on Acquisition of Certain Articles Containing Specialty Metals

4.0 DEFINITIONS


- 4.1. As used in the clauses:
 - 4.1.1. Alloy - A metal consisting of a mixture of a basic metallic element and one or more metallic, or non-metallic, alloying elements. For alloys named by a single metallic element (e.g., titanium alloy), it means that the alloy contains 50 percent or more of the named metal (by mass).
 - 4.1.2. If two metals are specified in the name (e.g., nickel-iron alloy), those metals are the two predominant elements in the alloy, and together they constitute 50 percent or more of the alloy (by mass).
- 4.2. Produce Means:
 - 4.2.1. Atomization.
 - 4.2.2. Sputtering; or
 - 4.2.3. Final consolidation of non-melt derived metal powders
- 4.3. Specialty Metal -
 - 4.3.1. Steel -
 - 4.3.1.1. With a maximum alloy content exceeding one or more of the following limits: manganese, 1.65 percent; silicon, 0.60 percent; or copper, 0.60 percent; or

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- 4.3.1.2. Containing more than 0.25 percent of any of the following elements: aluminum, chromium, cobalt, molybdenum, nickel, niobium (columbium), titanium, tungsten, or vanadium.
- 4.3.2. Metal alloys consisting of -
 - 4.3.2.1. Nickel or iron-nickel alloys that contain a total of alloying metals other than nickel and iron in excess of 10 percent; or
 - 4.3.2.2. Cobalt alloys that contain a total of alloying metals other than cobalt and iron in excess of 10 percent.
 - 4.3.2.3. Titanium and titanium alloys; or
 - 4.3.2.4. Zirconium and zirconium alloys.
 - 4.3.2.5. Steel means an iron alloy that includes between .02 and 2 percent carbon and may include other elements.
- 4.3.3. Note: Any specialty metal delivered under a U.S. Government contract shall be melted or produced in the United States or its outlying areas.
- 4.4. Commercially Available Off-The-Shelf Item - Any item of supply that is.
 - 4.4.1. A commercial item (as defined in paragraph (1) of the definition of commercial item in section 2.101 of the Federal Acquisition Regulation).
 - 4.4.2. Sold in substantial quantities in the commercial marketplace; and
 - 4.4.3. Offered to the Government, under this contract or a subcontract at any tier, without modification, in the same form in which it is sold in the commercial marketplace; and
 - 4.4.4. Does NOT include bulk cargo, as defined in 46 U.S.C. 40102(4), such as agricultural products and petroleum products.
- 4.5. Component - Any item supplied to the Government as part of an end item or of another component.
 - 4.5.1. Electronic component means an item that operates by controlling the flow of electrons or other electrically charged particles in circuits, using interconnections of electrical devices such as resistors, inductors, capacitors, diodes, switches, transistors, or integrated circuits. The term does not include structural or mechanical parts of an assembly containing an electronic component and does not include any high-performance magnets that may be used in the electronic component.
 - 4.5.2. End item means the final production product when assembled or completed and ready for delivery under a line item of this contract.

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- 4.5.3. High performance magnet means a permanent magnet that obtains a majority of its magnetic properties from rare earth metals (such as samarium).
- 4.6. Qualifying Country** - Any country listed in the definition of Qualifying country at 225.003 of the:
- 4.6.1. Defense Federal Acquisition Regulation Supplement as listed below:
- 4.6.1.1. Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Israel, Italy, Japan, Latvia, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom of Great Britain, and Northern Ireland
- 4.7. Supplement (DFARS)** -
- 4.7.1. Required form - In the form of mill product, such as bar, billet, wire, slab, plate, or sheet, and in the grade appropriate for the production of;
- 4.7.2. A finished end item to be delivered to the Government under this contract; or
- 4.7.3. A finished component assembled into an end item to be delivered to the Government under this contract.
- 4.7.4. Subsystem - A functional grouping of items that combine to perform a major function within an end item, such as electrical power, attitude control, and propulsion.
- 4.7.5. Restriction - Any specialty metals incorporated in items delivered under a U.S. Government contract **shall be melted or produced in the United States, its outlying areas, or a qualifying country.**
- 4.8. Exceptions** - The restriction in paragraph (b) of this clause does not apply to -
- 4.8.1. Electronic components.
- 4.8.2. Commercially available off-the-shelf (COTS) items, other than -
- 4.8.3. Specialty metal mill products, such as bar, billet, slab, wire, plate, or sheet, that have not been incorporated into COTS end items, subsystems, assemblies, or components.
- 4.8.4. Forgings or castings of specialty metals, unless the forgings or castings are incorporated into COTS end items, subsystems, or assemblies.

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- 4.8.5. Commercially available high-performance magnets that contain specialty metal, unless such high-performance magnets are incorporated into COTS end items or subsystems; and
- 4.8.6. COTS fasteners, unless -
- 4.8.7. The fasteners are incorporated into COTS end items, subsystems, assemblies, or components; or
- 4.8.8. The fasteners qualify for the commercial item exception in paragraph (c)(3) of this clause.
- 4.8.9. A COTS item is considered to be “without modification” if it is not modified prior to contractual acceptance by the next higher tier in the supply chain.
- 4.8.10. Specialty metals in a COTS item that was accepted without modification by the next higher tier are excepted from the restriction in paragraph (b) of this clause, and remain excepted, even if a piece of the COTS item subsequently is removed (e.g., the end is removed from a COTS screw, or an extra hole is drilled in a COTS bracket).
- 4.8.11. Specialty metals that were not contained in a COTS item upon acceptance, but are added to the COTS item after acceptance, are subject to the restriction in paragraph (b) of this clause (e.g., a special reinforced handle made of specialty metal is added to a COTS item).
- 4.8.12. If two or more COTS items are combined in such a way that the resultant item is not a COTS item, only the specialty metals involved in joining the COTS items together are subject to the restriction in paragraph (b) of this clause (e.g., a COTS aircraft is outfitted with a COTS engine that is not the COTS engine normally provided with the aircraft).
- 4.8.13. For COTS items that are normally sold in the commercial marketplace with various options, items that include such options are also COTS items. However, if a COTS item is offered to the Government with an option that is not normally offered in the commercial marketplace, that option is subject to the restriction in paragraph (b) of this clause (e.g. - An aircraft is normally sold to the public with an option for installation kits. The Department of Defense requests a military-unique kit. The aircraft is still a COTS item, but the military-unique kit is not a COTS

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item and must comply with the restriction in paragraph (b) of this clause unless another exception applies).

4.8.14. Fasteners that are commercial items, if the manufacturer of the fasteners certifies it will purchase, during the relevant calendar year, an amount of domestically melted or produced specialty metal, in the required form, for use in the production of fasteners for sale to the Department of Defense and other customers, that is not less than 50 percent of the total amount of the specialty metal that it will purchase to carry out the production of such fasteners for all customers.

4.8.15. Items manufactured in a qualifying country.

4.9. Specialty metals - for which the Government has determined in accordance with DFARS 225.7003-3 that specialty metal melted or produced in the United States, its outlying areas, or a qualifying country cannot be acquired as and when needed in.

4.9.1. A satisfactory quality

4.9.2. A sufficient quantity; and


4.9.3. The required form

4.9.4. End items containing a minimal amount of otherwise noncompliant specialty metals (i.e., specialty metals not melted or produced in the United States, an outlying area, or a qualifying country, that are not covered by one of the other exceptions, if the total weight of such noncompliant metals does not exceed 2 percent of the total weight of all specialty metals in the end item, as estimated in good faith by the Contractor. This exception does not apply to high performance magnets containing specialty metals.

4.10. Subcontracts -

4.10.1. The Contractor shall insert paragraphs (a) through (c) and this paragraph (e)(2) of this clause (252.225-7009) in subcontracts, including subcontracts for commercial items, that are for items containing specialty metals to ensure compliance of the end products that the Contractor will deliver to the Government. When inserting this clause in subcontracts, the Contractor shall -

4.10.1.1. Modify paragraph (c)(6) of this clause only as necessary to facilitate management of the minimal content exception at the prime contract level. The minimal content exception

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does not apply to specialty metals contained in high-performance magnets; and

4.10.1.2. Not further alter the clause other than to identify the appropriate parties.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

5.1. Vice President Supply Chain Management

6.0 GENERAL

6.1. N/A

7.0 PROCEDURE


- 7.1. Prior to award of any purchase order for steel (raw material) or commercial off-the shelf items, the buyer shall ensure that the items being procured are compliant with the governing regulations and requirements as listed above.
- 7.2. When the buyer has questions whether or not the material is compliant, contact the procurement manager for direction.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 009: Ball and Roller Bearing Requirements

1.0 SCOPE

- 1.1. Each ball and roller bearing delivered under a U.S. Government contract that flows down DFAR 252.225-7016 shall be manufactured in the United States, its outlying areas, or Canada; and
- 1.2. For each ball or roller bearing, the cost of the bearing components manufactured in the United States, its outlying areas, or Canada shall exceed 50 percent of the total cost of the bearing components of that ball or roller bearing.
- 1.3. The restriction on Ball or Roller Bearings above does not apply to ball or roller bearings that are acquired as -
 - 1.3.1. Commercial components of a noncommercial end product; or
 - 1.3.2. Commercial or noncommercial components of a commercial component of a noncommercial end product.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. DFAR 252.225-7016 - Restriction on Acquisition of Ball and Roller Bearings

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. The Buyer shall direct the suppliers that ball or roller bearings are to be compliant with the DFARs requirements.
 - 7.1.1. If the supplier is unable to provide DFAR compliant ball or roller bearings, the buyer shall advise Procurement Management of the issue and seek advice as to how to proceed.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 010: Defense Priorities and Allocations Systems (DPAS)

1.0 SCOPE

- 1.1. This procedure applies to all rated purchase orders.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Contracts

3.0 REFERENCES

- 3.1. Defense Priorities and Allocation System (DPAS)

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. The Buyer DPAS rated purchase orders and subcontracts require supplier acknowledgement within 10 days for a DX rated order and 15 days for a DO rated order. Should a supplier not sign the RENK purchase order or subcontract they must in their acknowledgement refer to the purchase order number and the DPAS rating at a minimum.
- 7.2. Should it become necessary to impose DPAS on a rated purchase order the buyer will notify the supplier in writing and that RENK is exercising DPAS, and the rated order must be placed ahead of any order of a lesser rating or any non-rated orders.
- 7.3. Should the Buyer be unable to resolve abnormal delivery delays due to the supplier not adhering to the DO or DX ratings, the Buyer shall notify Contracts for resolution. Contracts will notify the appropriate DCMA Production Specialist for aid and assistance. Should the problem persist, Procurement will request Contracts to prepare a Special Priorities Assistance request in order to resolve the issue.
- 7.4. Should the need for a Special Priorities Assistance occur, Procurement Management will assist Contracts as needed in the preparation of Form ITA-999, Request for Special

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Priorities assistance. The ITA-999 should state a request for formal priorities assistance the DPAS to (1) place and order or (2) expedite material or services under a priority-rated order. A copy of the priority-rated Purchase Order must accompany Form ITA-999 and a copy of Form ITA-999 shall be retained by Procurement.


- 7.5.** Buyers shall review purchase orders to ensure that the DPAS rating and the DPAS statement are flowed on the face of the purchase order, as applicable. Buyers shall obtain and include in the purchase order file, an acknowledgement for each purchase order or change order with a DO rating within fifteen (15) working days and purchase orders with a DX rating within ten (10) working days from the supplier.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Government Form ITA-999	PR 599-010	Procurement	Purchase Orders
Purchase Order File and Documentation	PR 599-010	Procurement	Purchase Orders

9.0 EXHIBITS

- 9.1.** N/A

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SECTION 011: Cost and Price Analysis

1.0 SCOPE

- 1.1. This procedure applies both purchase orders and change orders to existing purchase orders and change orders with a value of \$10,000 or greater.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR Part 6 Competition Requirements
- 3.2. FAR 13.002 Purpose (Simplified Acquisitions Procedures)
- 3.3. FAR 13.003 Policy (Simplified Acquisitions Procedures)
- 3.4. FAR 15.403-1 Prohibition on obtaining certified cost or pricing data
- 3.5. FAR 15.404-1 Proposal Analysis Techniques
- 3.6. FAR 15.404-3 Subcontract Pricing Considerations
- 3.7. FAR 15.406-2 Certificate of Current Cost and Pricing Data
- 3.8. FAR 15.408 Table 15-2
- 3.9. FAR 52.232-8 – Discounts for Prompt Payment

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE


- 7.1. The Buyer is responsible for selecting and using the appropriate analysis technique(s) that will best demonstrate that a fair and reasonable price was achieved.
 - 7.1.1. The Buyer shall place purchase orders with a value up to the Micro-Purchase Threshold using FAR 13.002 and 13.003 Simplified Acquisition Procedures.

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7.2. Price Analysis. Price analysis, for commercial or non-commercial items, is the process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit. Examples of such techniques that may be used to perform price analysis include but are not limited to the following the techniques listed below. Note: The Government considers Sections 3.2.1 and 3.2.2 (below) to be the preferred methods, but if the buyer determines that information for those two techniques is not available or is insufficient to determine that the price is fair and reasonable, the buyer may use any of the remaining techniques as appropriate to the circumstances applicable to the acquisition.

- 7.2.1. Comparison of proposed prices received in response to the solicitation. Normally, adequate price competition establishes a fair and reasonable price. Full and open competition is the most preferred method for determining if a price is fair and reasonable and should be sought to the maximum extent possible in accordance with FAR Part 6. A good "Rule of Thumb" when comparing competitive quotes is a difference of ~25%.
- 7.2.2. Comparison of current quotations to historical prices paid for the same or similar items. In order for the prior prices to be a valid basis for comparison, the reasonableness determination of the prior price must be clearly shown in the file documentation with adjustments made to account for similar items, material differences between the similar item and the item being procured. Use of prices greater than 12 months old must be approved by the procurement manager.
- 7.2.3. Application of parametric (such as dollars per pound) to highlight significant inconsistencies that warrant additional pricing inquiry.
- 7.2.4. Comparison with competitive published price lists, published market prices of commodities and similar indexes. A copy of the cover sheet and the specific page containing the prices for the comparison item shall be included in the file documentation.
- 7.2.5. Comparison of proposal prices with independent cost estimates.
- 7.2.6. Comparison of proposed prices with prices obtained through market research for the same or similar items.
- 7.2.7. Analysis of data other than certified cost or pricing data (as defined in FAR 2.101 – Definitions) provided by the offeror.
- 7.2.8. Discount/rebate for prompt payment shall not be taken into account when analyzing supplier quote per FAR 52.232-8.


7.3. Cost/Cost Realism Analysis. Cost analysis is the review and evaluation of the individual cost elements and profit or fee in an offeror's proposal, as needed to determine a fair and reasonable price to determine cost realism, and the application of judgment to determine how well the proposed cost represent what the cost of the contract should be, assuming reasonable economy and efficiency. Cost Realism analysis is the

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process of the independently reviewing and evaluating the specific elements of each offeror's proposed cost estimate to determine whether the estimated proposed cost elements are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with the unique methods of performance and materials described in the offeror's technical proposal. Cost realism analysis shall be performed on cost-reimbursement contracts to determine the probable cost of performance for each offeror and may also be used on competitive fixed-price incentive contracts or, in exceptional cases, on other competitive fixed-price-type contracts when new requirements may not be fully understood by competing offerors, they are quality concerns, or past experiences indicates that the contractors proposed cost have resulted in quality or services shortfalls. Results of the analysis may be used only in performance risk assessments and responsibility determination and shall not be used in place of the evaluation criteria specified in the solicitation or for adjusting the offered prices.

7.3.1. If an acceptable offer is at or exceeds the TINA threshold, the Buyer shall request certified cost or pricing data (as required by the Prime Contract) unless prohibited in accordance with FAR 15.403-1. Data other than certified cost or pricing data may be requested in accordance with FAR 15.403-3 to determine a fair and reasonable price or to determine cost realism. A cost or cost realism analysis, to an appropriate level of detail, will be performed by a competent/capable individual designated by Procurement Management. If adequate cost/pricing data is not made available and/or adequate cost/price analysis cannot be conducted an assist will audit will be requested.

- 7.4. Documentation in the files for Purchase Order or Purchase Order revisions the documentation should be as abundant as necessary to support the determination of the pricing to be fair and reasonable. A narrative should be included that clearly explains the logic supporting the reasonableness determination and may utilize a Price Analysis as a tool for comparisons but must still provide a narrative as noted above. **In all cases a price determination statement shall be made.** "Based on the price analysis or negotiations, the buyer deems the price to be both fair and reasonable.
- 7.5. Price and Cost Analysis will be completed in accordance with the processes detailed in WI 599-11-1.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Quote Chart	NA	Procurement	Cost Estimating Proposals Materials

9.0 EXHIBITS

9.1. N/A

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SECTION 012: Debarment, Suspension, and Ineligibility

1.0 SCOPE

- 1.1. This procedure applies to all purchase orders against a U.S. Government contract.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. 52.209-6 Protecting the Governments Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment

4.0 DEFINITIONS


- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. Contractor shall require each proposed subcontractor whose subcontract will exceed \$35,000 as required by FAR other than a subcontractor providing a commercially available off-the-shelf item, to disclose to the Contractor, in writing, whether as of the time of award of the subcontract, the subcontractor, or its principals, is or is not debarred, suspended, or proposed for debarment by the Federal Government. This is accomplished by way of the subcontractor/supplier signing the RENK America Purchase Order acknowledgement form that is part of the PO document
- 6.2. A corporate officer or a designee of RENK America shall notify the Contracting Officer, in writing, before entering into a subcontract with a party (other than a subcontractor providing a commercially available off-the-shelf item) that is debarred, suspended, or proposed for debarment (see FAR 9.404 for information on the System for Award Management (SAM) Exclusions). The notice must include the following:
- 6.2.1. The Name of the Subcontractor

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- 6.2.2. The Contractor's knowledge of the reasons for the subcontractor being listed with an exclusion in SAM. <https://renkprod.ocr-inc.com/user/loginDefault.ocr>
- 6.2.3. The compelling reason(s) for doing business with the subcontractor notwithstanding its being listed with an exclusion in SAM or <https://renkprod.ocr-inc.com/user/loginDefault.ocr>
- 6.2.4. The systems and procedures the Contractor has established to ensure that it is fully protecting the Government's interests when dealing with such subcontractor in view of the specific basis for the party's debarment, suspension, or proposed debarment

7.0 PROCEDURE

- 7.1. The Buyer shall ensure that there is a Debarment Certification on file for each award of \$35,000 or greater. At time of award the Buyer shall verify that the supplier is not debarred, suspended or ineligible for the award. In addition, the supplier shall certify along with their acknowledgement that are not debarred, suspended or ineligible. This is accomplished via the RENK RFQ and PO documents both contain Debarment certification language. In the event the supplier does not sign the documents a Debarment Certification RENK the Supplier Acknowledgement Form document will be sent to the supplier for signature.
- 7.2. In the event that the supplier notifies the Buyer that they are debarred, suspended or ineligible, the Buyer shall notify Procurement Management of any debarred, suspended or ineligible for award.
- 7.3. Procurement Management will place the order with another supplier if possible. If the award is to a single/sole source (i.e., Source Controlled Drawing, RAM directed or Customer Directed Source) Procurement Management shall notify Contracts in regards to the supplier's status. Contracts will contact the Customer and possibly request a waiver to procure from the supplier or be provided with other solutions.
- 7.4. Contracts will notify Procurement Management of the path forward as directed by the Customer.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM-599-012	ML 599	Procurement	Bids and Proposals

9.0 EXHIBITS

9.1. N/A

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SECTION 013: Control of Government Owned Property

1.0 SCOPE

- 1.1. This procedure applies to all purchase orders/subcontracts that involve the use of Government property and clearly identifies the assets to be provided. In Accordance with the FAR 45.502 RAM is responsible for all Government Property in accordance with the requirements of the prime contract. This includes Government Property in the possession or control of other RAM locations, as well as suppliers and subcontractors.

2.0 AFFECTED ORGANIZATIONS


- 2.1. Procurement
- 2.2. Contract/Government Property Administrator

3.0 REFERENCES

- 3.1. FAR Part 45
- 3.2. FAR 52.245-1 – Government Property
- 3.3. FAR 52.245-2 - Government Property Installation Operation Services

4.0 DEFINITIONS

- 4.1. Acquired Property - Property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. This excludes property which the Government has acquired title solely as a result of advance, progress, or partial payments.
- 4.2. Government Furnished Property - Property in the possession of or directly acquired by the Government and subsequently furnished to the contractor for performance of a contract.
- 4.3. Government Property - All property owned by or leased to the Government or acquired by the Government. It includes both Government Furnished Property and Contractor Acquired Property.
- 4.4. Government Property Administrator - The RAM individual responsible for the accountability and coordinated control of RAM Government Property.
- 4.5. Special Test Equipment (STE) - Either a single or multipurpose integrated test unit engineered, designed, fabricated, or modified to accomplish special purpose testing during contract performance. It consists of items or equipment assemblies that are

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interconnected and interdependent to become a new functional entity for special testing purposes. It does not include material, special tooling, facilities (except foundations and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.

- 4.6. Special Tooling (ST)** - Jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items. They are of such a specialized nature that, without substantial modification or alteration, their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1.** Vice President Supply Chain Management

6.0 GENERAL

- 6.1.** N/A

7.0 PROCEDURE

- 7.1.** Procurement shall ensure that any subcontract/purchase order subject to the provision of Government property clearly identifies the assets to be provided.
- 7.2.** Procurement must ensure that any subcontract/purchase order with Government Property requirements contains direction for the supplier to report, in writing, any loss, theft, damage, or destruction of Government Property as soon after the occurrence as possible. Material Acquisition shall notify the Government Property Administrator of all such occurrences.
- 7.3.** Procurement coordinates with the Government Property Administrator on all Government Property in the possession of suppliers, including return for rework and scrap materials.
- 7.4.** Procurement shall interface with suppliers in support of the Government Property Administrator to ensure that suppliers possess, consistent with their operation, an adequate maintenance and control tracking system for Government Property in the supplier's possession or control.
- 7.5.** Procurement incorporates the appropriate Government Property flow-down clauses in all purchase orders/subcontracts where Government Property is required.
- 7.6.** Procurement shall assist the Government Property Administrator as necessary to request supplier inventories and the disposition of Government Property.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 014: Control of Government Owned Property

1.0 SCOPE

- 1.1. This procedure applies to all purchase order awards.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Contracts

3.0 REFERENCES

- 3.1. RENK America General Terms and Conditions; TC001, TC002, TC003

4.0 DEFINITIONS

- 4.1. SOW - Statement of Work

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. Government laws and regulations require certain FAR clauses, contract provisions, and other requirements be flowed to RENK America (hereafter referred to as RAM) suppliers and subcontractors. Mandatory flow downs must be included in RAM Purchase Orders/subcontracts as a condition of an acceptable purchasing system.
- 7.2. Procurement is responsible for ensuring clauses, provisions, and other requirements are included in Purchase Orders and subcontracts as stated in this practice.
- 7.3. The Contracts Department is responsible for identifying to Procurement special contract provisions and standard clauses. This shall be accomplished via communication to the Procurement Management, tailored as required for each contract
- 7.4. Contracts shall also discuss contract requirements with Procurement as necessary.
- 7.5. The RENK America General Terms and Conditions contain the RAM's requirements applicable to U.S. Government and Commercial procurements. Clauses having specific dollar thresholds are noted. All purchase orders and

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subcontracts incorporate the appropriate set of Terms and Conditions, unless otherwise agreed to by Procurement Management.


- 7.6.** Some clauses (like those relating to Cost Accounting Standards and pre-award EEOC) require certification.
- 7.7.** Any additional clauses to be flowed to a supplier are included in the purchase order by use of an addendum to the Purchase Order/Subcontract. Also, the clause can be stated in the body of the purchase order or in the subcontract.
- 7.8.** Contracts shall identify any special contract provisions which have mandatory flow down requirements in an e-mail to the Buyers.
- 7.9.** Contracts shall notify Procurement of special contract provisions which may be desirable to flow down to a supplier in an e-mail to the Buyers.
- 7.10.** Procurement shall determine whether to flow down such provisions on a case-by-case basis.
- 7.11.** The requisitioner shall identify all contract requirements, other than clauses and special provisions which are to be flowed down to the supplier. These are incorporated in the SOW, a contract data requirement, a specification, etc. All requirements are sent to Procurement with the purchase requisition for proper transmission to suppliers.
- 7.12.** Exceptions
 - 7.12.1.** Supplier exceptions to RAM Terms and Conditions require the approval of Procurement Management prior to purchase order/subcontract award. Any exceptions that have ramifications that could affect RAM's contractual relationship with its Customer shall be communicated to Contracts.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

- 9.1.** N/A

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SECTION 015: Small Business Program Administration

1.0 SCOPE

- 1.1. This procedure applies for Purchase Order/Subcontract awards.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR 19.702 Statuary Requirements Public Law 95-507
- 3.2. FAR 52.219-8 Utilization of Small Business Concerns Public Law 100-656
- 3.3. FAR 52.219-9 Small Business Subcontracting Plan Public Law 100-180 (Section 806)
- 3.4. FAR 52.219-10 Incentive Subcontracting Program Plan Public Law 101-511 (Section 8117)
- 3.5. FAR 52.226-1 Utilization of Indian Organizations and Indian Owned Economic Enterprises Public Law 105-135
- 3.6. FAR 52.226-2 Historically Black college or University Minority Institution Representation Public Law 106-50
- 3.7. FAR 52.232-14 Notice of Availability of Progress Payments Exclusively for Small Business concerns Public Law 106-554 (Section 803)
- 3.8. FAR 52.232-16 Progress Payments 13 CFR 121
- 3.9. FAR 52.244-6 Subcontracts for Commercial Items Small Business Administration 15 U.S.C. 637(d)
- 3.10. FAR Subpart 19 Small Business Programs 15 U.S.C. 645(d)
- 3.11. FAR Subpart 22.8 Equal Employment Opportunity
- 3.12. FM-599-015 Small Business Check List


4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management


6.0 GENERAL

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- 6.1. The success of (RENK America's) Small Business Program requires support and commitment from management, stakeholders and the procurement staff and is measured by the percentage of total acquisition dollars awarded to Diverse Suppliers.
- 6.2. A Diverse Supplier may request consideration for assistance, other than financial, in order to become a qualified Supplier.
- 6.3. It is the policy of RAM that Diverse Suppliers have the maximum practicable opportunity to participate in the performance of the Customer contracts.
- 6.4. RAM relies on self-certification of a Supplier's business size in accordance with FAR 19.102 and 13 CFR 121, as part of the company's annual Representations and Certifications and is required from all new Suppliers prior to the award of a purchase order.
- 6.5. RAM requires that HUBZone Suppliers be registered and certified by the SBA before taking credit for purchase orders awarded.
- 6.6. Suppliers' business size and type is maintained by RAM in order to accurately report to the SBA as required per exhibit B

7.0 PROCEDURE

- 7.1. Strive to accomplish maximum possible level of procurement with Diverse that is consistent with efficient performance of the award.
 - 7.1.1. Request Diverse Office assistance, as needed, in small business suppliers' affairs, including locating new suppliers, utilization and qualification of known Diverse Supplier, and identifying suppliers to be included in solicitations.
 - 7.1.2. Assist the Small Business Administrator, whenever possible, to support the overall Small Business Program to ensure Diverse Supplier goals are met.
 - 7.1.3. Verify the status of a HUBZone Small Business prior to purchase order placement and prior to proposal submission where credit is being taken for purchase orders awarded to HUBZone Small Businesses.
 - 7.1.4. Complete the Small Business Checklist, FM-599-015. for purchase orders against US Government of \$250,000 or greater. FAR 52.219-9 requires this at a value of \$250,000 or greater.
- 7.2. Request a Small Business Subcontracting Plan from Large Businesses (not foreign) for awards of \$750,000 or greater as required by FAR 52.219-9. The Buyer is required to have an approved Small Business Subcontracting Plan prior to placing a purchase order. There are several plans that may be submitted, see listing below:

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- 7.2.1. “Individual contract plan” means a subcontracting plan that covers the entire contract period (including option periods), applies to a specific contract, and has goals that are based on the offeror’s planned subcontracting in support of the specific contract except those indirect costs incurred for common or joint purposes may be allocated on a prorated basis to the contract.
- 7.2.2. “Commercial plan” means a subcontracting plan (including goals) that covers the offeror’s fiscal year and that applies to the entire production of commercial items sold by either the entire company or a portion thereof (e.g., division, plant, or product line).
- 7.2.3. “Master plan” means a subcontracting plan that contains all the required elements of an individual contract plan, except goals, and may be incorporated into individual contract plans, provided the master plan has been approved.
- 7.2.4. “Electronic Subcontracting Reporting System (ESRS)” means the Government-wide, electronic, web-based system for small business subcontracting program reporting. The ESRS is located at <http://www.esrs.gov>.
- 7.3. Plan Exceptions:
 - 7.3.1. From small business concerns
 - 7.3.2. For personal services contracts
 - 7.3.3. For contracts or contract modifications that will be performed entirely outside of the United States and its outlying areas; or
 - 7.3.4. For modifications to contracts within the general scope of the contract that do not contain the clause at 52.219-8, Utilization of Small Business Concerns.
 - 7.3.5. Note: As stated in 15 U.S.C. 637(d)(8), any contractor or subcontractor failing to comply in good faith with the requirements of the subcontracting plan is in material breach of its contract.
 - 7.3.6. If a supplier refuses to submit a Small Business Subcontracting Plan when required, the Buyer shall communicate this to the Procurement Manager for further direction.
- 7.4. The Small Business Liaison Officer (SBLO)
 - 7.4.1. The SBLO will act as advocate for Diverse Suppliers, working with the Buyers to support awards to small businesses, assist in increasing the number of small and Diverse Suppliers quoting resulting in purchase order awards.
 - 7.4.2. Review, accept or reject supplier’s Small Business Subcontracting Plans. A copy of the rejection or approval shall be provided to the Buyer and a copy to the supplier.

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- 7.4.3.
- 7.4.4. Maintain records required supporting SBA and Customer Audits including completion of Individual Subcontracting Report (ISR) and Summary Subcontracting Reports (SSR), supplier certifications, and supplier Small Business Subcontracting Plans and reports.
- 7.4.5. Assure subcontracting plan requirements are flowed down to suppliers, when applicable, ensuring Procurement compliance and supporting goal attainment.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-015	ML 599	Procurement	Purchase Orders

9.0 EXHIBITS

9.1. N/A

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SECTION 016: Procurement Card Program

1.0 SCOPE

- 1.1. This procedure applies to P-Card at RAM. Exceptions to this procedure require the approval of the RAM Procurement Manager and Corporate Vice President approval.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Finance

3.0 REFERENCES

- 3.1. Allocation of Cost and Expenses to U.S. Government Contacts shall be in accordance with direction of Finance

4.0 DEFINITIONS


- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management


6.0 GENERAL

- 6.1. Transition Limits
 - 6.1.1. The maximum purchase per transaction is \$3,500 except as provided in 7.1.4. Splitting orders with a supplier or among multiple suppliers to avoid exceeding this limitation is prohibited.
 - 6.1.2. The maximum purchase per month is \$12,000. Exception to this threshold must be approved in writing in advance by the Corporate Vice President, Procurement.
 - 6.1.3. Divisions may establish lower limits for employees if appropriate.
 - 6.1.4. Procurement Cards issued to authorize procurement personnel may have a higher limit consistent with the limitation associated with the position held by that person.
 - 6.1.5. Multiple Procurement Cards may not be issued to the same individual.
 - 6.1.6. Department cards are not allowed. All cards must be issued in the name of a cardholder who is the only authorized user of that card


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7.0 PROCEDURE

- 7.1. A bank issued card assigned to an employee for the purpose of making authorized purchases on behalf of the company only. The employee is prohibited from using the P-Card for any personal purchases. The employee whose name is on the card and is accountable for all charges made with that card. Only the cardholder whose name appears on the card is authorized to use that card.
- 7.2. The P-Card Administrator will administer the program.
- 7.3. Internal Audit – Designated person or function responsible for the periodic audit of a division administered program. Must be a separate function from that of the card administrator.
- 7.4. The authorizing manager initially approves the cardholder application and approves P-Card statements.
- 7.5. The card holder shall obtain and provide supporting documentation which at a minimum must include an invoice, packing slip, or receipt showing relevant details for each item purchased including quantity, applicable charge number, amount, description of items purchase, total amount charged and merchant's name and address.
- 7.6. The authorized use of the P-Card is limited to the procurement of Commercial Off-the-Shelf (COTS) items that is readily available to the public via catalog or retail outlet, other procurements of commercial goods or services as approved by management.
- 7.7. The Procurement Manager is responsible for the following:
 - 7.7.1. Implementation/Management.
 - 7.7.2. Designate a Procurement Card Administrator.
 - 7.7.3. Approve and identify employees to be assigned cards.
 - 7.7.4. Establish transaction limits in accordance with RENK practices.
 - 7.7.5. Approval of any exception requests prior to being submitted for written approval.
 - 7.7.6. Ensuring that the company conducts audits of the program a minimum of twice per year in accordance with the audit requirements.
- 7.8. The Procurement Card Administrator is responsible for:
 - 7.8.1. The coordination in the development and maintenance of the P-Card Program procedure and serve as focal point with respect to card use including the interface with the bank issuing the cards
 - 7.8.2. Provide P-Cards to designated personnel and ensure that cancelled/destroyed cards (e.g., employee transfer, termination, etc.) are properly accounted for and processed accordingly.

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- 7.8.3. Responsible for maintaining records to ensure records are retained in accordance with contractual requirements and applicable RAM record retention requirements.
- 7.8.4. Conduct audits of the program a minimum of twice per year in accordance with the attached guidelines (Exhibit A).
- 7.8.5. Audits shall be conducted for the periods ending April 30 and October 31, with detailed reports provided to the designated corporate procurement point of contact within 30 days of the end of the audit period.
- 7.9.** The Internal Control department is responsible for:
 - 7.9.1. Provides and/or conducts or coordinates the performance of P- Card related training.
 - 7.9.2. Responsible for monthly review of P-Card statements and statements including cross charges) to verify conformance to requirements of the procedure.
- 7.10.** The cardholder shall adhere to RENK America requirements. Follow activation procedures specified by the bank issuing the card. The cardholder shall destroy their card by cutting it into two pieces and provide the pieces to the P-Card Administrator.
 - 7.10.1. Retains the P-Card in a safe and secure manner and immediately notify the P-Card Administrator to notify the issuing bank if the card is lost or stolen.
 - 7.10.2. Identify cross charges and determine whether the costs are allowable or unallowable.
 - 7.10.3. Obtain the corresponding invoice/shipper for material received or service performed.
 - 7.10.4. Obtain corresponding shipping shipper or packing slip from Receiving.
 - 7.10.5. Support Internal Audit.
 - 7.10.6. Perform monthly reconciliation of all purchases and Forward data to the Procurement card Administrator and Finance Point of Contact. The data needs to be scanned and emailed. The cardholder is responsible to maintain the original copies.
- 7.11.** Permitted Uses

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- 7.11.1. Divisions may use the Procurement Card to purchase items other than those specified under the section dealing with Prohibited Uses. All transactions must comply with this document.
- 7.11.2. Any direct purchases must comply with division practices and quality assurance requirements as well as other applicable contract requirements.
- 7.11.3. Purchases of computer hardware and software must be in accordance with division practices and Information Technology guidelines.
- 7.11.4. All purchases must comply with division EH&S requirements.
- 7.11.5. All purchases must comply with the requirements of documents regarding counterfeit parts.

7.12. The following list (but is not all-inclusive) **shall NOT** be bought with P-Cards:

- 7.12.1. Items that are contract specific (Charged to a Government Contract)
- 7.12.2. Items for personal use
- 7.12.3. Capital Equipment
- 7.12.4. Leases of any kind
- 7.12.5. Software or equipment maintenance agreements
- 7.12.6. Test Equipment (used for acceptance testing)
- 7.12.7. Travel and/or entertainment
- 7.12.8. Items with a MSDS Number
- 7.12.9. Gasoline
- 7.12.10. Chemicals
- 7.12.11. Cash Advances
- 7.12.12. Consultants, technical or other types of service agreements
- 7.12.13. Any service associated with the disposal of waste or recycle of material (including oil recycling): purchases of batteries, chemicals, cleaning compounds, solvents, paint, epoxy, solder, flux, adhesives, gases, or other hazardous substances, purchases of equipment that could present any safety issues, produce any waste, or emit any contamination or discharge any wastewater unless the purchase has been specifically approved by EHS Manager.
- 7.12.14. Any food and/or beverages
- 7.12.15. Alcoholic beverages
- 7.12.16. Common items that may be transferred to Government contracts

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7.13. Merchant Category Code (MCC) group exceptions require the written approval of the Division CFO or Controller, as well as the Division P-Card Administrator, prior to submission to Corporate Procurement for consideration.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 017: Government Purchase Order Documentation

1.0 SCOPE

- 1.1. This procedure applies to all purchase orders issued against a government contract or subcontract. Purchase orders with a value of \$10,000 or higher awarded against U.S. Government Contracts shall be generated as an electronic purchase order file with documentation as required for contract specific awards by total dollar threshold. All purchase order files less than \$10,000 are also generated and retained electronically. Nongovernment/Commercial purchase orders are covered in Section 44 of this manual.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR 15.402-Pricing Policy
- 3.2. 4.2 FAR 15.403-1(c)(3) Format for Cost and Pricing Data IAW Table 15.2
- 3.3. 4.3 FAR 15.403-3(c) Analyzing Cost and Pricing Data
- 3.4. 4.4 FAR 15.408 Table 15-2-Instructions for Submitting Cost and Pricing Data
- 3.5. 4.5 DFAR 252.244-7000 – Subcontracts for Commercial Items
- 3.6. 4.6 Public Law 112-239 section 831
- 3.7. 4.7 PGI 215.404-1 Proposal analysis techniques

4.0 DEFINITIONS


- 4.1. Lead Time – Time needed for the Supplier to deliver the order plus built-in time for Procurement and Supplier Quality Assurance (SQA) activities.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management


6.0 GENERAL

- 6.1. Limitation on Pass-Through Charges- Identification of Subcontract Effort
 - 6.1.1. FAR clause 52.215-22, Limitations on Pass-Through Charges- Identification of Subcontract Effort, is used to obtain data at the proposal phase of a requirement to ensure the Government does not pay excessive pass-through charges. Excessive pass-through charges

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exist where the subcontractor cannot demonstrate their effort adds value to the subcontract in accomplishing the work to be performed. If the Supplier intends to subcontract to a lower-tier subcontractor more than 70 percent of the total cost of work to be performed under the subcontract, the Supplier is required to identify the following:


- 6.1.1.1. The amount of the subcontractor's indirect costs and profit/fee applicable to the work to be performed by the lower-tier subcontractor and
- 6.1.1.2. A description of the added value provided by the subcontractor as related to the work to be performed by the lower-tier subcontractor(s)
- 6.1.1.3. It is the responsibility of the Buyer to evaluate Seller's proposal to determine if the Seller proposes to subcontract to a lower-tier subcontractor more than 70 percent of the total cost of work to be performed under the subcontract. This information shall be included in a written Supplier Proposal Analysis and provided to Material Estimating for inclusion in the RAM proposal to its customer.
- 6.1.2. FAR clause 52.215-23, Limitations on Pass-Through Charges requires the Seller to report any changes to the amount of lower-tier subcontractor effort such that it exceeds 70 percent of the total cost of work to be performed under the subcontract, after award of the subcontract. Notification shall include:
 - 6.1.2.1. Identification of the revised cost of the subcontract effort and
 - 6.1.2.2. Verification that the subcontractor will provide added value as related to the work to be performed by the lower-tier subcontractor
 - 6.1.2.3. It is the responsibility of the Buyer to manage subcontracts to ensure such notification is received and Procurement Management immediately informed.
- 6.2. Procurement personnel are prohibited from splitting requirements to circumvent federal procurement regulations (FAR/DFAR) or internal RENK business practices. In limited instances, RENK acquisition strategy may allow splitting requirements to enhance competition or to reduce program risk. The procurement file shall contain

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adequate documentation to support and justify all such acquisitions. Procurement Management approval shall be evidenced by management signature on the Purchase Order Justification.

7.0 PROCEDURE

- 7.1. All procurements for goods or services require an authorized requisition before a purchase order or subcontract can be generated. The requisition will include the required lead time for PO placement, Supplier time to make and ship product, and SQA verification time (as needed) to ensure customer and internal delivery requirements are met.
 - 7.1.1. A system-generated requisition shall be reviewed by the Buyer to ensure all pertinent information is present such as:
 - 7.1.1.1. Prime Contract Number and/or Internal Contract Number
 - 7.1.1.2. DPAS Rating
 - 7.1.1.3. Part Number and Quantity
 - 7.1.1.4. Quality Requirements
 - 7.1.1.5. Required Delivery Date
 - 7.1.1.5.1. Manual requisitions processed into purchase orders shall be done by utilizing the Build by Req. function in ERP under Purchasing. The Procurement Section Manager will conduct periodic reviews on purchase orders created from manual requisitions to ensure the required information/flow downs have been included in the PO.
 - 7.1.1.5.2. **Note:** The Buyer shall ensure all requirements listed above apply.
 - 7.1.2. The Buyer issues an RFQ/RFP to the Suppliers with a bid due date. This date may be extended to ALL Suppliers if it appears that they will be late in responding. If the Buyer has sent the RFQ/RFP to only one Supplier then the Buyer may accept the late bid.
 - 7.1.2.1. If a Supplier submits a late bid when two or more Suppliers were solicited and at least one Supplier has responded on time, the late bid without prior notice to the buyer may considered to be non-responsive and the Buyer may or may not place the award with that Supplier depending on other considerations.
 - 7.1.2.2. If a Supplier responds to the RFQ/RFP with a quote on their own form, the Supplier is still required to sign and send the last page of the RAM Quote form. This is to ensure the Supplier has

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agreed to RENK America Terms and Conditions and is certifying to requirements depending on the proposed value of their bid. The Supplier is also certifying they are not debarred, suspended or ineligible for an award. In addition, the Supplier is acknowledging they did not Lobby to potentially receive an award.

7.1.3. If the Supplier takes exception to RENK America Terms and Conditions and the exceptions are minor, the Buyer may negotiate the Terms and Conditions with the Supplier. A copy of the negotiated terms shall be for a signal use only unless approved by the procurement manager. When a Supplier takes exception to significant or critical Articles and/or FAR and DFARS Clauses included in RENK's Terms and Conditions, the Buyer shall notify the Procurement Team Lead or Manager for further direction as to how to proceed and a determination will be made if and when to involve legal counsel.

7.2. When a Supplier claims commerciality in accordance with the definition found in FAR 2.101, it is the Buyer's responsibility to ascertain whether a previous determination was made. If one exists such that the item meets the commercial item definition and commercial item policies and procedures were used to acquire the item, repetition of a comprehensive commerciality determination in subsequent acquisitions is not usually necessary but is required to be placed in the PO file for review/approval as necessary.

7.2.1. The Buyer shall determine whether a particular item meets the definition of a commercial item by requiring the supplier to complete the Assertion of Commerciality (AOC) form CC0100 Procurement Management is required to evaluate and approve AOC claims. The Assertion of Commerciality form is used by RENK as a starting point to evaluate commerciality but is not the determining document. This is done on the PO audit form FM-028. If RAM determines the item is not commercial by definition and it is a single or sole source award that meets or exceeds the TINA threshold, the Buyer shall request Certified Cost or Pricing Data.

7.2.2. This is particularly important when an award is made for sole source commercial supplies or services. While the order of preference in FAR 15.402 must be followed, if the Buyer cannot determine price reasonableness without obtaining data other than cost or pricing data from the offeror, at a minimum, the buyer must obtain appropriate data on the prices at which the same or similar items have been sold previously (often previous sales data was the basis of the commercial item determination and must be requested during price analysis of the data provided by the offeror). If previous sales data is not sufficient to

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determine price reasonableness, the Buyer must obtain 'data other than certified cost or pricing data' and, if necessary, perform a cost analysis.


- 7.2.3. Note: An item is not considered commercial based on who (a commercial company) provides the goods or services.
- 7.2.4. The Buyer shall document each award to the requirements found in the FAR, DFAR, Public Law, ITAR and RAM Policies and Procedures. The Buyer shall utilize the Government Purchase Order Check List, which provides the requirements of various thresholds.
- 7.2.5. The Buyer shall utilize the Government Purchase Order Check List (FM-599-017-1) which provides the documentation that may be required for each threshold.
- 7.2.6. Each change order or modification to a purchase order stands alone. The change order shall be documented to the value of the change order and NOT the total value of the purchase order. Each change order must clearly state the reason for the change, price or cost analysis as applicable and compliant to prime contract requirements, documented in the PO file See WI 599-17-1. The Buyer shall use the Government Purchase Order Check List (FM-599-017-1) to determine the documentation requirements.

- 7.3.** If the Buyer issues multiple single/sole source (non-competitive) awards to a Supplier within a short period of time, the Buyer shall document the files to the aggregate total of all purchase orders to ensure that the files are compliant to FAR thresholds. In the example below, the total value of the five (5) procurements brings the total award to the Supplier over the TINA threshold – Certified Cost or Pricing Data, CAS, Small Business Subcontracting Plan, etc. It is crucial that the Buyer does not issue multiple purchase orders without considering the total documentation requirements.


7.3.1. Example:

PO Number	PO Date	Supplier	PO Value \$
12345	2/2/15	TM Cummings Inc	485,000.00
12347	2/2/15	TM Cummings Inc	485,579.56
12351	2/3/15	TM Cummings Inc	476,421.73
12372	2/5/15	TM Cummings Inc	252,945.87
12384	2/6/15	TM Cummings Inc	472,052.53
Documentation Required to Total Value			2,071,999.13


- 7.4.** When placing purchase orders for customer returns:

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- 7.4.1. If the customer returns a defective item for warranty repair/replacement the buyer must create a repair PO on which to return the part to the supplier. The repair PO shall be numbered as CR (Customer Return) and the date the PO is issued. Example of a purchase order issued on July 8, 2017, would be CR07082017.
- 7.5.** Selection of the Proper Type of Contract. Prior to selection of the proper type of contract, judgment and sound analysis must be employed to determine the type best suited to each transaction. Consideration should be given to such facts as
- 7.5.1. Nature, complexity, and state of development of the item.
 - 7.5.2. Urgency of the requirement.
 - 7.5.3. Period of Supplier performance, length of production, and the value of the purchase order involved.
 - 7.5.4. Degree of competition.
 - 7.5.5. Difficulty of estimating performance costs due to factors such as lack of firm specifications or the lack of production experience; and
 - 7.5.6. Extent and nature of lower tier subcontracting contemplated.
- 7.6.** The following are the types of contracts that may be used:
- 7.6.1. **Firm Fixed Price Procurement (FFP)** – This type of procurement is such that both parties are bound by the agreed price for the duration of the order. The price is not subject any adjustment by reason of costs experienced by the Supplier in the performance of the order. Unless otherwise provided, no adjustment of the price is possible except as provided under contract unless there is a change in scope, quantity, or delivery schedule impacts.
 - 7.6.2. **Fixed-Price with Escalation (Economic Price Adjustment)** – Provides for the upward or downward revision of the stated price upon the occurrence of certain contingencies that are specifically defined in the order. This type of should only be considered when serious doubt exists as to the stability of market and labor conditions that will exist during an estimated period of production.
 - 7.6.3. **Fixed-Price Incentive Contracts (FPIC)** – This is a Fixed Price type with provisions for adjustment of profit and establishment of final price by a formula based on the relationship that final negotiated total cost bears to total target costs. Incentives enable Suppliers to receive more profit if their performance surpasses the objective set forth in the target. There are two types of incentives: Fixed Price Incentive Firm Target and Fixed Price Incentive Successive Target
 - 7.6.4. **Fixed-Price with Redetermination Provisions (FPRP)** – This provides for a price ceiling and for retroactive price redetermination upon completion of the effort. It does not provide the Supplier with an

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- incentive to control costs, except to the extent that the final costs do not exceed the price ceiling.
- 7.6.5. **Cost-Plus-Fixed-Fee (CPFF)** – This provides for reimbursement of allowable costs plus a fixed-fee that does not vary with actual costs. This may only be considered when the specification or scope of work cannot be clearly defined as such as research or development effort, or when the work involves test or prototype effort, where the use of a FFP award is not practical.
- 7.6.6. **Cost-Plus-Incentive-Fee (CPIF)** – The CPIF is a cost reimbursement contract with a provision for fee adjusted by formula in accordance with the relationship that final total allowable cost bears to target cost. In the event incentive performance fee provisions are included, the relationship that actual performance bears to target performance will determine final fee. The Buyer should initially negotiate a target cost, a minimum fee, a maximum fee, and a fee adjustment formula. The formula provides for increases or decreases in the target fee within the prescribed maximum and minimum limits to the extent actual cost or performance is greater or less than target performance.
- 7.6.7. **Cost-Plus-Award-Fee (CPAF)** – This is a cost reimbursement contract with special fee provisions. It provides a means for applying incentives that are not susceptible to finite measurements of performance necessary for structuring incentive awards. The fee established in a CPAF consists of two parts: (1) a fixed amount which does not vary with performance, and (2) an award amount, in addition to the fixed amount, sufficient to provide motivation for excellence in performance in areas such as quality, timeliness, ingenuity, and cost effectiveness.
- 7.6.8. **Time and Material and Labor Hour Contracts** – This provides for the purchase of supplies or services on the basis of (1) a composite hourly rate or rates that include all elements of cost, factory burden, general and administrative expense, and the Supplier's profit (when applicable) and (2) material at cost. The Supplier also furnishes labor or services at a composite hourly rate or rates but does not furnish materials that may be required in the performance of the award. This may contain a 'not-to-exceed' (NTE) limitation on the total award amount.
- 7.6.9. **Term Contract** – A term order is a fixed-price arrangement for the furnishing of materials referenced or described therein for a specified period of time at agreed unit prices. Such orders may specify firm prices or a formula for arriving at prices. Materials will be obtained under term contracts through 'releases' issued to the Seller, as material is required. Releases will be issued by authorized persons

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- specified in the award and will contain firm quantity, delivery, and price information.
- 7.6.10. **Bailment Agreement** – The term ‘bailment’ normally applies to the loan of property by a Supplier or the loan of Company property to a Supplier. All property furnished under such circumstances should be covered by a bailment agreement. Such agreements set forth the responsibilities of the parties for the care of the property, for liability in case of damage, loss or destruction, the use to which the property may be put, and other pertinent provisions.
- 7.7. In certain instances, a Term Contract extending over multiple years or programs may be negotiated. These Long-Term Agreements (LTAs) are most appropriate when some or all of the following conditions apply:
- 7.7.1. Stable, repeat demand for the same part(s) is anticipated.
- 7.7.2. A strategic partnership would benefit both parties via lowered costs, increased efficiencies, extensive technical support, or other tangible or intangible benefits to RENK America and/or its customers. The purchased components are complex in nature and re-sourcing would be cost prohibitive.
- 7.7.3. The purchased components are sole sourced to an Original Equipment Manufacturer who owns and controls the design, and alternates are not available.
- 7.7.4. The supplier participated in the design and development of the components; or
- 7.7.5. Other circumstances, which can be clearly defined by the Buyer to justify the sourcing decision and LTA.
- 7.8. If an LTA is determined to be the appropriate type of contract award, the Buyer shall use the same procedure defined in sections 3.1 to 3.6 to generate the RFQ/RFP, establish source justification, and generate the required documentation for the Purchase Order.
- 7.8.1. In addition to the standard PO documentation, the Buyer shall draft a separate Long-Term Agreement with the Supplier and obtain approvals from the appropriate personnel at RAM, based on the potential total dollar value of the agreement.
- 7.8.2. The LTA document shall clearly define the following:
- 7.8.2.1. The Supplier with whom the agreement is being made.
- 7.8.2.2. The length and term of period of performance.
- 7.8.2.3. The specific part numbers and prices covered under the award.
- 7.8.2.4. The type of pricing contract (Firm Fixed Price, Fixed Price with Escalation, etc.); and

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- 7.8.2.5. Any additional clauses as negotiated by the Buyer and the supplier.
- 7.8.3. The award value of the LTA over the full length of the agreement shall determine the degree of documentation required to issue the Purchase Order. In instances where min/max quantities or annual usages are estimated, the Buyer shall provide documentation to the degree required by the anticipated maximum award value.
 - 7.8.3.1. Example: If the minimum contract award is under TINA threshold but the maximum anticipated value exceeds the threshold, the PO verbiage and documentation required by TINA shall apply.
- 7.8.4. The LTA shall retain order of precedence equal to that of the face of the Purchase Order. If any terms and conditions are negotiated outside of RENK's Standard Terms and Conditions, this shall be clearly documented in the LTA.
- 7.9. The LTA shall be assigned a Purchase Order number. When the Buyer receives an appropriate requisition or ERP demand, the Buyer shall generate a release utilizing this PO number and provide it to the supplier.
- 7.10. During the period of performance, if the aggregate dollar value of all the releases is below the maximum LTA award, standard PO documentation shall not be required when releases are issued. The original LTA and PO documents will satisfy documentation requirements.
- 7.11. When a release is made, the documentation shall include:
 - 7.11.1. Approved supplier screenshot
 - 7.11.2. Current reps and certs screenshot
 - 7.11.3. Signal/requisition
 - 7.11.4. Purchase Order
- 7.12. Once the supplier confirms the PO release, the buyer shall add that confirmation to the PO release file.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM-599-017-1	PR-599-017	Procurement	Supply Chain Management/Purchase Orders
FM-599-017-5	PR-599-017	Procurement	
FM-599-017-6	PR-599-017	Procurement	
FM-599-017-4	PR-599-017	Procurement	NA

9.0 EXHIBITS

9.1. N/A

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SECTION 018: Cost and Price Audit

1.0 SCOPE

- 1.1. This procedure applies to purchase orders at or greater than the Certified Cost or Pricing Data threshold and change orders that have an effect of the Certified Cost or Pricing Data threshold or greater on the total value of the purchase order.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. N/A

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. The requirement for price analysis shall be for any procurement of that is single or sole source award at or greater than the Certified Cost or Pricing Threshold or greater. This pertains to any procurement that is governed by FAR, DFAR and/or Public Laws.

7.0 PROCEDURE

- 7.1. During the request for quote/proposal process, the Buyer may request that the supplier submit certified cost or pricing data along with their quote/proposal whose pricing is anticipated to meet or exceed the Certified Cost or Pricing Data Threshold or greater. If the supplier will not submit the certified cost or pricing data or will not allow an authorized RENK America (RAM) representative to perform a cost audit at their facilities, the Buyer shall obtain the supplier's refusal in writing. The refusal shall state that only the U.S. Government may perform an audit at their facilities. If the supplier refuses to allow a RAM representative to perform the audit, the Buyer shall prepare a request for DCMA or DCAA to perform a cost and/or technical audit. The request along with the supplier proposal or quote shall be forwarded to Contracts to make the formal request. A copy of the request will be

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placed in the Purchase Order file. If certified cost or pricing data is received by the Buyer, the Buyer shall forward the data and the proposal/quote to the designated RAM person to perform the audit. The buyer must follow-up on all audit requests to ensure they are received in time to support RENK procurement actions and to proceed without a report if one is not provided in a timely manner. This may result in a desk evaluation and the issuance of an audit report or prepare a cost price analysis for the purpose of establishing price guideline for negotiation, as well as determining whether or not the data provided is current, accurate and complete.


- 7.1.1. The discussions conducted on the quote(s) or proposal(s), including those related to negotiating:
 - 7.1.1.1. Pricing of the purchase order, subcontract, or modification/supplement: or
 - 7.1.1.2. Performance of the purchase order, subcontract or modification/supplement.
 - 7.1.1.3. If effort on the purchase order has already begun at the time of the audit, the supplier shall provide actual costs and committed costs (Purchase Orders, etc.) as evidence prior to the commencement of negotiations.
 - 7.1.1.4. An audit report and/or a cost/price analysis shall be generated and provided to the Buyer in preparation for negotiations. The Buyer and/or the Buyer Manager shall act as lead negotiator for all awards that meet or exceed the cost/price data threshold.
 - 7.1.1.5. At the time of price agreement, a Certificate of Current Cost or Pricing Data shall be executed by the supplier.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-018 Certificate of Current Cost or Pricing Data	NA	Procurement	Purchase Orders

9.0 EXHIBITS

9.1. N/A

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SECTION 019: Letter Subcontract (Undefinitized Procurement)

1.0 SCOPE

- 1.1. This procedure applies to modifications/change orders to any existing Letter Subcontracts that extend the definitization date (180 calendar days after award) or increase the funding to exceed 40% of the proposed value, and/or adding an Undefinitized line to an existing Order.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR Subpart 15.4 - Contract Pricing/Price Negotiations
- 3.2. FAR Part 31 - Contract Cost Principles

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. N/A

7.0 PROCEDURE

- 7.1. Letter Subcontracts shall be entered into ONLY WHEN ABSOLUTELY NECESSARY to support the RENK customer such as for long lead time materials. Signature levels will be in accordance with the Approval authority Matrix and any additional approvals required herein. All Letter Subcontracts with Foreign Suppliers will be routed to Import/Export Compliance for review and approval prior to award.
- 7.2. Letter Subcontract may be entered into only after it has been determined that it is in the best interest of the U.S. Government and shall be reviewed and approved by the Buyer's manager prior to issuance of the award.
- 7.3. All Letter Subcontracts shall include but not limited to the following:
 - 7.3.1. Definitization date which shall be no later than 180 days from the date of the Letter Subcontract, or before completion of 40% of the work to be performed, whichever comes first.

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- 7.3.2. Maximum liability shall not exceed 40% of the total estimated cost of the Contract. This amount may be adjusted upward under usual circumstances by written request from the Contractor to the Buyer.
- 7.3.3. Complete and accurate description, part number (including revision level if applicable), quantity and ceiling price.
- 7.3.4. Delivery schedule, priority and Purchase Order number.
- 7.4. Buyer will monitor Letter Subcontracts to ensure that they are definitized by the required date. In the event that circumstances prevent definitization within 180 days, the Buyer shall prepare a memo for the file explaining the circumstances to extend the definitization date and create a change order to the order documenting the new definitization date.
- 7.5. The Buyer is the responsible party, if necessary, to coordinate with other functional stakeholders in order to definitize open contractual terms other than price.
- 7.6. All items identified on the FR-599-017, BUYER GOVERNMENT PURCHASE ORDER CHECK LIST will apply to documentation of the Letter Subcontract.
- 7.7. The following language will appear on the Letter Contract
 - 7.7.1. Letter Subcontract:
 - 7.7.1.1. This order constitutes a Letter Subcontract upon the terms and conditions as set forth herein and signifies the intention of RAM to subsequently enter into a formal and definitive negotiated Subcontract for the service to be performed, and the purchase, fabrication and delivery of the items described herein. Upon acceptance of the Letter Subcontract, Seller shall commence work. A (insert specific type of contract i.e., FFP, CPFF, etc.) definitive Purchase Order is contemplated. The Seller agrees to begin prompt negotiation with the Buyer the terms of a definitive Purchase Order that will include (1) all clauses required by public law, the Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) on the date of execution of the letter subcontract, and (2) any other mutually agreeable clauses, terms, and conditions. The definitive letter contract shall not exceed the total proposed prices as detailed herein. The Buyer's maximum obligation under this Letter Subcontract is the funded amount shown under Limitation of Buyer's Liability. The Seller agrees to submit such additional cost or pricing data, along with supporting rationale, as may be required by the Buyer in support of

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the quotation/proposal. The schedule for definitizing this Letter Subcontract is:

- 7.7.1.1.1. Submission of Cost or Pricing Data: enter specific date
- 7.7.1.1.2. Submission of Letter Subcontract Plan: enter specific date
- 7.7.1.1.3. Commencement of Negotiations: enter specific date
- 7.7.1.1.4. Execution of Definitive contract: enter specific date
- 7.7.1.1.5. (no longer than 180 days after the Purchase Order award date or the completion of 40% of the work). If agreement on a definitive letter contract to supersede this Letter Subcontract is not reached by the target date set for above, or any extension thereof granted by the Buyer, the Buyer may, with the approval of Buyer's Management, determine a reasonable price or fee in accordance with FAR Subpart 15.4 and Part 31 of the FAR subject to Seller appeal as provided in Disputes clause. In any event, the Seller shall proceed with completion of the letter subcontract, subject only to the Limitations of the Buyer's Liability clause. After such determination is made, the Seller shall be governed by all clauses required by the Buyer's Customer, the FAR on the date of the execution of this letter subcontract for fixed priced Purchase Order, all clauses required by law as of the date of the determination, and any other clauses, terms and conditions mutually agreed upon. To the extend consistent with the foregoing, all clauses, terms and conditions include in this Letter Subcontract except those which by their nature are applicable only to a Letter Subcontract, shall continue to be effective, unless the parties agree otherwise.

7.7.2. Letter Subcontract Changes

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7.7.2.1. Changes to this Letter Subcontract shall only be accomplished as a result of properly executed Change order issued by Buyer.

7.7.2.2. LIMITATION OF BUYER'S LIABILITY

7.7.2.2.1. The funded amount of this Letter Contract is the maximum amount for which the Buyer shall be liable if this Letter Contract is terminated. THE SELLER SHALL GIVE IMMEDIATE WRITTEN NOTICE TO THE BUYER WHEN THE AGGREGATE AMOUNT OF EXPENDITURES AND LIABILITIES EQUALS SEVENTY-FIVE PERCENT (75%) OF THE FUNDED AMOUNT. In performing this Letter Subcontract, the Seller shall not make expenditures nor incur obligations which exceed the funded amount under this Letter Contract up to and including the revised funded amount. The funded amount does not change the not to exceed amount as shown herein.

7.7.2.2.2. Total Not to Exceed Amount: \$

7.7.2.2.3. Total Previously Funded Amount: \$

7.7.2.2.4. Total Current Funded Amount: \$

7.8. Upon completion of negotiations, a Change order must be issued to:

7.8.1. Revise the Purchase Order Category to contract type (e.g., FFP, CPFF).

7.8.2. Revise the unit price to the negotiated unit price.


7.8.3. Incorporate any additional items negotiated.

7.8.4. Date the Letter Contract's Standard Note Section.

7.9. A report will be generated as necessary that shows all Letter Subcontracts that are required to be definitized. The report will be forwarded for review and analysis to the management, in the event that Letter Subcontracts are issued.

7.10. Definitization

7.10.1. When the Buyer has completed negotiations to definitize the Letter Contract and change orders have been generated, the Buyer shall submit the file to the authorized Manager. This review is required for every Letter Contract definitization whether or not there has been ANY purchase order price adjustments as the result of the negotiations.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Letter of Subcontract	NA	Procurement	Purchase Order

9.0 EXHIBITS

9.1. N/A

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SECTION 020: Cost Accounting Standards (CAS)

1.0 SCOPE

- 1.1. This only applies to large business for other than competitive awards when the purchase order/subcontract is with a large business and is a single or sole source award of \$2 Million or greater. The purchase order is issued under a Government National Defense Contract, are subject to Public Law (PL) 100-679, "Cost Accounting Standards Act." PL 100-679 applies to subcontracts at any tier under a prime contract subject to its provisions, unless exempt.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. Public Law 100-679 – Cost Accounting Act
- 3.2. FAR 52.230 Clauses 1- 6
- 3.3. Cost Accounting Notices and Certification form 599-020

4.0 DEFINITIONS

- 4.1. CAS - Regulations published by the CAS Board, which define principles and procedures for consistency in estimating, accumulating, and reporting costs.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management


6.0 GENERAL

- 6.1. N/A


7.0 PROCEDURE

7.1. Cost Accounting Notices and Certifications

- 7.1.1. CAS Exemptions are provided below to assist in making a determination when a Purchase Order may be CAS covered. The Subcontractor is primarily responsible for this determination by their completion of the CAS Certification.
 - 7.1.1.1. The following categories of contracts and subcontracts are exempt from all CAS requirements:

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- 7.1.1.1.1. Sealed bid contracts.
- 7.1.1.1.2. (2) Negotiated contracts and subcontracts not in excess of the Truth in Negotiations Act (TINA) threshold, as adjusted for inflation (41 U.S.C. 1908 and 41 U.S.C. 1502(b)(1)(B)). For purposes of this paragraph (b)(2), an order issued by one segment to another segment shall be treated as a subcontract.
- 7.1.1.1.3. (3) Contracts and subcontracts with small businesses.
- 7.1.1.1.4. Contracts and subcontracts with foreign governments or their agents or instrumentalities or, insofar as the requirements of CAS other than 9904.401 and 9904.402 are concerned, any contract or subcontract awarded to a foreign concern.
- 7.1.1.1.5. Contracts and subcontracts in which the price is set by law or regulation.
- 7.1.1.1.6. Firm fixed-priced, fixed-priced with economic price adjustment (provided that price adjustment is not based on actual costs incurred), time-and-materials, and labor-hour contracts and subcontracts for the acquisition of commercial items.
- 7.1.2. If no exemption is claimed, the Seller must complete a Certificate of Compliance with Cost Accounting Standards Notices and Certification. If the Seller asserts that the disclosure statement is "Confidential" or "Privileged," the Seller may deliver it directly to the Seller's cognizant ACO.
- 7.1.3. Procurement Management includes the requirement for a Certificate of Compliance in Requests for Quote RFQs /Requests for Proposal (RFPs) when required. The Certificate should be received with the Seller's proposal and must be received prior to issuing a Purchase Order (PO)/subcontract for which a certificate is required.
- 7.1.4. When it is known at the time an order is issued that the Seller is, or may be, noncompliant with any of the standards, it is necessary to incorporate the indemnification statement set forth below, suitably tailored for the circumstances of the specific procurement, in the body of the PO/subcontract. This statement is in addition to the

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indemnification provided via the applicable terms and conditions flow down clauses.

7.1.4.1. Award of this order does not constitute determination that the Seller's disclosed and applied accounting practices used in pricing this order is in compliance with the Cost Accounting Standards (CAS). The Buyer retains the right to adjust the price appropriately if a subsequent reduction to the Buyer's contract is made by the contracting officer of the prime contract, or subcontract, based on Seller's noncompliance.

7.2. CAS Clause Flow Down

- 7.2.1. Full CAS coverage - FAR 52.230-2 and FAR 52.230-6 must be specifically called out in the procurement. The fact that they may be in the Terms and conditions does not satisfy this requirement.
- 7.2.2. Modified CAS Coverage – FAR 52.230-3 and 532.230-6 must be specifically called out in the procurement. The fact that they may be in the Terms and conditions does not satisfy this requirement.
- 7.2.3. CAS Clause 52-230-5 shall apply to Educational Institutions
- 7.2.4. FAR Cost Accounting Standards, must be referenced in the Subcontract if full CAS coverage applies to such Subcontract if:
- 7.2.4.1. The Subcontract exceeds \$2 Million,
- 7.2.4.2. The Subcontractor is not a small business,
- 7.2.4.3. None of the exemptions in Exhibit A apply and
- 7.2.4.4. Part II of CAS Certification is not checked; full CAS coverage applies.


7.3. The Buyer shall notify the ACO when a purchase order is CAS covered. The Buyer shall provide the notification at the time of the purchase order award.

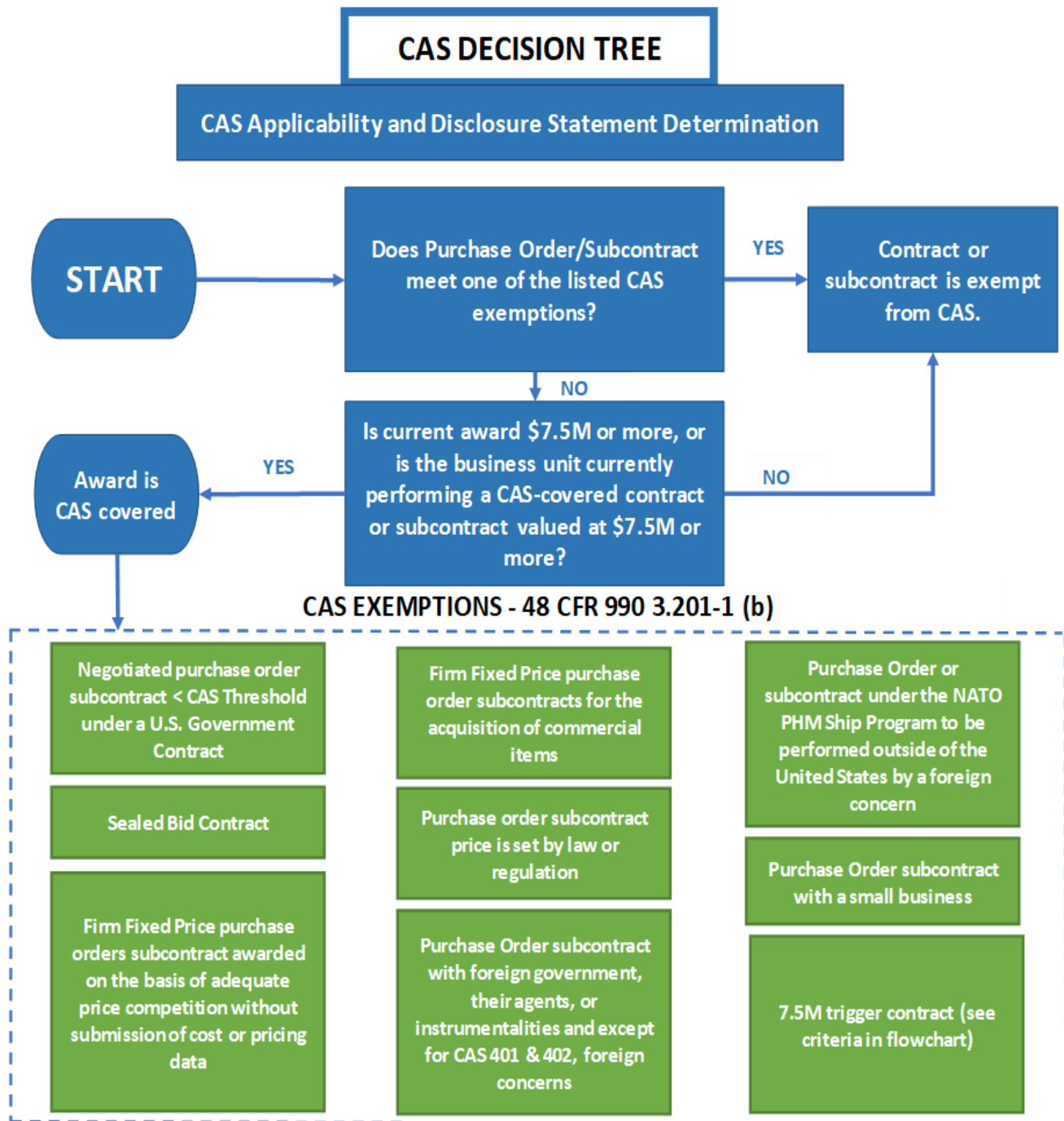
8.0 RECORDS


List(s) of Supporting Records			
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FM 599-020	NA	Procurement	Purchase Orders

9.0 EXHIBITS

9.1. Exhibit A – CAS Decision Tree

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SECTION 021: Foreign Procurements

1.0 SCOPE

- 1.1. This applies to all Purchase Orders, Change Orders/Supplements awarded to foreign suppliers and foreign countries.

2.0 AFFECTED ORGANIZATIONS


- 2.1. Procurement
- 2.2. Contracts (Import/Export)
- 2.3. Finance
- 2.4. Shipping and Receiving

3.0 REFERENCES


- 3.1. Code of Federal Regulations (CFR) 15, Part 730 Sub chapter C, ET. seq., Export Administration Regulations (EAR)
- 3.2. Code of Federal Regulations (CFR) 22, Part 120, ET. seq., International Traffic in Arms Regulations (ITAR)
- 3.3. 22 CFR 124.13 - Offshore Procurements
- 3.4. 48 C.F.R. 252.225-7013 - Duty-Free Entry
- 3.5. RAM WI 302-4 importing Defense Articles
- 3.6. RAM WI 1002-6 Destination Control

4.0 DEFINITIONS

- 4.1. CONSIGNOR - Party who is shipping items or on whose behalf they are being shipped.
- 4.2. CUSTOMS BROKER - A licensed individual or company who represents and acts for another party in transactions with the U.S. Customs and Border Protection (CBP), or in the case of a foreign shipper, the foreign customs authorities.
- 4.3. DEFENSE ARTICLE - Any item designated on the U.S. Munitions List (USML) (ITAR 22 CFR 121.1). This term includes models, mockups and other such items which reveal technical data directly relating to USML items.
- 4.4. DEPARTMENT of COMMERCE EXPORT LICENSE - A license issued by the U.S. Department of Commerce, Bureau of Industry and Security for export of articles, technical data or services relating to articles on the EAR.

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- 4.5.** DEPARTMENT of STATE EXPORT LICENSE (DSP-5) - A license issued by the U.S. Department of State for export of articles, technical data or classified data relating to articles on the USML or having significant military applicability.
- 4.6.** EMPOWERED OFFICIAL (EO) - The appointed official for RAM who is authorized to sign applications, certifications, and other official correspondence on behalf of RAM for licensing consideration to the Department of State, Commerce and Treasury.
- 4.7.** EXPORT - Any of the following transactions constitutes an export:
- 4.7.1. Sending or taking products extra-territorial to the United States (as defined by U.S. Customs (in any manner);
 - 4.7.2. Transferring registration or control to a foreign person of any item whether in the U.S. or abroad.
 - 4.7.3. Sending or taking technical data outside of the U.S. in any manner.
 - 4.7.4. Disclosing or transferring technical data to a foreign person, whether in the U.S. or abroad.
 - 4.7.5. The performance of a defense service on behalf of, or for the benefit of a foreign person whether in the U.S. or abroad.
- 4.8.** EXPORT ADMINISTRATION REGULATIONS (EAR) - Federal regulations issued by the Department of Commerce that regulate the import and export of commercial items. Items covered under the EAR are listed on the Commerce Control List (CCL) under 15 CFR 774.
- 4.9.** EXPORT COMPLIANCE COORDINATOR (ECC) - The appointed representative for RAM who is responsible for the coordination of all license applications and/or general correspondence to various U.S. Government agencies (Department of State, Commerce, Defense and Treasury). The ECC also responsible for developing, implementing and managing the export/import compliance program at RAM.
- 4.10.** IMPORT - To bring defense articles or technical data recorded or otherwise embodied in some storage media (i.e., drawing, photograph, model, video tape, magnetic computer tape, and magnetic disk) into the customs territory of the United States.
- 4.11.** IMPORT JURISDICTION - The Department of State regulates the temporary import of defense articles. Permanent imports of defense articles into the United States are regulated by the Department of Treasury (27 CFR Parts 447, 178 and 179).

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- 4.12. INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR)** - Federal regulations issued by the Department of State that regulate the export of items inherently military in nature. Items covered by the ITAR are listed in its "Munitions List," which is in section 121. The ITAR are contained in Title 22 of the Code of Federal Regulations, sections 120-130.
- 4.13. OFFSHORE PROCUREMENT** - Offshore procurement is the "build-to-print" manufacture of components overseas for incorporation into defense articles. "Build-to-print" does not permit the release of any information, which discloses design methodology, engineering, engineering analysis, detailed process information or manufacturing know-how.
- 4.14. TEMPORARY IMPORT LICENSE** - A license issued by the U.S. Department of State (DSP-61) for the temporary import and subsequent export of unclassified defense articles that are to be returned directly to the country from which they were shipped to the United States; or for temporary imports of unclassified defense articles in transit to a third country.
- 4.15. TEMPORARY IMPORT LICENSE EXEMPTIONS** - U.S. Customs and Border Protection shall permit the temporary import (and subsequent export) without a Department of State License, for a period of up to 4 years of unclassified U.S.-origin defense items (including any items manufactured abroad pursuant to U.S. Government approval) per Section VII.C of this procedure.
- 4.16. TRAFFIC COMPLIANCE MANAGER (TCM)** - The RAM Appointed Representative responsible for developing and implementing procedures for the importation/exportation of goods while adhering to Government

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1.** Vice President Supply Chain Management

6.0 GENERAL


- 6.1.** N/A

7.0 PROCEDURE

- 7.1.** Contracts Import/Export
- 7.1.1.** If the Buyer is required to add a foreign supplier (either offshore or US-based but foreign owned), the Buyer SHALL contact RAM' Import/Export Compliance Group (ECC or EO) for guidance on the

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- latest required documentation necessary to be Import/Export/FCPA Compliant.
- 7.1.2. All purchase orders, change orders/supplements to foreign suppliers will be routed to the RAM Export Compliance Coordinator (ECC) for review prior to issuance to the supplier. Appropriate import/export language must be included on all procurement documents. All procurement actions will support Import/Export Procedures as established in the International Traffic in Arms Regulations (ITAR), the Export Administration Regulations (EAR), and applicable RAM procedures and work instructions.
 - 7.1.3. If the foreign supplier ships a quantity other than what was ordered, the buyer shall notify the ECC of the changes before the parts are received at RAM.
 - 7.2. Any procurement by RAM with a supplier from a foreign country requiring the transfer of build-to-print drawings from RAM to the foreign supplier.
 - 7.2.1. Required Action(s) - Consult the ECC or EO for guidance prior to the processing of the Purchase Order and prior to the transfer of the build-to-print drawings to the foreign supplier. RAM Import/Export Compliance will apply for export licensing, when applicable, to authorize the transfer of build-to print drawings to the foreign supplier, as required per the ITAR or the EAR. RAM Import/Export Compliance will provide the required destination control statements applicable to a specific procurement to be included within the Purchase Orders and on all technical data/technology. All transfers of technical data/technology to a foreign supplier will be made by the Empowered Official (EO) or the ECC only. In the case of product falling under the jurisdiction of the ITAR, copies of Purchase Orders must be provided to the ECC upon execution so that they can be forwarded to the United State Department of State. Failure to adhere to these instructions may result in import/export violations which can result in fines, debarment, loss of military contracts and disciplinary action, including termination of U.S. Government contracts.
 - 7.3. Procurement Actions with Canadian Company
 - 7.3.1. Required Action(s) - Consult Import/Export Compliance to ensure registration of Canadian company with Canadian Controlled Good Directorate when technology falls under the ITAR regulations. Verify with Import/Export Compliance regarding applicability to procurement.
 - 7.4. Duty Free Entry (48 C.F.R. 252.225-7013)
 - 7.4.1. Duty Free Entry is utilized for purchase order awards of \$15,000 or greater in support of the U.S. Government. Duty Free applicability is

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determined by Prime contract flow down. If Duty free is applicable, Contracts (Import/Export Compliance) will provide the language necessary to be placed on the purchase order, change order or supplement.

7.5. International Offsets Credits

7.5.1. Required Action(s) - The Buyer will contact the Vice President, Business Development to ascertain if Purchase Order with foreign supplier can/should be included for international Offset Credit.

7.6. Foreign Currency

7.6.1. The preference is to make payments with Foreign Suppliers in U.S. Dollars. If Buyer cannot do so, and payment must be made in foreign currency, Buyer must notify the Finance Department and obtain approval prior to award of the Purchase Order.

7.7. Returns to/from a Foreign Supplier


7.7.1. The Buyer SHALL NOT ship returned material to a Foreign Supplier on the original purchase order. A new Repair Purchase Order shall be created for the returned materials and both the Buyer and the ECC/EO Manager's signatures are required on the Repair Purchase Order Shipper before the material(s) can be returned.

7.7.1.1. The Repair Purchase Order shall clearly state the Preferred Freight Forwarded/Broker that the Foreign Supplier shall utilize to arrange shipment and return.

7.7.1.2. The Buyer shall add to the Repair Purchase Order that the foreign supplier must notify the Buyer for approval prior to the return of the material and shall provide the Buyer with copies of the shipping documentation prior to pick up and shipment.

7.7.2. Required Action(s) - consult with RAM Import/Export Compliance (ECC/TCM) prior to any return of materials to/from any foreign supplier. Import/Export Compliance may need to apply for export licensing or utilize an exemption or exception in order to authorize the return of hardware to the foreign supplier, as required per the ITAR or the EAR. Import/Export Compliance will provide all procurement language to be included within any purchase orders, change orders, supplements, pack lists, shippers, etc. Likewise, with the return of product as regulations specify that product must be returned the same way it imported and vice versa. Failure to adhere to these instructions may result in import/export violations which can result in fines, debarment, loss of military contracts and disciplinary action, including termination.

7.8. Anti-Bribery Compliance

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- 7.8.1. Required Action(s) - All foreign issued Purchase orders where the cumulative value (including change orders) is \$500,000 or more, require the approval of the Anti-Bribery Compliance Lead.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-021	NA	Procurement	Purchase Orders

9.0 EXHIBITS

- 9.1. N/A

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SECTION 022: Request or Quote Processing

1.0 SCOPE

1.1. This shall apply to all requirements generated by RAM.

2.0 AFFECTED ORGANIZATIONS

2.1. Procurement

3.0 REFERENCES

3.1. N/A

4.0 DEFINITIONS

4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

5.1. Vice President Supply Chain Management

6.0 GENERAL

6.1. N/A

7.0 PROCEDURE


7.1. An RFQ can be generated in the system or through the use of manual requisition. Contracts load the DPAS rating and the Prime Contract Number into the system so that information automatically prints on each requisition. These may be used for a proposal activity or a buy through Procurement Management request.

7.1.1. Buyer receives direction from a representative to solicit Suppliers for pricing, lead-time, and other material cost (OMC) as required.

7.1.1.1. All requests for quotes are issued on the RAM system generated "Request for Quote" document.

7.1.1.2. When circumstances require and immediate response from a supplier, the Buyer **may make a verbal request for quotation with total anticipated prices of \$10,000 or less**. When a verbal quotation is requested, the Buyer shall complete a memo stating who at what company quoted, quantity, part number, pricing, and date.

7.2. Subcontractors and suppliers shall be selected on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the

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contract. The Buyer selects the Suppliers to be solicited providing pertinent technical data, contract or program-specific requirements, the bid response date (i.e., quantity, delivery date, drop ship, expected date of award). The requirements for submittal of a technical data proposal are stated within the RFQ/RFP and include a compliance matrix to be completed by the supplier, if appropriate.

7.2.1. The Buyer shall review the ERP requirements and determine the suppliers to be used for formal quote/proposal purposes if required.

The sources available are as follows:

7.2.1.1. Approved supplier base as identified in the most current Approved Suppliers List (ASL).

7.2.1.2. Supplier listed in Small Business Administration – <https://renkprod.ocr-inc.com/user/loginDefault.ocr>

7.2.1.3. Other reputable sources as deemed appropriate.

7.2.2. The Buyer shall verify a Proprietary Information Agreement (PIA), is in place before and RFP/RFQ is sent to a supplier that receives any proprietary information (i.e., drawings).

7.3. An RFQ is forwarded to the appropriate Suppliers.

7.4. Best and Final Offers (BAFO) – Best and Final Offers may be utilized during the quoting/proposal stage.

Quotes/proposals are received, posted/approved; Buyer performs an evaluation and makes their source selection.


7.5. Late Bids

7.5.1. When a Buyer has received a late bid and one or more suppliers have responded on or before the bid response date, the Buyer may consider the late bid to be **NON-RESPONSIVE** if they supplier has not previously provided notice and rationale for a late bid and place the award with the responsive supplier.

7.5.2. If the Buyer has only requested a quote from one supplier and that supplier is late, the Buyer may accept the quote with a written justification of why the bid was accepted.

7.6. Subcontractor Proposal Submissions

7.6.1. Subcontractors shall provide a completed Statement of Work Compliance matrix with their proposal submission if required by the RFP.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Request for Quote	NA	Procurement	Purchase Orders

9.0 EXHIBITS


9.1. N/A

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SECTION 023: Advance Notification and Consent

1.0 SCOPE

- 1.1.** Advance Consent is not required unless RAM is entering into any (i) cost-plus-fixed-fee subcontracts, or (ii) fixed-price subcontracts that exceeds either the simplified acquisition threshold or 5 percent of the total estimated cost of the Prime Contract; and any subcontractor designated in the Prime Contract. The notification shall include the following information:
- 1.1.1. A description of the supplies or services to be subcontracted.
 - 1.1.2. Identification of the type of subcontract to be used.
 - 1.1.3. Identification of the proposed subcontractor.
 - 1.1.4. The proposed subcontract price.
 - 1.1.5. The subcontractor's current, complete, and accurate certified cost or pricing data and Certificate of Current Cost or Pricing Data, if required by other contract provisions.
 - 1.1.6. The subcontractor's Disclosure Statement or Certificate relating to Cost Accounting Standards when such data are required by other provisions of the Prime Contract.
 - 1.1.7. A negotiation memorandum reflecting -
 - 1.1.7.1. The principal elements of the subcontract price negotiations.
 - 1.1.7.2. The most significant considerations controlling establishment of initial or revised prices; The reason certified cost or pricing data were or were not required.
 - 1.1.8. The extent, if any, to which the Contractor did not rely on the subcontractor's certified cost or pricing data in determining the price objective and in negotiating the final price.
 - 1.1.9. The extent to which it was recognized in the negotiation that the subcontractor's certified cost or pricing data were not accurate, complete, or current; the action taken by the Contractor and the subcontractor; and the effect of any such defective data on the total price negotiated.
 - 1.1.10. The reasons for any significant difference between the Contractor's price objective and the price negotiated; and

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- 1.1.11. A complete explanation of the incentive fee or profit plan when incentives are used. The explanation shall identify each critical performance element, management decisions used to quantify each incentive element, reasons for the incentives, and a summary of all trade-off possibilities considered.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR 44.201-1 - Consent Requirements
3.2. FAR 44.201-2 - Advance Notification Requirements
3.3. FAR 52.244-2 - Subcontracts

4.0 DEFINITIONS

- 4.1. Consent to subcontract - Administrative Contracting Officer's (ACO) or the Procurement Contracting Officer (PCO) written consent to enter into a particular subcontract.
4.2. Subcontract - Any purchase orders/subcontracts entered into by RENK America to obtain supplies or services for performance of a U.S. Government Prime Contract or a U.S. Government Subcontract. It includes, but is not limited to, purchase orders, and changes and modifications to purchase orders

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. Consent - If RAM has an approved purchasing system consent is not required unless it is required for purchase orders specifically identified by the Customer (it may be identified by purchase order number or a purchase for critical systems or a class of items in the Prime Contract.

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7.2. In the event that the Prime Contract requires consent for specific purchase orders or a class of items, Procurement Compliance shall notify the Buyers and Procurement Management of the requirement.

7.2.1. The Buyer shall send a request for Advance Notification and/or Consent to the ACO to place the purchase order prior to the award of the purchase order.


7.2.2. The request to the ACO shall be submitted the.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Form CC024	NA	Procurement	Purchase Orders (External document)

9.0 EXHIBITS

9.1. N/A

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SECTION 024: Code of Conduct and Supplier Relations

1.0 SCOPE

- 1.1. This procedure applies to all communications with suppliers that could result in cost incurred by the supplier/subcontractor and/or RAM. Communications with suppliers shall be conducted in and may include activities that the Buyers are authorized to perform such as the ability to obligate RAM funds for materials, supplies, services, and equipment SHALL NOT be performed by other functional department personnel. Only the Buyer can discuss lead times, obtain pricing, request pricing/cost, schedule changes etc.

2.0 AFFECTED ORGANIZATIONS

- 2.1. All RAM Organizations

3.0 REFERENCES

- 3.1. RENK Code of Ethics and Business Conduct

4.0 DEFINITIONS


- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. The Procurement department shall be independent of other departments and is responsible for procuring all materials, supplies, services, and equipment.
- 6.2. The receiving function shall be performed by personnel independent of the buying function.
- 6.3. All Procurement personnel shall understand their assigned responsibilities, authority, and limitations.
- 6.4. There are procedures delegating who has the authority to make commitments and to question quality and quantity of material requisitioned or received.
- 6.5. Contact with suppliers/subcontractors must be controlled to prevent unauthorized changes in the supplier/subcontractor task or misunderstandings which may be perceived by the supplier that they are be directed by an authorized representative

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of the Company to initiate work on behalf of RAM. With a few exceptions, meetings with suppliers/ subcontractors are arranged through Procurement.

- 6.6.** Procurement is the only organization authorized to solicit quotations, make source selection, conduct fact finding and negotiations, ultimately make contractual commitments to suppliers/subcontractors, and modify existing Purchase Orders/Subcontracts.
- 6.7.** The normal conduct of business by Organizations outside of Procurement occasionally requires direct verbal contact on a day-to-day basis concerning technical information that does not include contractual requirements. Examples of technical or potential/ongoing discussions for which coordination through Procurement is **not** required are:

Preliminary Search for Commercial Products that does not involve RFQs, Lead Times, etc.	Quality Problems that doesn't have a monetary impact to RAM
Test Procedures	Preliminary Search for New Materials
Quality Source Inspection	Configuration Management Items
Data Management Items	Offset Management
Doesn't Restrict Competition or Give a Supplier a Competitive Advantage (such as creating a source control of suppliers)	

7.0 PROCEDURE

- 7.1.** Procurement personnel shall practice the highest possible standards of business and personal ethics, professional courtesy, and compliance with company and government laws and regulations in all Procurement activities. RENK America's reputation for integrity is evident through Procurement's relationships and conduct with current and potential suppliers. Prospective suppliers are judged for the ability to deliver a quality product or service within schedule requirements at the fairest and reasonable price for both the US Government and RAM (best value). Present and potential suppliers must always be treated fairly and impartially. Procurement personnel shall ensure no supplier gains a competitive advantage by obtaining competitive information specific to other potential suppliers.

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7.2. Responsibilities

7.2.1. Procurement personnel are responsible for supplier contact and maintenance of good supplier relations. Additionally, Procurement is responsible for the source selection, leading negotiations, issuing purchase orders/subcontracts, and arranging for RAM representatives to visit supplier facilities.

7.2.2. All data, prices, and cost information given in quotations are considered RAM and supplier/subcontractor confidential information and shall not to be revealed or discussed externally. Procurement shall endeavor to protect such information as "competition sensitive", disseminate it internally only, and limit distribution to those personnel deemed to have a need to know.

7.3. Procurement, together with RAM Management, continuously evaluates a supplier's performance in meeting quality, delivery, price, and quotation requirements. Continued poor performance results in disapproving a supplier, which restricts Procurement from placing purchase orders/subcontracts.

7.3.1. Procurement shall only award purchase orders/subcontractors to approved sources of supply.

7.3.2. Disapproved suppliers are ineligible for award unless and until corrective actions are taken to correct deficiencies.

7.3.3. Special circumstances requiring award to a disapproved supplier (e.g., proprietary requirement) are possible. In those instances, prior approval of the Procurement Manager and Supplier Quality Assurance are required.


7.4. In the supplier selection process, full consideration is given to socio-economic business concerns, women-owned businesses, minority enterprises, and businesses located in HubZone areas.

7.5. Procurement personnel shall treat suppliers courteously, fairly, and equally. Procurement personnel shall practice the following when dealing with suppliers and their representatives:

7.5.1. Maintain relationships with suppliers in a professional, ethical, and cordial manner.

7.5.2. Ensure that each supplier an equal opportunity to compete for RAM requirements. Fairly evaluate obvious errors in bids/proposals as they occur.

7.5.3. Clearly explain the reason for rejection or unsuccessful nature of bids/proposals if requested by suppliers. Information shall be limited to details specific to the suppliers' bid/proposal deficiencies. No specific financial data or confidential supplier information shall be provided by Procurement.

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7.5.4. Procurement shall inform suppliers about RAM products, policies, and practices as necessary.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 025: Value Engineering

1.0 SCOPE

- 1.1. This procedure applies to all Purchase Orders, Change Orders/Supplements awarded to foreign suppliers and Foreign Countries.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. Federal Acquisition Regulation (FAR), Part 48, Value Engineering
- 3.2. FAR 52.248-1, Value Engineering
- 3.3. FAR 52.248-2, Value Engineering – Architect-Engineer

4.0 DEFINITIONS

- 4.1. Value Engineering - An organized approach directed at analyzing the function of systems, equipment, facilities, services and supplies for the purpose of achieving their essential functions at the lowest life cycle cost consistent with required performance, reliability, quality, and safety

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. Procurement personnel shall notify potential suppliers of a value-engineering clause by incorporation into the Request for Quotation and PO/subcontract under a customer contract having the requirement for supplier Value Engineering. Additionally, Procurement shall incorporate a value engineering clause for all design /development items anticipated to exceed \$150,000 in value.
- 7.2. Incorporating a Value Engineering incentive clause into the Procurement allows for sharing of savings and for payment of the supplier's allowable development costs if a supplier VECP is accepted. Value Engineering savings are not considered as profit or fee of a type subject to statutory limitation.

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- 7.3. A mandatory approach obligates the supplier to perform Value Engineering according to the required scope in the PO/subcontract. This effort is a separately priced work item and is incorporated by Procurement after coordination with Program Management.
- 7.4. Procurement provides the responsible program office and engineering organization with Value Engineering suggestions. They are submitted as "limited rights" data with the supplier's quotation and are kept in the Procurement file.
- 7.5. Upon receiving a requisition/authorization that implements a supplier VECP, Procurement issues a change order complying with the terms of the Value Engineering clause.
- 7.6. Supplier VE proposals are evaluated by appropriate RAM personnel to determine acceptability.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 026: Terminations and Stop Work Orders

1.0 SCOPE

- 1.1. This procedure to the partial or full termination of purchase orders.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Program Management
- 2.3. Legal
- 2.4. Finance

3.0 REFERENCES

- 3.1. FAR Part 49 - Terminations
- 3.2. 52.249-2 - Termination for Convenience of the Government (Fixed Price)
- 3.3. 52.249-4 - Termination for Convenience of the Government (Services) (Short Form)
52.249-6 - Termination (Cost-Reimbursement)
- 3.4. 52.249-8 - Default (Fixed-Price Supply and Service)
- 3.5. 52.249-9 - Default (Fixed-Price Research and Development) 52.249-14 - Excusable Delays

4.0 DEFINITIONS

- 4.1. Settlement Agreement - A written agreement, in the form of Purchase Order change order, which settles a termination claim.
- 4.2. Termination - The total or partial cancellation of supplier performance, prior to work completion (RAM or customer directed) and is accomplished for convenience or default.
- 4.3. Stop Work Order - The total or partial temporary cessation of supplier performance activities pending further action (RAM or customer directed).


5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management


6.0 GENERAL

- 6.1. N/A


7.0 PROCEDURE

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- 7.1. Termination authority is included in the terms and conditions of the Purchase Order/Subcontract. A termination action is taken only when directed or concurred by the requisitioning organization and has been approved in advance by RAM's Legal representatives.
- 7.2. Whenever a supplier can establish that its failure to perform is excusable by the terms of the Purchase Order/Subcontract, a termination for default is treated as a termination for convenience.
- 7.3. In a termination for default, RAM is not liable for the supplier's costs on undelivered work and is entitled to the repayment of progress, milestone and/or advance payments, if any, applicable to undelivered work. RAM may be entitled to recover from the supplier any excess costs incurred in re-purchasing supplies terminated for default and any other damages.
- 7.4. Procurement is responsible for the following when termination is necessary:
 - 7.4.1. Organize pre-termination plans.
 - 7.4.2. Issue Show Cause and Cure Notices as necessary.
 - 7.4.3. Issue termination notices and change orders.
 - 7.4.4. Negotiate settlements.
 - 7.4.5. Provide administrative support and assistance until final settlement has been reached.
- 7.5. RAM may elect to acquire, for completion by RAM or another supplier, all or any portion of the undelivered items (including materials, parts and tooling) which the supplier has produced or acquired specifically for the manufacture of the terminated items. Whenever a Purchase Order/Subcontract is terminated for default, special tooling and any other customer or RAM property in the possession of the defaulting supplier is returned or disposed of as directed by RAM or the Government customer.
- 7.6. A decision to terminate for default is preceded by a Cure Notice and/or a Show Cause Notice. Procurement shall obtain approval from Legal prior to notice being given. Proof of receipt is required for all notices sent to the supplier.
- 7.7. A notice of termination for default is issued upon expiration of the cure period unless it is determined that the failure is cured or excusable. The termination notice:
 - 7.7.1. Identifies the Purchase Order/Subcontract number and date.
 - 7.7.2. Describes the acts or omissions constituting the default.
 - 7.7.3. States that the supplier's right to proceed further with performance of the Purchase Order/Subcontract, or a specified portion, is terminated.
 - 7.7.4. States that the supplies and/or services terminated may be re-procured and that the supplier will be held liable for any excess costs.

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- 7.7.5. States that the Company reserves all rights and remedies provided by law or under the Purchase Order/Subcontract in addition to charging any excess costs of re-procurement.
- 7.7.6. Requires Procurement Management and Legal approval prior to being given to the supplier.
- 7.8. Appropriate action is initiated to assert RAM's claim for other damages to which it may be entitled as a result of the supplier default. Areas for consideration include:
 - 7.8.1. Payment for liquidated damages if provided for in the Purchase Order/Subcontract.
 - 7.8.2. Other ascertainable damages resulting from the supplier's default.
 - 7.8.3. Property to which title has vested in RAM, Government or other customers by progress, milestone and/or advance payments.
- 7.9. Procurement issues a confirming change order that includes reference to all items listed in the notice of termination for default and the applicable date of the notice.
- 7.10. When in the best interests of RAM, actions available instead of termination for default include:
 - 7.10.1. Authorization for the supplier to continue performance of the Purchase Order/Subcontract under a revised delivery schedule.
 - 7.10.2. Change of the Purchase Order/Subcontract to allow the supplier to continue performance by means of a Purchase Order/Subcontract with an acceptable third party.
 - 7.10.3. Execution of a no-cost settlement if the requirement specified in the Purchase Order/Subcontract no longer exists and the supplier is not liable to RAM for damages.
- 7.11. Re-Procurement is accomplished when supplies and/or services are still required after termination for default. If re-procurement is made at a price exceeding the price of the terminated items, Procurement, on advice from Legal, makes written demand for the total amount of such excess. Consideration is given to any increases or decreases in other costs such as transportation or discounts.
- 7.12. Termination for convenience may be initiated by RAM, the Government, or another customer. A termination for convenience requires:
 - 7.12.1. Contractual authority in the Purchase Order Terms and Conditions.
 - 7.12.2. Pre-termination planning.
 - 7.12.3. Written notification to the supplier.
 - 7.12.4. The supplier's acknowledgment of notification.
 - 7.12.5. The suppliers comply to the directions in the notification.
 - 7.12.6. A letter of instruction and applicable claim forms.
- 7.13. Before notifying a supplier of a termination for convenience, Procurement does pre-termination planning which includes meetings with representatives from all affected functional organizations to evaluate significant aspects of the planned action.

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- 7.13.1. Purchase Order/Sublegal (except terminations for RAM convenience) which are completely or partially terminated for RAM or Customer convenience, must be formally documented.
- 7.13.2. Purchase Order/Sublegal that are completely or partially terminated for RAM only convenience and can be settled at "No Cost".
- 7.14.** Upon receipt of authority to terminate a Purchase Order/Subcontract, Procurement:
 - 7.14.1. Immediately prepares a Termination Notification Letter when formal documentation is required (Procurement Management must approve before notifying the supplier).
 - 7.14.2. Notifies the supplier of the termination and decides if the termination can be settled at "No Cost". Depending upon the supplier's response, Procurement takes one of the following actions:
 - 7.14.2.1. When the supplier agrees to a "No Cost" settlement, documentation of the agreement will be in the file. A termination Notification Letter and approvals are not required.
- 7.15.** Procurement issues a Purchase Order/Subcontract change order to confirm the termination notification.
- 7.16.** A no-cost settlement, in lieu of termination, is accomplished by a Purchase Order/Subcontract change order if the supplier has not incurred costs with respect to the terminated portion, or if the supplier is willing to waive the costs incurred.
- 7.17.** Upon receipt of the seller's claim, Procurement reviews the claim to ensure that
 - 7.17.1. Allocable to the terminated portion of the subcontract.
 - 7.17.2. Accompanied by the required certifications.
 - 7.17.3. Supported by sufficient accounting and other data to allow an adequate review by the Company and/or the Government.
 - 7.17.4. Audited and inventory verified and disposed of, as required.
- 7.18.** Settlement of termination claims may require the participation of several organizations and the customer. Careful consideration is given to:
 - 7.18.1. The recommendations made by Legal Counsel on the allowability, allocability and reasonableness of costs claimed.
 - 7.18.2. The allocability review of the termination inventory to ensure that it can be reconciled with contract quantities ordered and/or terminated to prevent loading the claim with material which is excess from other Legal or sublegal.
 - 7.18.3. The agreed price for any part of the termination inventory retained or purchased by the supplier.
 - 7.18.4. Restocking charge for the return of unprocessed material and parts to suppliers.

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- 7.18.5. Disposition of termination inventory including disposal credits and scrap warranties for scrapped inventory.
- 7.18.6. The fair value, as determined by the Company, of any part of the termination inventory which, prior to transfer of title, is destroyed, lost stolen or so damaged as to become undeliverable.
- 7.18.7. Profit on fixed-price Purchase Orders/Sublegal which is allowed on preparations made and work done for the terminated portion.
- 7.18.8. Fee adjustment on cost-type Purchase Orders/Sublegal.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 027: EEO Pre-Award Clearance

1.0 SCOPE

- 1.1. This procedure only applies a purchase order/Subcontract (placed against a U.S. Government contract) that has a value of \$10,000,000 or more.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR 52.222-24 - Pre-award On-site Equal Opportunity Compliance Evaluation On-line National Registry
- 3.2. 3 CFR, EO 11246

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. Federal Acquisition Regulation 52.222-24 is applicable to all U. S. Government Purchase Orders/Subcontracts expected to be \$10 million or more.

7.0 PROCEDURE

- 7.1. The Buyer shall enter the supplier information into the online National Pre-award Registry to determine whether or not they are considered to be "In Compliance". The information is for a period of the past two years from the date of the inquiry.
- 7.2. If the site shows that the supplier is "In Compliance", the Buyer shall print a copy of the document and place it in the purchase order file. The Buyer may proceed with placing the purchase order.
- 7.2.1. **Note:** This system provides information only for the specific Contractor Facility(s) requested. It does not provide information on the Parent Organization or other facility locations that have not been reviewed within the past two years. Just because one site is considered to be "In Compliance" doesn't mean that the parent company and/or other supplier facilities are compliant.

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7.3. If the Buyer is unable to find the supplier designated as “In Compliance”, the Buyer shall request an on-site compliance evaluation from the Administrative Contracting Officer (ACO) (Exhibit A) advising the proposed first-tier subcontractors' name(s), address(es), the estimated or actual dollar value, etc.


7.3.1. **Note:** The ACO clearance shall be received prior to placement of the purchase order.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Equal Opportunity Compliance Evaluation Request	FAR 52-222-24 Pre-award On-Site Equal Opportunity Compliance Evaluation, FAR 52-222-26 Equal Opportunity	Procurement	NA Externally Controlled

9.0 EXHIBITS

9.1. N/A

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SECTION 028: Procurement Internal Audit

1.0 SCOPE

- 1.1. This procedure only applies to Government purchase orders that have a value of \$25,000 or more and Commercial/Nongovernment PO's of \$30,000 or more.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. DFAR 252.215-7002 - Cost Estimating System Requirements
- 3.2. FM-599-028 – Government PO Audit Check

4.0 DEFINITIONS

- 4.1. Estimating System - Contractor's policies, procedures, and practices for budgeting and planning controls, and generating estimates of costs and other data included in proposals submitted to customers in the expectation of receiving contract awards. Estimating system includes the Contractor's:
 - 4.1.1. Organizational structure.
 - 4.1.2. Established lines of authority, duties, and responsibilities.
 - 4.1.3. Internal controls and managerial reviews.
 - 4.1.4. Flow of work, coordination, and communication; and
 - 4.1.5. (5) Budgeting, planning, estimating methods, techniques, accumulation of historical costs, and other analyses used to generate cost estimates

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. The Buyer shall forward all purchase orders with a value of per the requirements documented in the scope of this document to the Procurement Compliance Officer for pre-award review to ensure compliance to all Government requirements. Buyer

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shall not sign or date the PO until the compliance review is complete, corrections made if necessary and is approved for release to the supplier

- 7.2.** If there are deficiencies found, Compliance shall discuss the findings with the Buyer so that the Buyer better understands the requirements and how to correct the purchase order file prior to the award.

7.2.1. The Buyer will make the necessary corrections and return the file to Compliance to re-audit the file. If all corrections are satisfactory, Compliance will sign the file and issue the award.

- 7.3.** Compliance will do random audits of files with a value less than \$50,000 to ensure compliance to applicable FAR/DFAR/Public Laws and Company Policies and Procedures.


- 7.4.** Compliance will raise issues to Procurement Management as needed when negative trends or potential major violations are identified.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
F 599-028 – Government PO Audit Check List	PR 599-028	Procurement	Purchase Order

9.0 EXHIBITS

- 9.1.** N/A

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SECTION 029: Subcontract Closeout

1.0 SCOPE

- 1.1. This procedure is applicable for RAM purchase orders (PO) and subcontracts that the stated requirements have been satisfactory completed.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. N/A

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. Procurement personnel are responsible for ensuring that RAM Purchase Orders (PO) and subcontract requirements have been satisfactorily met. Generally, RAM procurement requirements have been satisfied when all specified items have been received and accepted as complete. RAM's obligations have been met when the contractually stipulated payment terms are processed to the supplier, adjusted by any subsequent negotiations.
- 7.2. In the event instructions are required for the disposition of remaining actions, Procurement shall notify the supplier in writing of the actions required to complete the PO/Subcontract. Examples of actions requiring supplier involvement include:
 - 7.2.1. The disposition of Government - or company-furnished property, including special tooling
 - 7.2.2. Unique other than fixed price contract requirements (e.g., final rates, audits etc.)
 - 7.2.3. The disposition or return of classified material or documents

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7.2.4. The disposition or return of all documentation, drawings, and certifications


7.3. Minor discrepancies shall be handled as deemed prudent by Procurement and the supplier.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 030: Negotiations

1.0 SCOPE

- 1.1. The buyer shall negotiate Purchase orders to ensure the price and scope is fair and reasonable. Sole/Single source (noncompetitive) acquisitions \$10,000 or greater will require formal documented negotiations in accordance with this procedure.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR 15.406-1 – Pre-negotiation Objectives
- 3.2. FAR 15.406-3 -- Documenting the Negotiation

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. N/A

7.0 PROCEDURE

- 7.1. The Buyer shall establish RAM's initial pre-negotiation objectives. The pre-negotiation objectives assist in the Buyer's determination of a fair and reasonable price. The pre-negotiations objectives should be based on the results of the Buyer's analysis of the Offeror's proposal, taking into consideration all pertinent information including field pricing assistance, audit reports and technical analysis, fact-finding results, independent RAM cost estimates and price histories.
- 7.2. The Buyer shall document in the contract file the principal elements of the negotiated agreement. The documentation (e.g., price negotiation memorandum (PNM)) shall include the following:
 - 7.2.1. The purpose of the negotiation.
 - 7.2.2. A description of the acquisition, including appropriate identifying numbers (e.g. RFP No. /RFQ No.).

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- 7.2.3. The name, position, and organization of each person representing RAM and the supplier in the negotiation.
- 7.2.4. The current status of any supplier systems (*e.g.*, purchasing, estimating, accounting, and compensation) to the extent they affected and were considered in the negotiation.
- 7.2.5. If certified cost or pricing data were not required in the case of any price negotiation exceeding the certified cost or pricing data threshold, the exception used and the basis for it.
- 7.2.6. If certified cost or pricing data were required, the extent to which the Buyer:
 - 7.2.6.1. Relied on the cost or pricing data submitted and used them in negotiating the price.
 - 7.2.6.2. Recognized as inaccurate, incomplete, or noncurrent any certified cost or pricing data submitted; the action taken by the Buyer and the Contractor as a result; and the effect of the defective data on the price negotiated; or
 - 7.2.6.3. Determined that an exception applied after the data were submitted and, therefore, considered not to be certified cost or pricing data.
- 7.2.7. A summary of the Supplier's proposal, any field pricing assistance recommendations, including the reasons for any pertinent variances from them, RAM's negotiation objective, and the negotiated position. Where the determination of a fair and reasonable price is based on cost analysis, the summary shall address each major cost element. When determination of a fair and reasonable price is based on price analysis, the summary shall include the source and type of data used to support the determination.
- 7.2.8. The most significant facts or considerations controlling the establishment of the pre-negotiation objectives and the negotiated agreement including an explanation of any significant differences between the two positions.
- 7.2.9. To the extent such direction has a significant effect on the action, a discussion and quantification of the impact of direction given by Congress, other agencies, and higher-level officials (*i.e.*, officials who would not normally exercise authority during the award and review process for the instant contract action).
- 7.2.10. The basis for the profit or fee pre-negotiation objective and the profit or fee negotiated.
- 7.2.11. Documentation of fair and reasonable pricing.

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7.2.12. Whenever DCAA/DCMA field pricing assistance has been obtained, the Buyer shall forward a copy of the negotiation documentation to the Procurement Manager and the Director of Procurement.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-030	N/A	Procurement	Purchase Order

9.0 EXHIBITS

9.1. N/A

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SECTION 031: Federal Funding Accountability & Transparency Act - Reporting Executive Compensation and First-Tier Subcontract Awards

1.0 SCOPE

- 1.1. This procedure applies to all purchase orders with a value of \$30,000 and greater awarded against Government Prime Contracts that contains FAR Clause 52.204-10.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. Public Law No.109-282 Federal Funding Accountability and Transparency Act of 2006
- 3.2. FAR 52.204-10 – Reporting Executive Compensation and First-Tier Subcontract Awards

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. The Buyer shall ensure that all suppliers that receive an award of \$ 25,000 or greater issued under a prime contract awarded before October 1, 2015 or 30,000 or greater for under a prime contract awarded on or after 30 September 2015 has completed and signed annual certification package, that contains the FFATA certification as RENK has an automated reporting system.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
CC085 FFATA Certification	FAR 52.204-10	Procurement	N/A - Controlled by External Site

9.0 EXHIBITS

9.1. N/A

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SECTION 032: Certified Cost or Pricing Data Requirements

1.0 SCOPE

- 1.1. This procedure is applicable to purchase orders governed by the FAR. TINA applies to negotiated prime contracts, modifications, and subcontracts where the Government required cost or pricing data.

2.0 AFFECTED ORGANIZATIONS


- 2.1. Procurement

3.0 REFERENCES

- 3.1. FAR 2.101 – Definitions
- 3.2. FAR 15.403 – Obtaining Certified Cost or Pricing Data
- 3.3. FAR 15.404-3 – Subcontracting Pricing Considerations
- 3.4. FAR 15.405 – Price Negotiations
- 3.5. Public Law 87-653; 10 U.S.C. §2306(a) - Truth-in-Negotiations Act (TINA)
- 3.6. 41 U.S.C. 253 – Competition in Contracting Act (CICA)
- 3.7. FM 599-032 – Certificate of Current Cost or Pricing Data

4.0 DEFINITIONS

- 4.1. Certified Cost or Pricing Data – Cost or pricing data required to be submitted in accordance with FAR 15.403-4 and 15.403-5 and have been certified or are required to be certified. Certificate of Current Cost or Pricing Data (FM-599-018) - Obtained from a supplier for a procurement under a government prime contract subject to the Truth in Negotiations Act. The supplier certifies the data is current, accurate and complete as of the date upon which the final price was agreed. Cost or pricing data consists of all verifiable facts, which have a significant effect on the price of procurement and exist at the time of negotiations completion and agreement on price.
 - 4.1.1. **Note:** For purposes of interpreting the requirements of this practice, the word “certified” does not result in a requirement for the supplier to certify when providing data prior to agreement on price, (e.g., with a supplier’s proposal). A Certificate of Current Cost and Pricing Data (FM-599-018) is to be obtained after agreement on price.

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- 4.2. Cost Realism Analysis** - A review of the cost portion of an Offeror's proposal determining if the proposed overall costs are realistic for the work to be performed. It also reflects an Offeror's understanding of the requirements and is consistent with the various elements of the proposal.
- 4.3. Prospective Subcontractor Certified Cost or Pricing Data** - Obtained from a supplier to which RENK America (hereafter referred to as RAM) may award a purchase order if RAM is awarded the contract.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1.** Vice President Supply Chain Management

6.0 GENERAL

- 6.1.** N/A

7.0 PROCEDURE

- 7.1.** When a contract for Government work incorporates PL 87-653, RAM is required to obtain certified cost or pricing data in accordance with FAR 15.403 from its suppliers for the negotiated procurement actions described in Paragraph 8.5 below. A supplier who is required to submit cost or pricing data must also certify to RAM that the data was current, accurate and complete as of the date upon which the final purchase order price was agreed. RAM's suppliers, subject to compliance with these regulations, are also required to flow down these requirements to their suppliers.
- 7.2.** When RAM submits a sales proposal in response to a Request for Proposal (RFP) for Government work, and it is expected that the prime contract will be awarded on a noncompetitive basis, RAM may be required to submit prospective subcontractor certified cost or pricing data for anticipated RAM procurement actions which are not exempt from the requirements of PL 87-653.
- 7.3.** For convenience and reduced administrative costs, it may be desirable to purchase items needed for several Government contracts on a single purchase order. The application of PL 87-653 requirements is determined when the price of such items under any one contract exceeds the dollar threshold but not by the total purchase order price.
- 7.4.** Government contracts specify when and at what dollar threshold supplier's compliance with PL 87-653 is required. In the absence of the contract, Procurement shall consult with the Contract Administrator for the program and/or Procurement Management to determine the applicability of the requirements.

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7.5. Nonexempt negotiated procurement actions subject to the requirements for obtaining certified cost or pricing data are as follows (exemptions are listed in Paragraph 2.6):

7.5.1. Any procurement exceeding \$2 Million or as stated by the prime contract.

7.5.1.1. **Note:** For each procurement action, the Buyer is responsible for determining the dollar threshold at which Certified Cost or Pricing Data is applicable. The Buyer will obtain a copy of the individual prime contract/Amendment language applicable to the procurement action noting the date of the contract clause to ascertain the threshold value at which the requirement for Certified Cost or pricing data is applicable. Such information shall be obtained from either the Material Brief or the responsible Contract Manager.


7.5.2. Any procurement with a firm option(s), when the original purchase order value plus the value of the option(s), exceed the dollar threshold stated by the prime contract. If the procurement contains a not-to-exceed option(s) and no firm option(s), the value of the original purchase order alone determines the certified cost or pricing data requirement.

7.5.3. Any changes increasing and/or decreasing the dollar value of an existing purchase order where the aggregate total exceeds the dollar threshold stated by the prime contract (for example, a \$2,100,000 modification resulting from a reduction of \$500,000 and an increase of \$1,600,000 is a pricing adjustment exceeding \$2M).

7.5.4. The value of the original purchase order has nothing to do with computing the aggregate total of changes. If the aggregate total of an increase plus a decrease or the total of a straight increase or decrease exceeds the threshold, cost or pricing data is required even if it was not required for the original purchase order. These requirements do not apply when unrelated and separately priced changes, for which certified cost or pricing data is not required, are included in the same change for administrative convenience.

7.6. A procurement action is exempt from the requirement to obtain certified cost or pricing data if it is valued at less than the dollar threshold specified in the prime contract. It is also exempt under one of the following conditions, regardless of the total value of the action:

7.6.1. The price is the result of, or is based on, adequate price competition as defined in FAR 15.403. A "Best Value" award is allowable under the

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adequate competition definition, providing that price is a substantial factor in the selection criteria. Adequate price competition may also be sustained with only one responsive bid when:

7.6.1.1. The procurement action satisfies the direction contained in FAR 15.403-1 (c) (ii) and (iii).

7.6.1.1.1. **NOTE:** Procurement Manager written approval of this exemption is required and shall be obtained as soon as practical after receipt of supplier proposals.

7.6.2. The price is based on a verifiable and established catalog, price list or schedule for commercial items available to the general public, as defined in FAR 2.101. The particular item must either be identical to the catalog, price list or schedule item or substantially similar to allow determination of price reasonableness of the price differential to the catalog item by price analysis.

7.6.3. The price may be a market price, which can be verified by an independent third party or is set by law or regulation.

7.7. In anticipation that a procurement will be subject to the requirement of PL 87-653, the Request for Quotation (RFQ) and resulting purchase order must incorporate FAR 52.215-11, "Price Reduction for Defective Certified Cost or Pricing Data-Modifications".


7.8. In response to the RFQ, the supplier must claim an exemption, submit the required certified cost or pricing data, or make specific written identification of the data (if the supplier declines to provide any or all of the cost or pricing data directly to RAM).The supplier is also required to submit a properly-executed Certified Cost or Pricing.

7.9. Specific identification of subcontractor certified cost or pricing data means more than the availability of books, records, and other documents for verification purposes. Specific identification describes what it is, where it is, what it represents, and how it was used. Complete traceability must be provided by the supplier. Price/Cost Analysis determines if the subcontractor's submission of certified cost and pricing data is adequate to comply with PL 87-653.


7.10. Procurement may be required to audit the supplier's data, if necessary, to enable an adequate cost analysis. In the event the supplier will not allow RAM personnel access to certain proprietary data, Procurement shall request an assist audit from the Government. The request must be accompanied by the following information and documentation:

7.10.1. The Government prime contract number or Request for Proposal (RFP) number

7.10.2. The supplier's complete proposal

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- 7.10.3. A statement which specifically identifies areas of the proposal requiring Government assistance
- 7.10.4. Justification for assistance, such as the supplier's refusal to permit the Company access to records based on proprietary or competitive reasons.
- 7.11. Upon completion of negotiations and agreement between RAM and the supplier on the final price, the supplier is required to certify that the cost or pricing data used in arriving at the final price was current, accurate and complete as of the date of agreement on price (commonly known as the "handshake" date). A FAR compliant Supplier's Certificate of Current Cost or Pricing Data must be provided by the supplier and reflect the date of agreement on price.
- 7.12. In exceptional cases, the Government procuring agency head may waive the requirement for a supplier's submission of certified cost or pricing data. A request for such a waiver is approved by Procurement Management. Procurement must exhaust all reasonable alternative action and document such action before requesting a waiver. Official authorization to waive the requirement shall be provided in writing to RAM. The purchase order file shall contain evidence of the approved waiver.
- 7.13. Prospective subcontractor certified cost or pricing data, in most instances, is required when the prospective subcontract is expected to be valued at \$2 million or more. A lower threshold may be established if the Contracting Officer considers such data necessary for pricing of the prime contract. These requirements do not apply to prospective subcontracts which qualify for the exemptions set forth in Paragraph 2.6 (a. b. or c.).
- 7.14. For RAM proposals subject to FAR Part 15 and as required by FAR 15.404-3(b)(1), Procurement determines the adequacy of the prospective subcontractor's certified cost or pricing data submission and performs an analysis of the proposed price to establish reasonableness of proposed purchase prices. The results of the analysis and the data submission shall be provided to Procurement Management.
- 7.15. Procurement may obtain Government assist audit support before negotiating the subcontract price.
 - 7.15.1. Non-exempt prospective subcontract cost estimates must be supported by fully documented certified cost or pricing data and appropriate analysis. The supplier shall provide cost or price analyses for sub-tier supplier proposals greater than \$2 Million as part of the supplier's certified cost or pricing data.
 - 7.15.1.1. Prospective subcontractor cost estimates, exempt because of adequate price competition, established catalog or market prices or prices set by law or regulation, must be

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supported by appropriate analyses establishing a sound basis for pricing.


- 7.16. The time interval between submission of RAM's proposal and final agreement on the contract price may be used to update, revise, and refine subcontract cost estimates. The time may also be used to obtain Government assist audits and complete supporting data packages. Price revisions resulting from the ongoing evaluation, analyses and verification shall be submitted to Procurement Management promptly upon receipt from the Supplier. When notified that RAM is about to conclude negotiations with the Government, Procurement may be requested to obtain updated quotes from suppliers if required.
- 7.17. If the requirements are significantly changed following the supplier's original submission of certified cost or pricing data, and the changes are such that the original data submittal is not adequate to provide a reasonable basis for the new estimates and projections resulting from the changes, revised cost data is required.
- 7.18. Procurement requests certified cost or pricing data from the supplier, evaluates data or supplier requests for exemption, requests government assist audits as appropriate, and obtains current Certificate of Current Cost or Pricing Data, FM-599-032, in accordance with this practice.
- 7.19. Procurement Management reviews purchase orders/subcontracts for compliance with this practice.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM-599-032 - Certificate of Current Cost or Pricing Data	N/A	Procurement	Purchase Orders

9.0 EXHIBITS

- 9.1. N/A

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SECTION 033: Cyber Security

1.0 SCOPE

- 1.1. This procedure applies to all purchase orders awarded against Government prime contracts.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. DFARS 252.204-7012 Safeguarding Covered Defense Information and Cyber Incident Reporting

4.0 DEFINITIONS (REF DFARS 252.204-7012

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. N/A

7.0 PROCEDURE

- 7.1. "Adequate security" means protective measures that are commensurate with the consequences and probability of loss, misuse, or unauthorized access to, or modification of information.
- 7.2. "Compromise" means disclosure of information to unauthorized persons, or a violation of the security policy of a system, in which unauthorized intentional or unintentional disclosure, modification, destruction, or loss of an object, or the copying of information to unauthorized media may have occurred.
- 7.3. "Contractor attributional/proprietary information" means information that identifies the contractor(s), whether directly or indirectly, by the grouping of information that can be traced back to the contractor(s) (e.g., program description, facility locations), personally identifiable information, as well as trade secrets, commercial or financial information, or other commercially sensitive information that is not customarily shared outside of the company.

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- 7.4.** “Controlled technical information” means technical information with military or space application that is subject to controls on the access, use, reproduction, modification, performance, display, release, disclosure, or dissemination. Controlled technical information would meet the criteria, if disseminated, for distribution statements B through F using the criteria set forth in DoD Instruction 5230.24, Distribution Statements on Technical Documents. The term does not include information that is lawfully publicly available without restrictions.
- 7.5.** “Covered contractor information system” means an unclassified information system that is owned, or operated by or for, a contractor and that processes, stores, or transmits covered defense information.
- 7.6.** “Covered defense information” means unclassified controlled technical information or other information, as described in the Controlled Unclassified Information (CUI) Registry at <http://www.archives.gov/cui/registry/category-list.html>, that requires safeguarding or dissemination controls pursuant to and consistent with law, regulations, and Governmentwide policies, and is—
- 7.7.** (1) Marked or otherwise identified in the contract, task order, or delivery order and provided to the contractor by or on behalf of DoD in support of the performance of the contract; or
- 7.8.** (2) Collected, developed, received, transmitted, used, or stored by or on behalf of the contractor in support of the performance of the contract.
- 7.9.** “Cyber incident” means actions taken through the use of computer networks that result in a compromise or an actual or potentially adverse effect on an information system and/or the information residing therein.
- 7.10.** “Forensic analysis” means the practice of gathering, retaining, and analyzing computer-related data for investigative purposes in a manner that maintains the integrity of the data.
- 7.11.** “Information system” means a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information.
- 7.12.** “Malicious software” means computer software or firmware intended to perform an unauthorized process that will have adverse impact on the confidentiality, integrity, or availability of an information system. This definition includes a virus, worm, Trojan horse, or other code-based entity that infects a host, as well as spyware and some forms of adware.
- 7.13.** “Media” means physical devices or writing surfaces including, but is not limited to, magnetic tapes, optical disks, magnetic disks, large-scale integration memory chips, and printouts onto which covered defense information is recorded, stored, or printed within a covered contractor information system.
- 7.14.** “Operationally critical support” means supplies or services designated by the Government as critical for airlift, sealift, intermodal transportation services, or

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logistical support that is essential to the mobilization, deployment, or sustainment of the Armed Forces in a contingency operation.


- 7.15.** “Rapidly report” means within 72 hours of discovery of any cyber incident.
- 7.16.** “Technical information” means technical data or computer software, as those terms are defined in the clause at DFARS [252.227-7013](#) , Rights in Technical Data—
- 7.17.** Noncommercial Items, regardless of whether or not the clause is incorporated in this solicitation or contract. Examples of technical information include research and engineering data, engineering drawings, and associated lists, specifications, standards, process sheets, manuals, technical reports, technical orders, catalog-item identifications, data sets, studies and analyses and related information, and computer software executable code and source code.
- 7.18.** (b) *Adequate security*. The Contractor shall provide adequate security on all covered contractor information systems.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

- 9.1.** N/A

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SECTION 0037: Representations and Certifications

1.0 SCOPE

- 1.1. This procedure applies to all purchase orders awarded against Government prime contracts.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. N/A

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. N/A

7.0 PROCEDURE

- 7.1. It is the responsibility of each buyer to make sure that there are properly completed, signed, and valid representations and certifications for each transaction against a U.S. Government prime contract.
- 7.1.1. Representations and Certifications will be valid for a period of one year from the date of the supplier signature.
- 7.1.2. Each Representations and Certifications package contains the following:
- 7.1.2.1. Debarment Certification
 - 7.1.2.2. Limitation on Use of Appropriated Funds to Influence Certain
 - 7.1.2.3. Federal Contracting and Financial Transactions
 - 7.1.2.4. Small Business Program Representations (FAR 52.2191)
 - 7.1.2.5. Reporting Executive Compensation and First Tier Subcontract Awards (FAR 52.204-10)

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- 7.1.2.6. Offeror Representations & Certifications – Commercial Items
- 7.1.2.7. Export/Import Certifications for Procurement
- 7.1.2.8. Bio based Product Certification
- 7.1.2.9. Certification Regarding Knowledge of Child Labor for Listed End Products
- 7.1.2.10. Recovered Material Certification
- 7.1.2.11. Previous Contracts and Compliance Reports
- 7.1.2.12. Protecting the Governments Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (FAR 52.209-6) (June 2020) -\$35,000
- 7.1.2.13. Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions
- 7.1.2.14. Information Regarding Responsibility Matters (FAR 52.209-7)
- 7.1.2.15. Prohibition on Contracting with Entities Engaging in Sanctioned Activities
- 7.1.2.16. Relating to Iran – Representation and Certification ALL Orders
- 7.1.2.17. Certification of Compliance with Laws on Human Trafficking and Slavery
- 7.1.2.18. Equal Opportunity for Workers with Disabilities (FAR 52.222-36)
- 7.1.2.19. Prohibition on Conducting Restricted Business Operations in Sudan-Certification
- 7.1.2.20. Combating Trafficking in Persons (FAR 52.222-50 October 2020)
- 7.1.3. **Note:** All other representations and certifications required by Regulation shall Be obtained on a purchase order basis (such as CAS, Certificate of Current Cost or Pricing Data, etc.)
- 7.2. The Buyer shall check the Corporate Representations and Certifications Database to confirm that the certifications are valid prior to issuing RFQs.
 - 7.2.1. Each Buyer is responsible to determine with whom procurements are anticipated. If the supplier does not have current representations (reps) and certifications (certs).
 - 7.2.1.1. An invitation from the corporate site to the supplier to complete the new reps and certs is issued.
- 7.3. The supplier responds to the invitation electronically and the electronic response is recorded in the Corporate Representation and Certification Database. The system

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will record the date of submittal and reflect an expiration date. Documents may be submitted with or without an electronic signature, at the supplier's preference. Those without an electronic signature require the division procurement personnel to obtain a manual signature and reflect the date of signature in the database. RAM Procurement professionals are required to validate the information contained within the supplier Reps and Certs.

7.3.1. The Buyer is responsible to ensure properly completed Reps and Certs package is on file prior to issuing a purchase order.


7.3.1.1. Note: The Buyer shall verify that the supplier is not debarred, suspended or eligible for suspension prior to each RFQ and purchase order award and ensure that the Supplier Signs the RFQ that certifies that their certification and disclosure regarding payments to Influence certain Federal transactions (Anti-lobbying) is still accurate.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 038: Determining Need and Requesting a Technical Evaluation

1.0 SCOPE

- 1.1. This procedure is applicable to Request for Quotes/Request for Proposals (RFQ/RFP) received by (RAM) requiring technical information from outside the Procurement organization.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Engineering
- 2.3. Quality Assurance

3.0 REFERENCES

- 3.1. N/A

4.0 DEFINITIONS


- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. Request for Quotations (RFQ) and Requests for Proposal (RFP) often include detailed information that requires technical and quality assurance expertise in order to evaluate. In those instances, Procurement requires assistance from RENK Departments such as engineering, program management, and quality assurance in order to fairly and fully evaluate the supplier's proposal. To determine the need for a technical and quality assurance evaluation, Procurement personnel shall consider if the customer or internal solicitation includes any of the following:
 - 6.1.1. Identification of evaluation factors other than price.
 - 6.1.2. Quality assurance requirements, including acceptance and testing requirements.
 - 6.1.3. Submittal of management, technical, and/or past performance volumes.
 - 6.1.4. A quality assurance review of the offeror's quality management system.
 - 6.1.5. Submittal of certified cost or pricing data or data other than certified cost and pricing data.

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- 6.1.6. Identification of exceptions, assumptions and/or clarifications provided by the supplier.
- 6.1.7. The anticipated award is of sufficient dollar value and complexity and responsiveness is determined by factors other than price.
- 6.1.8. A subjective determination that the evaluation is in the best interests of RENK America.

7.0 PROCEDURE

- 7.1. When a determination that a technical and or quality evaluation is required, a request is forwarded by the Procurement department to the cognizant Engineering, Quality or other RENK personnel most familiar with the requirement that is being considered for award. The request will be accompanied by pertinent proposal data (less cost data) necessary for the performance of the evaluation. Cost data on competitive solicitations shall not be provided to the evaluators. To ensure that the evaluation meets the needs, Procurement shall specify the targeted area(s) and required method for evaluation. These areas may include:
 - 7.1.1. Quantities and types of proposed material
 - 7.1.2. Number of labor hours and labor mix (grades) and tasks being proposed
 - 7.1.3. Completeness of the offer in addressing RENK's technical requirements
 - 7.1.4. Completeness of the offer in addressing RENK's quality assurance requirements
 - 7.1.5. Reasonableness of proposed factors (e.g., scrap, etc.) and special processes
 - 7.1.6. Special tooling/facilities proposed
 - 7.1.7. Historical information regarding supplier's technical approach, quality approach, proposal, or past performance
 - 7.1.8. Potential areas for de scoping/streamlining
 - 7.1.9. Other direct proposed costs (e.g., proposed travel, # of trips/travelers, etc.)
 - 7.1.10. Other areas deemed pertinent to the overall cost/price analysis
- 7.2. Procurement shall request and identify a date for completion of the analysis and shall receive a written response of results. This response shall be as detailed and comprehensive as necessary to assist Procurement in developing a negotiation position and/or to determine the supplier's proposal acceptability.
- 7.3. The technical and quality assurance evaluation shall be retained by Procurement for inclusion in any subsequent award file documentation.

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7.4. Procurement is responsible for satisfactorily addressing all issues of non-compliance identified in technical and quality assurance evaluations prior to completion of negotiations.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Technical Evaluation of a Proposal	PR 599-038-1	Procurement	Proposals - Company Issued

9.0 EXHIBITS

9.1. N/A

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SECTION 039: Procurement Department Training

1.0 SCOPE

- 1.1. This procedure is applicable to RAM Procurement personnel. Training as it applies to this procedure is restricted to unique procurement related needs, which will enable procurement personnel to consistently satisfy their job requirements, company and corporate policies and procedures, and FAR/DFAR regulations.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. N/A

4.0 DEFINITIONS

- 4.1. N/A

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. This section shall define any exclusion, or general information used to support the procedure, policy, or work instruction

7.0 PROCEDURE

- 7.1. It is the responsibility of Procurement Management to ensure that all procurement personnel are adequately trained for the tasks they are assigned. Additionally, it is the responsibility of Procurement Management to document all training and to review and discuss an employee's training status during annual performance reviews.
- 7.2. It is the responsibility of each employee to maintain a current and clear understanding of all job requirements including policies, practices, and instructions relating to their jobs.
- 7.3. Training is made up of yearly courses, and courses required for new hires. The following are examples, but not limited to required training for Procurement personnel.

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7.3.1. *conflicts of interest, *gifts, and gratuities including the requirements of 41 U.S.C. 87, *kickbacks, Commerciality Determinations, Cost and Price Analysis, Negotiations, Counterfeit parts, Competition and source selection, Terms and Conditions/Negotiations, Small Business Process, Price negotiation memorandum writing and Certifications. Needed training as identified during audits.

7.4. Newly hired Procurement personnel shall be subject to the following training:

7.4.1. System Training (e.g., online purchasing tool, etc.)

7.4.2. Procurement Practices Training

7.4.3. Compliance Training

7.4.4. Additionally, newly assigned personnel shall have an in brief with Procurement Management upon hire to review position responsibilities, department goals and expectations, and any training requirements. On-the-job training is also an acceptable training method.

7.4.5. New hires will be required to submit POs over the micro-purchase threshold for review to Compliance for their 90 days to ensure effectivity of their training.


7.5. Follow-on training and topic specific training shall periodically occur as deemed appropriate by department management. Follow-on training shall be conducted when company, department, or customer policies/procedures/practices are changed significantly and shall be conducted in manner that promotes continued proficiency in assigned tasks. Subject specific training (e.g., negotiations, cost analysis, risk mitigation etc.) shall be conducted on an as needed basis throughout the year.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
Training Records	NA	Procurement	Employee Training Records

9.0 EXHIBITS

9.1. N/A

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SECTION 040: Procurement Delivery Expediting and Follow-up

1.0 SCOPE

- 1.1. This procedure is applicable to delivery of product per agreed Purchase Order requirements.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. This section shall specify any referenced documents whose requirements are to be implemented as a result of activities described.

4.0 DEFINITIONS

- 4.1. Expediting – The process of engaging the supplier to monitor progress on delivery dates. It involves monitoring delivery reports, interfacing with suppliers to obtain real time progress on delivery status, reporting issues or problems regarding delivery to management

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. Procurement buyers have primary responsibility to ensure supplier compliance with purchase order delivery requirements for goods and services.
- 7.2. Periodic inquiries should be made by Procurement to confirm that supplier is or will deliver on schedule.
- 7.3. If communication with the supplier indicates a lag in the original delivery schedule, Procurement may take appropriate contractual actions and/or advise the appropriate requestor and/or end user and take appropriate action.
- 7.4. The following will require a corrective action to be issued for late deliveries.
 - 7.4.1. Any late delivery that causes a line/process shutdown (Major)
 - 7.4.2. Any late delivery exceeding 30 days (Minor)

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- 7.4.3. Below acceptable delivery rating for more than 3 months in which deliveries were made (Major)
- 7.4.3.1. These will require justification by the commodity to not issue a corrective action.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 041: Supplier Financing

1.0 SCOPE

- 1.1. This procedure is applicable to performance-based payment Purchase Orders (PO).

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Program Management
- 2.3. Finance

3.0 REFERENCES

- 3.1. Federal Acquisition Regulation (FAR) 52.232-16, "Progress Payments" FAR 52.232-12, "Advance Payments"

4.0 DEFINITIONS

- 4.1. Performance-based Payments - Payments based on verified completion of tasks, items, or events in accordance with negotiated schedules, incorporated into the purchase order (PO) which contains both completion dates for each task, item or event and the amount due for such completion.
- 4.2. Progress Payments - Payments based on a percentage of verifiable allowable and allocable costs incurred during PO performance.
- 4.3. Advance Payments - Payments made in advance of a supplier's cost being incurred or progress made, and are construed as a loan to the supplier

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL


- 6.1. N/A

7.0 PROCEDURE

- 7.1. Levels Requirements:
 - 7.1.1. The (RAM) preferential order for subcontract financing is:
 - 7.1.1.1. Supplier private financing (net terms)
 - 7.1.1.2. Performance-based events

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- 7.1.1.3. Progress Payments
- 7.1.1.4. Advance Payments
 - 7.1.1.4.1. Progress payments to a supplier, other than a small business, are not to be more favorable than those provided to RAM in the applicable customer contract.
 - 7.1.1.4.2. Prior to negotiating Progress Payment terms with a supplier, Procurement shall validate the adequacy of the supplier's accounting system and financial capability.
 - 7.1.1.4.3. Each Request for Progress Payment must be reviewed, prior to payment, by Procurement, the Program Manager and Finance.
 - 7.1.1.4.4. Supplier invoices for Progress Payments will be evaluated by Procurement to verify the costs incurred and that satisfactory progress has been made. The Progress Payments/liquidation rates in the PO/subcontract should reflect those in the related contract RAM has with the U.S. Government, either as prime or a Sub-contractor.
- 7.1.2. Performance-based events may be used in a PO/subcontract with a long lead time if events are specified and payments are based on estimates of the supplier's costs to be incurred up to each event.
- 7.1.3. "Milestones" should be measurable events or level of completion so that there is an artifact/item which for RAM or the customer can take "title" to in the event of a termination
- 7.1.4. The performance-based events schedule should ensure that a sufficient amount remains payable on completion of the performance-based events to provide maximum incentive to the supplier for PO/subcontract completion.
- 7.1.5. Advanced Payments are allowable only when:
 - 7.1.5.1. Such payments are considered normal business customs, as with deposits for foreign manufacturers or forging and casting deposits; or when extraordinary circumstances warrant the risk to the Company to extend advance funds.
 - 7.1.5.2. Prior approval for advance payments must be obtained from the Program Manager and the RAM Vice President Finance as Advanced Payments are typically not billable

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to the U.S. Government as part of the RAM progress billings

7.1.5.3. Advance Payments may require some form of performance guarantee (performance bond, third party surety, or perfected security agreement). Performance guarantees are not required for procurements from the U.S. Government.

7.2. Responsibility:

7.2.1. Procurement is responsible for the following:

7.2.1.1. Obtaining RAM-planned or desired payment schedule for the prime contract in order to integrate supplier payments to the maximum extent possible.

7.2.1.2. Negotiating appropriate financial payment provisions with suppliers during the pre-award phase of the procurement action. Procurement should negotiate price reductions to compensate for the financing offered.

7.2.1.3. Providing supplier payment plans to cognizant program business management personnel and the Finance Analyst.

7.2.1.4. Obtaining the necessary approvals for Advance Payments.

7.2.1.5. Verifying progress or completion of milestone events, as required.


7.3. Procurement Management reviews and approves procurements subject to this practice prior to issuance.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 042: Supplier Teaming Agreements

1.0 SCOPE

- 1.1. This procedure is applicable to Supplier Teaming Agreements entered into by (RAM).

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement
- 2.2. Contracts
- 2.3. Business Development

3.0 REFERENCES

- 3.1. N/A

4.0 DEFINITIONS

- 4.1. Supplier Teaming Agreement - The document that sets forth the mutual obligations of the members of a company/supplier team. It is a preliminary instrument to a procurement that clearly defines the relationships of the team members from the proposal phase through contract award.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A

7.0 PROCEDURE

- 7.1. Teaming Agreements are typically managed by RAM Contracts Department.
- 7.2. Procurement is responsible for issuing required purchase orders/subcontracts resulting from teaming relationships in accordance with approved RAM Procurement Procedures.
- 7.3. Procurement is responsible for the administration of the contractual relationship between RAM and the team member after award of a purchase order/subcontract.
- 7.4. Procurement shall ensure a Proprietary Information Agreement (PIA), CC031, (mandatory form) is executed by RAM and/or the potential team member(s) whenever RAM intends to provide, receive, or interchange proprietary data. The PIA shall not be superseded by termination of the Teaming Agreement.


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8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
CC031 Proprietary Information Agreement	N/A	Contracts	Reports-Awards Programs

9.0 EXHIBITS

9.1. N/A

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SECTION 043: Blanket Purchase Agreements / Basic Ordering Agreements

1.0 SCOPE

- 1.1. This procedure is applicable to blanket purchase agreements and releases thereto.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. Federal Acquisition Regulations (FAR) Subpart 13.303, "Blanket Purchase Agreements"
- 3.2. FAR Subpart 16.702, "Basic Agreements"
- 3.3. FAR Subpart 16.703, "Basic Ordering Agreements"
- 3.4. Department of Defense FAR Supplement (DFAR) Subpart 216.703, "Basic Ordering Agreements"

4.0 DEFINITIONS


- 4.1. Blanket Purchase Agreement (BPA) - Simplified method of filling anticipated repetitive needs for supplies or services by establishing an agreement with qualified sources of supply in which delivery requirement are not known in advance and may vary and avoids the issuance of numerous purchase orders.
- 4.2. Basic Ordering Agreement (BOA) - written instrument of understanding, negotiated with a supplier that contains terms and clauses applying to future orders between the parties during its term; a description of supplies or services to be provided; and methods for pricing, issuing and delivering future orders under the Agreement.
- 4.3. A BOA may be used to expedite contracting for uncertain requirements for supplies or services when specific terms, quantities and prices are not known at the time the agreement is executed but a substantial number of requirements for the type of supplies or services covered by the agreement are anticipated.

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT

- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. The BPA/BOA is designed to reduce the number of repetitive requirements for small purchases and/or services by structuring a contractual vehicle that allows

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multiple releases for requirements as they are needed. The BPA also reduces administrative costs by eliminating the need to issue individual purchase documents. Agreements should be made with suppliers from which many individual purchases will likely be made. If practical, BPAs for the same type items should be placed concurrently with more than one supplier. Competitive sources should be given an equal opportunity to bid.

- 6.2.** A BPA/BOA reduces the degree of negotiation required for individual procurements, administrative lead-time, inventory investment, and inventory obsolescence due to design changes. The BPA/BOA is used to expedite the ordering of certain supplies or services when specified quantities and deliveries are not known at the time the agreement is made. A BPA/BOA does not state or imply any agreement by RAM to place orders with the supplier.


7.0 PROCEDURE

7.1. Responsibilities

- 7.1.1. Procurement is responsible for determining the need for a purchasing agreement and shall plan and schedule all aspects of the procurement through the final negotiation phase.

7.2. Procedural Details

- 7.2.1. Purchase Order documentation shall be in accordance with RAM Procedure, "Purchase Order Documentation".
- 7.2.2. BPA/BOAs shall contain the following:
- 7.2.2.1. Description of Agreement - A statement (described in general terms or by part number) that the supplier furnishes supplies or services when requested by RAM during a specified period and within an agreed total amount, if any.
 - 7.2.2.2. Period of Performance – The period during which orders may be placed.
 - 7.2.2.3. Extent of Obligation - A statement that specifies the dollar limitation for each individual purchase and/or total agreement funding limitation.
 - 7.2.2.4. Notice of Individuals Authorized to Purchase under the Agreement and Dollar Limitations for each, if applicable.
 - 7.2.2.5. Terms and Conditions of Purchase
 - 7.2.2.6. Firm Fixed pricing where historical or future requirements are known

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7.3. Each BOA is reviewed before the anniversary of its effective date and is revised as necessary. Orders placed under a BOA are issued on the release against the master and are incorporated by referencing the provision of the BOA.

8.0 RECORDS

List(s) of Supporting Records			
Title or I.D of Record	Governing Document	Retaining Department	Record Category
N/A			

9.0 EXHIBITS

9.1. N/A

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SECTION 044: Non-Government Purchase Orders

1.0 SCOPE

- 1.1. This procedure applies to all Non-Government Purchase Orders. Non-Government purchase orders with a value of \$30,000 or higher awarded against Non-U.S. Government Contracts shall be generated as an electronic purchase order file with documentation as required for contract specific awards \$30,000 and higher. All purchase order files less than \$30,000 are generated and retained electronically.

2.0 AFFECTED ORGANIZATIONS

- 2.1. Procurement

3.0 REFERENCES

- 3.1. DSCA Guidelines for Foreign Military Financing of direct commercial contracts
DSCA Certification
- 3.2. First Tier Sub-Contractor's U.S. Content Certification and Agreement with Defense Security Cooperation Agency (DSCA) March 2017

4.0 DEFINITIONS

- 4.1. DSCA – Defense Security Cooperation Agency
- 4.2. Lead Time – Lead Time is the time needed for the Supplier to deliver the order plus built-in time for Procurement and Supplier Quality Assurance (SQA) activities

5.0 REVIEW AND APPROVAL OF THIS DOCUMENT


- 5.1. Vice President Supply Chain Management

6.0 GENERAL

- 6.1. N/A


7.0 PROCEDURE

- 7.1. All procurements for goods or services require an authorized requisition before a purchase order or subcontract can be generated. The requisition will include the required lead time for PO placement, Supplier time to make and ship product, and SQA verification time (as needed) to ensure customer and internal delivery requirements are met.


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- 7.1.1. A system-generated requisition shall be reviewed by the Buyer to ensure all pertinent information is present such as:
 - 7.1.1.1. Prime Contract Number and/or Internal Contract Number
 - 7.1.1.2. Part Number and Quantity
 - 7.1.1.3. Quality Requirements
 - 7.1.1.4. Required Delivery Date
 - 7.1.1.4.1. Manual requisitions processed into purchase orders shall be done by utilizing the Build by Req. function in ERP under Purchasing. The Procurement Section Manager will conduct periodic reviews on purchase orders created from manual requisitions to ensure the required information/flow downs have been included in the PO.
 - 7.1.1.4.2. **Note:** The Buyer shall ensure all requirements listed above apply.
- 7.1.2. The Buyer issues an RFQ/RFP to the Suppliers with a bid due date. This date may be extended to ALL Suppliers if it appears that they will be late in responding. If the Buyer has sent the RFQ/RFP to only one Supplier, then the Buyer may accept the late bid.
- 7.1.3. If a Supplier submits a late bid when two or more Suppliers were solicited and at least one Supplier has responded on time, the late bid is considered to be non-responsive unless the supplier provided prior notice that buyer accepted and extended to all bidders.
 - 7.1.3.1. If a Supplier responds to the RFQ/RFP with a quote on their own form, the Supplier is still required to sign and send the last page of the RAM Quote form. This is to ensure the Supplier has agreed to RENK America Terms and Conditions. The Supplier is also certifying they are not debarred, suspended or ineligible for an award. In addition, the Supplier is acknowledging they did not Lobby to potentially receive an award.
- 7.1.4. If the Supplier takes exception to RENK America Terms and Conditions and the exceptions are minor, the Buyer may negotiate the Terms and Conditions with the Supplier. When a Supplier takes exception to all or multiple terms and conditions included in the RENK Terms and Conditions, the Buyer shall notify the Procurement Section Manager for further direction as to how to proceed.

7.2. When placing an order for Common/Order Point material:

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- 7.2.1. Common material is handled on a MIN/MAX inventory level where the ERP system automatically creates a signal for the buyer when the inventory level gets below the MIN quantity.
- 7.2.2. The Buyer shall utilize the Non-Government Purchase Order Check List (FM-599-044-1) which provides the documentation that may be required for each threshold.
- 7.2.3. The buyer is not to purchase more than a 1-year supply of material (based on demand in the material planning window). If more than one year's worth of material is to be purchased, the buyer needs approval by the purchasing manager (screen shot of planning window signed by manager). The buyer is responsible to manage the MIN/MAX inventory levels based on demand and shall update the numbers accordingly.
- 7.2.4. Purchase orders for Common/Order Point material shall use the government boilerplate terms and conditions in order to flow down the proper controls (FARS/DFARS).
- 7.2.5. Each change order to a purchase order stands alone. The change order shall be documented to the value of the change order and NOT the total value of the purchase order. The Buyer shall use the Non-Government Purchase Order Check List (FM-599-044-1) to determine the documentation required.
- 7.3. When placing an order for Non-Production Material:
 - 7.3.1. Non-Production material for NP Stores is handled on a MIN/MAX inventory level where the ERP system automatically creates a signal for the buyer when the inventory level gets below the MIN quantity.
 - 7.3.2. The Buyer shall utilize the Non-Government Purchase Order Check List (FM-599-044-1) which provides the documentation that may be required for each threshold.
 - 7.3.3. The Buyer along with Manufacturing Engineering are responsible to manage the MIN/MAX inventory levels based on demand and shall update the numbers accordingly.
 - 7.3.4. All other requests for non-Production material are handled on manual requisitions that require the buyer to utilize the non-Government Purchase Order Check List (FM-599-044-1) which provides the documentation that may be required for each threshold. The Non-Government terms and conditions are used for all non-Production material unless it is specifically bought against a government contract that would be specified on the manual requisition.
 - 7.3.5. Each change order to a purchase order stands alone. The change order shall be documented to the value of the change order and NOT the total value of the purchase order. The Buyer shall use the Non-


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Government Purchase Order Check List (FM-599-044-1) to determine the documentation required.

- 7.4. When placing an order for a non-Government contract:
 - 7.4.1. If the contract has Foreign Military Financing (FMF) the following is required for foreign content disclosure: The First Tier Sub-Contractor's U.S. Content Certification and Agreement with Defense Security Cooperation Agency (DSCA) form (FM 599-044-2) must be filled out for each part from each supplier.
 - 7.4.2. The Buyer shall utilize the Non-Government Purchase Order Check List (FM 599-044-1) which provides the documentation that may be required for each threshold.
 - 7.4.3. Each change order to a purchase order stands alone. The change order shall be documented to the value of the change order and NOT the total value of the purchase order. The Buyer shall use the Non-Government Purchase Order Check List (FM 599-044-1) to determine the documentation required.
- 7.5. When placing purchase orders for customer returns:
 - 7.5.1. If the customer returns a defective item for warranty repair/replacement the buyer must create a repair PO on which to return the part to the supplier. The repair PO shall be numbered as CR (Customer Return) and the date the PO is issued. (Example of a purchase order issued on July 8, 2017, would be CR07082017.)
- 7.6. Selection of the Proper Type of Contract. Prior to selection of the proper type of contract, judgment and sound analysis must be employed to determine the type best suited to each transaction. The types of contract vehicles that may be used is found in section 017 of this document
- 7.7. Consideration should be given to such facts as
 - 7.7.1. Nature, complexity, and state of development of the item.
 - 7.7.2. Urgency of the requirement.
 - 7.7.3. Period of Supplier performance, length of production, and the value of the purchase order involved.
 - 7.7.4. Degree of competition.
 - 7.7.5. Difficulty of estimating performance costs due to factors such as lack of firm specifications or the lack of production experience; and
 - 7.7.6. Extent and nature of lower tier subcontracting contemplated

8.0 RECORDS


List(s) of Supporting Records

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Title or I.D of Record	Governing Document	Retaining Department	Record Category
FM 599-044-1	PCM Section 44	Procurement	Supply Chain Management/Purchase Orders
FM 599-044-2	PCM Section 44	Procurement	Supply Chain Management/Purchase Orders

9.0 EXHIBITS

9.1. N/A

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10.0 HISTORY OF CHANGES

History of Changes

Revision: 2, Effective Date: Jul 9, 2018, Approver: Mark S Miller, Reason: Need to revise to change price of micro purchase threshold, correct obsolete links, change debar from 30 to 35K, add LTA process to section 17, Revised section 28 to remove required buyer performance percentage

Revision: 3, Effective Date: Nov 26, 2018, Approver: Mark S Miller, Reason: Revised or added the following:

1. Created WI 599-11-1 Price and Cost Analysis Instructions to support ML 599 section 11 and better define the process
2. Created WI 599-17-1 Purchase Order Modification Instructions to support ML 599 section 17 and better define the process
3. ML section 001 – Revised 3.1 – 3.12 (1005 rewrite)
4. ML section 003 – 3.1, 3.3, 3.4.2, 3.7, 3.12 – 3.12.2
5. ML section 011 – 2.1, 3.1.1, 3.5
6. ML section 015 – 3.1.4
7. ML section 017 – 2.1, 3.2, 3.2.1, 8.4, 8.3, (changed obsolete call out of PO index to Order of Documentation for PO Write Up). Changed exhibit for Buyer PO checklist to show new \$ thresholds, and revised Negotiations requirements
8. ML section 020 – 2.1, 3.2.1.1
9. ML section 028 – Replaced Audit Form Checklist to current version (\$ thresholds, and revised Negotiations requirements)
10. ML section 032 – 3.5.1, 3.5.3, 3.13, 3.15
11. ML section 039 – 3.3, 3.4.5, 3.5

Revision: 3, Effective Date: Apr 30, 2019, Approver: Mark S Miller, Reason: Revise section 40 number 3.4.3 to clarify the 90 below acceptable requirement

Revision: 4, Effective Date: Jun 21, 2019, Approver: Mark S Miller, Reason: Need to revise section 16 to reflect corporate policy 501 revision from 2018.

Revision: 5, Effective Date: Nov 4, 2020, Approver: Mark S Miller, Reason: FM 599-28-1 and Small Business checklist revised to current thresholds

Revision: 6, Effective Date: Jun 15, 2021, Approver: Richard W Douglas, Reason: Review of documentation of the team based upon review time period.

Revision 7: Annual review, revised as needed