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CONTRACT REVIEW FOR CUSTOM PRODUCTS

Operational Procedure: MOP-03-02

Rev.: A

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I PURPOSE

The purpose of this procedure is to provide for a system and instructions, and to assign responsibilities for review of customer orders for custom products to ensure that the customer requirements are well understood and that the company can satisfy these requirements and deliver on time.

II APPLICATION

This procedure applies to all customer orders for custom products.

This procedure directly concerns the Sales, Design Engineering, Production Engineering, Production, and Quality Assurance departments.

III DEFINITION

Custom Products: Products that are designed and/or manufactured to unique customer requirements.

IV PROCEDURE

1. Receiving Orders

- 1.1 All mailed and faxed inquiries and orders are delivered to the Order Entry Desk in the Sales department. Inquiries and orders for custom products are stamped CUSTOM and are routed to the Sales Manager, who assigns an appropriate salesperson to interface with the potential customer. Phone inquiries are also routed to the Sales Manager, or a designated salesperson. Phone (verbal) orders for custom products are not accepted. Customers are always asked to confirm their verbal orders by mail or fax.

Written by:	Original Issue Date:
Approved by:	Date:
Approved by:	Date:

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2. Order Review

- 2.1 A sale or a contract is normally preceded by submittal of an offer to a customer (a quotation or bid). Offers are usually submitted in response to an inquiry or tender.
- 2.2 Only Sales Manager or designated sales personnel are authorized to respond to requests for offers from customers. Before preparing the offer, the Sales Manager reviews the customer request to verify completeness and clarity of stated requirements, and notes whether there are any special instructions for submitting offers. If a discrepancy or ambiguity is noted at this stage, the customer is contacted for clarification.
- 2.3 Following this initial review, the Sales department prepares an offer. When required, Sales may be assisted by Design Engineering, Production, Production Engineering, Purchasing, and Quality Assurance. If during preparation of the offer it is noted that the customer requirements are incomplete, ambiguous, or impossible to fulfill, the customer is contacted.
- 2.4 The verification that customer requirements are well understood is a continuous process throughout all phases of contract negotiations, product design, and product and process validation. Important elements of this process are design input review and design reviews. In principle, every time the customer communicates a requirement, it is reviewed for completeness and clarity before it is responded to or implemented.
- 2.5 The ultimate verification that the customer requirements have been well understood is submittal of a production part for customer approval (the PPAP process).

3. Verification of Capacity to Fulfill Requirements

- 3.1 Before an offer is submitted to a customer, it is forwarded to Production for review and acknowledgment. If design and/or special quality requirements are involved, Design Engineering and Quality Assurance must also acknowledge the offer. The review always includes verification that requirements of QS-9000 Section III, Customer-Specific Requirements, can be met.
- 3.2 If the company cannot completely fulfill the customer's requirements, the customer is contacted and a modification of the problematic requirements is proposed.
- 3.3 In addition to this preliminary review, a Team Feasibility Commitment is prepared and signed early in the design phase or, when design is provided by the customer, in the pre-launch phase. The commitment is made by the Product Quality Planning (PQP) Team. It states that the company is able to meet requirements for product performance, tolerances, process capability, statistical process control, delivery schedule, and capital equipment and tooling cost. The Team Feasibility Commitment is dealt with in procedures QOP-02-02 Design and Prototype Quality Planning, and QOP-02-03 Pre-Launch Quality Planning.

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4. Order Changes and Amendments

- 4.1 Order changes and amendments received from customers are routed to the Sales Manager. When a change order is received,
- The corresponding original order is retrieved;
 - The change order is reviewed for completeness and clarity, and the customer is contacted if more information or clarifications are needed;
 - The status of the original order processing (accepted, entered, designed, scheduled, in production, packed, or shipped) is determined;
 - The feasibility of the requested change and the impact on cost and delivery date is determined, and a change order offer is prepared;
 - When appropriate, the change order offer may be forwarded to Design Engineering, Production Engineering, Production, Purchasing, or Quality Assurance for acknowledgment; and
 - Upon acceptance of the offer by the customer, or special authorization by the Sales Manager (see Subsection 4.2), appropriate instructions to implement the change order are issued to functions concerned (such as Accounting, Design Engineering, Production, Purchasing, Packaging, Shipping, or Quality Assurance) depending on the processing status of the original order.
- 4.2 When production scheduling considerations require that a change order be implemented immediately without waiting for the formal acceptance of commercial conditions by the customer, the Sales Manager can authorize immediate implementation of the change order.

5. Contract Review Record

- 5.1 A copy of an offer, acknowledged by the concerned departments, constitutes the evidence and record of contract review. The same applies to offers for change orders. An additional important record is the Team Feasibility Commitment. Storage location and retention period for contract review records are specified in Procedure QOP-16-01 Quality Records.

V ASSOCIATED DOCUMENTS

- Contract Review for Standard Products — Oper. Proc. MOP-03-01
- Quality Records — Oper. Proc. QOP-16-01