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I PURPOSE

The purpose of this procedure is to provide for a system and instructions, and to assign responsibilities for:

- Evaluation and monitoring of subcontractors, and
- Customer verifications of purchased products.

II APPLICATION

This procedure applies to evaluation and monitoring of subcontractors supplying materials, parts, and services such as heat treating, painting, plating, etc. This procedure directly concerns Purchasing and Quality Assurance departments.

III PROCEDURE

1. Subcontractor Evaluation

1.1 Quality capability of subcontractors is evaluated jointly by the Purchasing and QA departments. Every new subcontractor is requested to provide the following documents and information:

- Certificate of quality system registration,
- Copy of quality assurance manual (if system is not certified),
- Description of relevant process equipment and machines,
- Professional resumes (if engineering or consulting is involved),
- Samples of similar products and/or workmanship (if applicable), and
- References.

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- 1.2 Purchasing and QA evaluate the submitted information and, if deemed desirable, may request a visit to audit the subcontractor. When the evaluation is concluded with a satisfactory result, the subcontractor is entered on the approved subcontractor list.
- 1.3 A subcontractor quality record file is established for every new subcontractor. All documents supporting the initial evaluation and qualification of the subcontractor are placed in the file. The approval status of the subcontractor is recorded on the inside cover of the subcontractor quality record file. The file is also used for keeping records pertaining to the subcontractor's quality performance (see Section 2.).

2. Quality Performance Monitoring

- 2.1 All subcontractors are continuously monitored for quality and delivery performance.
- 2.2 One hundred percent on-time delivery performance is required. Every late delivery is noted and the subcontractor is contacted for explanation and, when appropriate, is asked to implement corrective actions to improve delivery performance.
- 2.3 When a nonconforming delivery is identified, the receiving clerk or QC inspector initiates a product nonconformance report. The report is established and processed in accordance with Procedure QOP-13-01 Control of Nonconforming Product. The subcontractor is always contacted and informed of the identified nonconformances and, if they are sufficiently serious or recurring, the subcontractor is requested to propose and implement a corrective action and report back on its effectiveness. Nonconformance reports, requests for corrective actions, and associated correspondence are filed in the subcontractor's quality record file.
- 2.4 The subcontractor's files are reviewed monthly to assess trends in quality and delivery performance. Subcontractors who repeatedly fail to deliver satisfactory products, and/or do not deliver on time despite earlier complaints and requests for corrective actions, are removed from the approved subcontractor list.

3. Existing Subcontractors

- 3.1 Subcontractors who have been supplying the company for at least six months prior to implementation of this procedure, and whose performance is deemed satisfactory, are exempted from the requirement for the initial evaluation and qualification. Regardless of the past quality performance history, there are no exemptions from continuous quality performance monitoring.

4. Approved Subcontractor List

- 4.1 The Purchasing Manager is responsible for maintaining the approved subcontractor list. The list is kept current on a computer, and once a month it is printed out and authorized by the Purchasing and QA managers. The list is reviewed, issued, distributed and otherwise controlled in accordance with Procedure QOP-05-02 Document and Data

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Control.

5. Customer-Designated Subcontractors

- 5.1 When customers have their own approved subcontractor list, the subcontractors on the list are evaluated per Section 1 above, and, if deemed satisfactory, are added to the company's approved subcontractor list.
- 5.2 When none of the customer-designated subcontractors are acceptable, the customer is contacted with a request to approve additional subcontractors.
- 5.3 The use of customer-designated subcontractors does not relieve COMPANY NAME Inc. of the responsibility for ensuring the quality of subcontracted products and services.

6. Subcontractor Development

- 6.1 While compliance with, and/or registration to QS-9000 is not required of subcontractors, COMPANY NAME Inc. encourages its subcontractors to implement QS-9000, or at least some of its elements. COMPANY NAME Inc. fosters a quality partnership with its subcontractors. Subcontractors are made aware of QS-9000 and its benefits and, when appropriate, are encouraged to participate in quality planning.
- 6.2 Those subcontractors that have implemented QS-9000 are asked to demonstrate their compliance with the standard. They can certify their quality system with an accredited third-party registrar, be audited directly by the OEM customer, or be audited by COMPANY NAME Inc. To be acceptable, second-party audits must be conducted at least every three years, with surveillance audits every six months.

7. Customer Verification of Purchased Product

- 7.1 When applicable and appropriate, customers can verify that products purchased for their contracts conform to specified requirements.
- 7.2 If the verification is to be done at the subcontractor's location, the Purchasing department must be notified at least one week in advance so that necessary arrangements can be made.
- 7.3 Customer verification does not release COMPANY NAME Inc. from its responsibility to deliver a quality product per specification. Customer acceptance does not preclude subsequent rejection by COMPANY NAME Inc.

IV ASSOCIATED DOCUMENTS

- Purchasing — Oper. Proc. OOP-06-02
- Control of Nonconforming Product — Oper. Proc. QOP-13-01

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- Corrective and Preventive Action — Oper. Proc. QOP-14-01

