

NORTHROP GRUMMAN NEWPORT NEWS
NEWPORT NEWS, VIRGINIA
APPENDIX Q – DoD CONTRACTS
QUALITY REQUIREMENTS
FEBRUARY 2006

I. GENERAL

This Appendix outlines the Quality requirements with which Suppliers must comply when providing materials and services covered by Purchase Orders issued by Newport News Shipbuilding and Dry Dock Company, a subsidiary of Northrop Grumman Corporation (Newport News). This Appendix also provides a summary of the Newport News Supplier Evaluation and Rating System and identifies requirements that have historically caused rejection of supplier's materials upon receipt at Newport News.

II. ADMINISTRATIVE REQUIREMENTS

A. Communications

All communications relative to these Quality requirements shall be directed to the Manager of Supplier Quality, Department.O58, Building 520-2, Phone (757) 380-4298, FAX (757) 688-0717.

B. Surveys

All Suppliers' facilities at all tiers are subject to "on-site" survey by Newport News and by Newport News' customers when so provided in Newport News' contracts. The survey normally includes inspection and evaluation of Supplier's facilities, capabilities, and quality management/inspection system. Examination of inspection plans and records, and verification of accomplishment and effectiveness of previous corrective actions may be included in the survey.

C. Corrective/Preventive Action Request (C/PAR)

A C/PAR is issued to Suppliers when unsatisfactory conditions are observed by Newport News during a survey, or when a review of receipt data indicates a negative performance trend or other material concerns arise. Suppliers are expected to respond to the C/PAR identifying the underlying cause of each discrepancy or finding, the correction of each discrepancy or finding, and the preventative action taken to prevent recurrence. Corrective/preventive action is subject to evaluation and verification by Newport News. Failure to take timely and/or satisfactory corrective action may result in the Supplier's removal from the Newport News list of Qualified Suppliers.

D. Source Inspection

Source inspections are authorized by the "Inspection and Test" section of the applicable Newport News Purchase Order Appendix A. Newport News and its customers reserve the right to perform such inspections at any time. Newport News source inspection is generally not required unless specifically identified in the header or body of the Purchase Order.

Government Procurement Quality Assurance (GPQA) - GPQA actions (frequently referred to as "DCAS inspection" or "DCMA inspection") if invoked by the Purchase Order, normally will be performed in accordance with the Department of Defense Logistics Agency Manual 8200. Supplier responsibilities regarding GPQA are outlined in the Purchase Order. Source inspections performed by Newport News, the Government, or other parties do not constitute acceptance by Newport News and do not relieve the Supplier of the responsibility for furnishing acceptable material.

E. Newport News Options with Nonconforming Material

Newport News reserves the right to reject any nonconforming materials or services offered by the Supplier. When it becomes obvious that rejection of items or materials on this order will occur, either as a result of 100 percent inspection or statistical sampling inspection, inspection may be discontinued and Newport News Receiving Inspection or Source Inspection will issue a Quality Notification (QN) or similar notice of nonconformance. Suppliers shall not only correct the cited discrepancies, but also shall perform such additional inspections and tests as may be necessary to preclude further rejections for other causes. A Newport News representative will inform the Supplier of the nonconformance and shall coordinate resolution of the QN with the Supplier and other Newport News departments, if necessary. Once contacted by a Newport News representative, the Supplier is requested to resolve the nonconformance within twenty- four (24) hours for software issues and forty-eight (48) hours for hardware issues. A delay in responding within the 24/48 hour timeframe may result in a lower quality score for that shipment. Nonconforming material may be returned to the Supplier for rework/replacement or repaired by Newport News or by separate contract at the Supplier's expense.

F. Resubmitted Material

Material that has been reworked or repaired by a Supplier after having been rejected by Newport News shall be identified as "Resubmitted". The Supplier shall annotate his packing slip with the words "Resubmitted Material", the reason for the previous rejection, and the Newport News Inspection Report, Discrepancy Report or Quality Notification Number if known. If the material was Source Inspected and rejected such information should be annotated on the packing slip.

G. Purchaser Furnished Materials

Materials furnished by Newport News or the Government shall be used for the purpose specified. Whenever discrepancies are discovered in Purchaser furnished materials, Newport News shall be notified and no further work shall be performed until so authorized by Newport News. Material identification markings must be maintained throughout the manufacturing process.

H. Quality System or Policy Changes

A formal notification to Newport News is required when significant system or policy changes occur to a Supplier's Quality Management/Inspection System, or when a change in Company ownership, plant location, or upper management takes place.

I. Objective Quality Evidence (OQE)

The Purchase Order may require the Supplier to furnish OQE to substantiate material quality. OQE may consist of mill test reports, certifications, inspection or test reports and/or certificates of compliance. All test reports supplied in fulfillment of this order shall be in the form of reports issued by the organization performing the tests or exact copies thereof; data transcribed to another organization's forms are not acceptable. All OQE shall be reviewed for completion and accuracy by the Supplier. Special attention should be given to the following attributes which are frequently cause for rejection:

- Illegible documents (or portions thereof)
- Failure to identify applicable specifications, revisions, material grade, type class, etc.
- Failure to report results of all required tests/inspection
- Failure to correlate documentation to the applicable hardware

All software submitted to Newport News shall be annotated or correlated to Newport News Purchase Order number, Purchase Order item number, drawing number and drawing piece number. The container or box that the software is in shall be clearly identified, for example, by a special sticker or container labeled "SOFTWARE ENCLOSED".

Corrections and additions to software (when required) shall be made as follows:

- a) Draw a line through an incorrect entry.
- b) Initial and date each entry or correction.
- c) Erasure, "whiteout" and/or obliteration of data are not acceptable.
- d) Data cannot be altered by one organization on another organization's document.

Only the OQE requested by Newport News' Purchase Order line items or elsewhere in the body of the Purchase Order shall be sent to Newport News. OQE not required to be submitted to Newport News may be reviewed by Newport News at the Supplier's facility, or may be required to be submitted to Newport News for review at a later date. The Supplier shall maintain OQE which substantiates compliance with the Purchase Order or specification requirements for a minimum of seven years from date of shipment to Newport News, unless longer periods are specified by the Purchase Order or specification invoked therein.

J. Specification Effectivity

Newport News Purchase Orders may list drawings/specifications to which the Supplier must comply. However, since many of Newport News customer's contracts require the use of the revision of the specification that was in effect on the date of the original design, the current revision may not be proper. If a revision of effectivity date is not listed in the Purchase Order, Newport News Purchase Order Appendix B provides the specification effectivity date and in some cases, the required revision for certain specifications.

K. Traceability

Items or material requiring traceability to Objective Quality Evidence (OQE) shall be stored and processed such that positive identity is maintained. When practical, each piece of material should be individually and permanently identified in accordance with Mil-Std-792. Totes, bags, or boxes identified properly and accompanied by a properly identified process traveler, are a suitable alternative during the manufacturing process.

Certain materials and components are considered pressure boundary parts. Marking and traceability requirements for these items shall be in accordance with Newport News Purchase Order Appendix P and/or other specifications that may be invoked by the Purchase Order.

III. QUALITY REQUIREMENTS

A. All Purchase Orders

1. Whether or not a quality management/inspection system specification is invoked in the body of a Newport News Purchase Order, the Supplier shall ensure that the supplies delivered conform to the requirements of the Purchase Order.
2. All materials and services, both those manufactured or processed by the Supplier and those procured from sub-tier suppliers, shall conform to all requirements of the Purchase Order, Purchase Order appendices, and documents invoked therein. All required inspections and tests necessary to assure that the material conforms to the Purchase Order, drawing and specification requirements shall be performed.
3. Government Material Review Board (MRB) authority is not granted unless specifically permitted in the Newport News Purchase Order and/or prior specific written Newport News delegation. Vendor Information Requests (VIR) are to be submitted for resolution of minor nonconformances (See Newport News Appendix A). The Supplier' system for positioning nonconforming or discrepant material shall differentiate between Supplier Material Review Procedures and Government Material Review Board criteria.
4. Measuring and Test Equipment used to verify product compliance shall be calibrated at established intervals against certified standards traceable to national standards. Records of calibration shall be maintained throughout the life of the Purchase Order.

5. The term "Government" when appearing in MIL-I-45208A, MIL-Q-9858A or other specification shall be understood to mean "Northrop Grumman Newport News" or "Government", or both.

B. Quality Program/System Specifications

1. The Supplier's Program/System shall be documented and available for Newport News review prior to initiation of production and throughout the life of the Purchase Order. All changes to the Quality Program/System shall be documented and copies furnished to Newport News.
2. When a Quality Management/Inspection System specification, such as MIL-Q-9858, MIL-I-45208, ISO 9001/9002/9003, ISO 9001:2000, ANSI/ASME NQA-1, or other quality specification is invoked in the body of a Newport News Purchase Order, either directly or through a Military or Industry Specification, the Supplier's Quality Management/Inspection System must, as a minimum, conform to all of the requirements of the invoked specification and our individual contract requirements. No increase in price will be allowed if a Supplier elects to use a Quality Program/System more stringent than required.
3. At the supplier's option, an ISO 9001 (1994 or 2000 revision) or ISO 9002 (1994 revision) quality system may be utilized in lieu of Mil-Q-9858 or MIL-I-45208, subject to the following additional requirements.

- a) 1994 – Add to Quality Policy, Paragraph 4.2.1:

2000 – Add to Quality management system – General Requirements: Paragraph 4.1

The organization shall provide and maintain a quality assurance program that ensures that the product meets the contract requirements and that is acceptable to Customer and Government. The organization shall notify the customer in writing of any change, other than editorial, to the quality manual.

- b) 1994 – Add to Purchasing data: Paragraph 4.6.3:

2000 – Add to Purchasing information: Paragraph 7.4.2

When, under authorization of the Government Representative, copies of the purchasing document are to be furnished directly by the supplier or organization to the Government Representative at his facility rather than through Government channels, the organization shall add to his purchasing document a statement substantially as follows:

"On receipt of this order, promptly furnish a copy to the Government Representative who normally services your plant. In the event the representative or office cannot be located, our purchasing agent should be notified immediately."

All documents and referenced data for purchases applying to a Government contract shall be available for review by the Government Representative to determine compliance with the requirements for control of such purchases. Copies of purchasing documents required for Government inspection purposes shall be furnished in accordance with the instructions of the Government Representative.

- c) 1994 - Add to Receiving Inspection and Testing, Paragraph 4.10.2.1:

2000 - Add to Verification of purchased product: Paragraph 7.4.3

The organization shall make available to the Government Representative reports of any nonconformance found on Government source inspected supplies and shall (when requested) require the supplier to coordinate with his Government Representative on corrective action.

- d) 1994 - Add to INSPECTION AND TESTING – General: Paragraph 4.10.1:

2000 – Add to Monitoring and measurement of product: Paragraph 8.2.4

When required, the organization's measuring and testing equipment shall be made available for use by the Government Representative to determine conformance of product with contract requirements. In addition, if conditions warrant, organization's personnel shall be made available for operation of such devices and for verification of their accuracy and condition.

- e) 1994 – Add to Quality planning: Paragraph 4.2.3

2000 – Add to Planning of product realization: Paragraph 7.1

Where not otherwise contractually invoked, all specified limits for machining services and for dimensional control of deliverable parts and assemblies shall be interpreted as absolute limits as defined by ASTM E29, Standard Practice for Using Significant Digits in Test Data to Determine Compliance with Specifications. Unless otherwise specified in the contract, for all other observed, measured or calculated product characteristics (e.g. for material suppliers, material distributors, services other than machining) specified limits shall be interpreted using round-off method as defined by ASTM E29.

- f) 1994 – Add to CONTROL OF QUALITY RECORDS: Paragraph 4.16

2000 – Add to Monitoring and measurement of product: Paragraph 8.2.4

When signatures are required by contract and will be provided electronically, protection from unauthorized changes of recorded data shall be provided.

C. Distributors and Primary Suppliers control over Sub-Tier suppliers:

The following information and clarifications are provided to assist Distributors and Primary Suppliers in complying with the requirements of this Appendix:

1. Distributors and Primary Suppliers shall pass on to their Suppliers all relevant Purchase Order requirements applicable to the product being procured. These requirements include, but are not limited to specifications, drawings, source inspection requirements, Federal Acquisition Requirement (FAR) clauses, and other clauses as stated in the Purchase Order. Re-delegation of DCMA Inspection is the prerogative of the Government Representative.
2. The Distributor or Primary Supplier shall ensure that its Supplier is fulfilling the requirements of this Appendix and other appendices and/or specifications invoked by the Purchase Order.
3. Before material is shipped from the Distributor or the Primary Suppliers facility or drop shipped from their Supplier, the Distributor or Primary Supplier shall review the Objective Quality Evidence (OQE) obtained from its Suppliers for adequacy and accuracy. Discrepant OQE shall be corrected prior to shipping material from either location. Acceptable OQE shall be forwarded to Newport News as required by the Purchase Order. Copies shall be maintained in an auditable fashion and available for Newport News review.
4. When a quality management/Inspection system specification is invoked in the body of a Newport News Purchase Order, either directly or through a Military or Industry Specification, distributors and Primary Suppliers are responsible for implementing and maintaining compliance with the requirements set forth in the invoked quality management/inspection system specification as it applies to the scope of work they perform. Distributors and Primary Suppliers are also responsible for assuring that their Suppliers implement and maintain compliance with the requirements set forth in the invoked quality system specification as it applies to the scope of work their Suppliers perform.
5. Although Distributors and Primary Suppliers have the final responsibility for assuring product quality and maintaining adequate control of their Suppliers, the quality programs of said Suppliers are also subject to on-site survey by Newport News. Such surveys will be conducted with the knowledge of the Distributor or Primary Supplier.

** The manufacturing or production company that the original purchase order is placed with is considered the "Primary Supplier".*

IV. SUPPLIER EVALUATION AND RATING

A. General

Newport News is committed to developing a strong Supplier base through better communications and continuous improvement. The performance of our Suppliers is continuously evaluated and rated. The results of this evaluation are used in two ways: (1) to determine future awards, and (2) to help our Suppliers improve their performance.

B. Quality System

Purchase Orders for certain critical items require the Supplier to have a quality control or inspection system such as Mil-I-45208, Mil-Q-9858 or ISO 9001:2000. Newport News evaluation of a Quality Program/System may consist of an on-site survey, review of the Supplier's quality manual, and/or having a Supplier complete a Newport News Supplier Information Questionnaire.

C. Supplier Quality Score (SQS)

SQS is a calculated rating based on the results of inspections performed on Supplier furnished material wherein discrepancies are weighted according to the criticality of the defects found.

Normally, Suppliers that fail to maintain a SQS of at least 90 will not be solicited or considered for award. In order to be considered a Preferred Supplier, a SQS of 98 to 100 must be maintained.

D. Supplier Improvement

Newport News realizes that our Suppliers are important to our future and may offer improvement suggestions to Suppliers performing below expectations for a particular commodity. Further information on these rating programs as well as current ratings for your company can be obtained by contacting the Supplier Quality Department.