

K&E Plastics, Inc.	QMSP-1012 Contract Compliance and Awareness of Malpractice Prevention		
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1.0 Scope:

- 1.1 The purpose of this Work Instruction is to clarify business ethics and standards of conduct. These guidelines apply to all aspects of work performed by K&E Plastics employees, direct suppliers, and sub-tier supplier, including manufacturing, inspection and services.
- 1.2 These practices are largely driven by customers’ requirements and by the US Navy requirements.
- 1.3 Adherence to Malpractice Prevention is a condition of employment at K&E Plastics

2.0 Definitions:

- 2.1 Malpractice – Any intentional or inexcusable deviation from established engineering, production, certification or inspection requirements, or procedures and is a dereliction of professional duty or a failure of professional skill that results in less than contract compliance.
- 2.2 Fraud and Falsification (F&F) - deal with intentional deceit, lie, misrepresentation, falsehood, negligence, dereliction, etc. to perform contract compliance. Key is the fact that fraud and falsification is intentional.
- 2.3 Error – When pertaining to compliance is an unintentional deviation or mistake from accuracy or compliance. Key is the factor that an error is not intentional.
- 2.4 Contract Compliance – is meant to be “verbatim compliance”, i.e. word for word compliance whether the requirement is in the written word or drawing form. Interpretations, assumptions, intentions, taking for granted, editorial or artistic license, exaggeration, partial or suppressed explanation or truth, the way it was done before, etc. do not satisfy verbatim contract compliance. Should corrections or modifications to the contract, drawings, specifications, ordering data, etc. be necessary, appropriate change documentation as described in the contract (purchase order) must be submitted and approvals obtained.

3.0 General:

- 3.1 K&E Plastics management and employees, along with suppliers and sub-tier suppliers’ management and employees are contractually obligated and expected to meet all purchase order requirements. K&E Plastics is required to inform suppliers hired by K&E Plastics, and suppliers are required to inform sub-tier suppliers hired by the supplier that they are likewise contractually obligated and expected to meet all purchase order requirements.
- 3.2 K&E Plastics, suppliers and sub-tier suppliers shall be aware and vigilant for Malpractice and Fraud and Falsification (F&F), as it affects contract compliance. All parties associated with product and services destined for ultimate delivery to the Purchaser must be aware that Malpractice and F&F are grave and serious matters. The act of Malpractice or F&F has the potential for severe and costly damages.
- 3.3 It is the responsibility of all parties to avoid the slightest possibility or appearance of impropriety or malpractice and to report known or suspected occurrences to the proper authorities (See 3.6). All personnel working within the program must be aware of malpractice and fraud & falsification, methods to eliminate potential situations, and Purchaser expectations of the employees of K&E Plastics, their suppliers, their subcontractors.
- 3.4 Consequences of malpractice and fraud & falsifications could involve functional failure of product in operation on land or at sea, causing loss of equipment and life. Consequences also include severe dollar loss to the Purchaser, the government, and the supplier due to lengthy investigations, possible disqualification from future contracts, production shutdown, and loss of employment. Acts of

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malpractice or fraud & falsification will result in purchase order contractual action and will also be subject to federal criminal prosecution for violations of law under Title 18 of the U.S. Code, Chapter 47, section 1001.

- 3.5 K&E Plastics, their suppliers and sub-tier suppliers must ensure that employees are provided documentation and information necessary to perform assigned and contracted work correctly. All of their employees must follow established work procedures and contract documents to perform best possible effort within the program.
- 3.6 Any party aware of, or having reason to suspect, malpractice or fraud & falsification is obligated to report this violation anonymously or in person to:
- a.) Local supervision or Management,
 - b.) Purchaser Supervision or Management,
 - c.) Purchaser quality Representative,
 - d.) Purchaser Buyer, or
 - e.) Department of Defense Hotline
 - Telephone (800) 424-9098, or
 - website <http://www.dodig/osd.mil/hotline/hotline7.htm>,
 - email hotline@dodig.osd.mil, or
 - mail to: Department of Defense Hotline, The Pentagon, Washington, D.C. 20301-1900

Should such a notification be necessary, information including location, date(s), time, names of people involved, and violation suspected would be most helpful to promote an investigation.

- 3.7 False allegations of malpractice and fraud & falsification are likewise serious matters and subject to federal investigation and prosecution. It is imperative that persons making allegations be knowledgeable and truthful with the facts and not with vindictive or spiteful intent.

4.0 Contract Compliance:

- 4.1 To demonstrate contract compliance with this specification, K&E Plastics, their suppliers and sub-tier suppliers are required to perform, and maintain records for, the following:
- a.) Alert all employees to this (Contract Compliance and Awareness of Malpractice Prevention) Work Instruction during new hire indoctrination.
 - b.) Annually provide refresher training to this this (Contract Compliance and Awareness of Malpractice Prevention) Work Instruction) for all employees.
 - c.) Page 4 is provided as a visible reminder notice and provides contact information should malpractice or fraud & falsification be observed or suspected. Suppliers are to post this reminder notice in conspicuous and prominent places throughout the facility, especially work areas, at a minimum of one (1) copy for every fifty (50) employees.
 - d.) Include verification during internal quality audits that malpractice and F&F training is performed, and reminder notices are posted.
 - e.) Include an awareness in audit requirements that auditors be alert for malpractice and F&F during internal and external audits.
 - f.) Perform periodic and independent overchecks of final inspections and testing.
 - g.) Alert all suppliers and sub-tier suppliers of malpractice and F&F by passing down of this specification in supplier purchase orders.

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h.) While performing on-site quality audits at suppliers and sub- tier suppliers' facilities, confirm and verify awareness of malpractice prevention.

4.2 At K&E Plastics, Malpractice is addressed during Management Review meetings to raise awareness of the importance of controls and to assess effectiveness of the Malpractice Training program.

4.3 New employees shall be closely monitored regarding avoidance of Malpractice. Monitoring shall be conducted through Supervision, Lead Person oversight, On-the-Job training and general performance monitoring.

5.0 Examples of Malpractice and Fraud & Falsification (F&F)

- Issuing a procedure or instructions known to contain unauthorized deviation(s) to contractual requirements.
- Knowingly waiving or eliminating a contractual requirement without authority to do so.
- Deliberately accepting unsatisfactory work.
- Intentionally performing unacceptable work.
- Failing to report problems or unsatisfactory conditions in one's own workmanship.
- Verifying by signature that an action was taken, knowing in fact the action was not taken, or not performing the required checks or verifications to assure the action was taken.
- Verifying performance of action based on hearsay, not personal observation.
- Tampering with calibrated instruments to avoid rejection of work.
- Falsifying dates on records to comply with frequency or deadline requirements.
- Falsifying data to cover-up a procedure or drawing deviation.
- Falsifying data to have work accepted, thereby avoiding further work or rework.
- Concealing or not reporting information on malpractice, fraud or falsification known to have been committed by others.

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NOTICE

Any party aware of, or having reason to suspect, MALPRACTICE OR FRAUD & FALSIFICATION is obligated to report this violation anonymously or in person to:

- a. Company Supervision or Management,
- b. Purchaser Supervision or Management,
- c. Purchaser Quality Representative,
- d. Purchaser Buyer, or
- e. Department of Defense Hotline
 - telephone (800) 424-9098 or
 - website: <http://www.dodig.osd.mil/hotline/hotline7.htm>
 - email hotline@dodig.osd.mil or
 - mail to
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