

Policy Title: Contract Compliance, Malpractice Prevention & Counterfeit and Fraudulent Materials	Initial Approval Date: Rev 0 – 07/25/2013 Revised Date: Rev 1 - 08/21/2019	Approved By: Robert T. Rose President	Page Number: Page 1 of 4
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POLICY TITLE:

Contract Compliance, Malpractice Prevention, & Counterfeit and Fraudulent Materials

1. PURPOSE AND SCOPE:

- 1.1 The purpose of this policy is to clarify business ethics and standards of conduct, to comply with the Nuclear Regulatory Commission (NRC), Nuclear Procurement Issues Committee (NUPIC) “Counterfeit and Fraudulent Materials” Requirements, and our customers’ requirements.
- 1.2 The scope applies this policy to Delta Centrifugal Corporation (including its board, management, and employees) and all Suppliers (including sub-tier Suppliers) including/providing manufacturing, inspection, and services.
- 1.3 All suppliers providing product or services to Delta Centrifugal Corporation (DCC) are provided the terms and conditions of DCC at the time of initial purchase order placement. Acceptance of purchase orders issued by DCC signifies Supplier’s commitment to comply with purchase order (contractual) requirements.

2. GENERAL:

- 2.1 Delta Centrifugal Corporation is committed to complying with Nuclear Regulatory Commission (NRC), Nuclear Procurement Issues Committee (NUPIC) “Counterfeit and Fraudulent Materials”, Department of Defense DFAR 252.246.7007 “Contractor Counterfeit Electronic Part Detection and Avoidance System” and our customers’ requirements, including EB Spec. 2678M.
- 2.2 Delta Centrifugal Corporation uses raw material and scrap metal to manufacture nuclear and non-nuclear centrifugal castings. Buyout castings are infrequent. Nevertheless, buyout castings are PROHIBITED for Nuclear Orders.
- 2.3 Delta Centrifugal Corporation shall NOT allow counterfeit and fraudulent materials to enter its supply chain.
- 2.4 Delta Centrifugal Corporation Material Suppliers are required to perform due diligence to validate the source of material. Suppliers found to be knowingly purchasing and distributing “Counterfeit and Fraudulent Materials” shall be immediately discontinued.
- 2.5 Delta Centrifugal Corporation encourages reporting of known or suspected Malpractice or Fraud & Falsification to Management.

3. REFERENCES:

- 3.1 10 CFR Part 50 Appendix B Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants criterion VII Control of Purchased Material, Equipment, and Services
- 3.2 NUPIC Audit Checklist Section 7

3.2.1 Counterfeit and Fraudulent Material Indications:

- Altered manufacturer’s name, logo, serial number, or manufacturing date
- Items differing in configuration, dimensions, fit, finish, color, or other attributes from the expected
- Marking on items or documentation are missing, unusual, altered, or inconsistent with that expected
- Markings or documentation from country other than that of the sub-supplier
- Items sold as new, exhibit evidence of prior use

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- Performance inconsistent with specifications or certifications or test data furnished
- Documentation that appear altered, incomplete, or lacking expected traceability or manufacturer’s markings.

3.3 EB Spec 2678M Appendix B

- 3.3.1 Suppliers (management and employees) are contractually obligated and expected to meet all purchase order requirements. Suppliers are required to inform sub-tier Supplier’s hired by the Supplier that they are likewise contractually obligated and expected to meet all purchase order requirements. Acceptance of purchase orders indicates the supplier’s commitment to comply with the contractual requirements of the purchase order.
- 3.3.2 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 Fraud and Falsification are grave and serious matters with the potential for severe and costly damages.
- 3.3.3 All parties have the responsibility to avoid the slightest possibility or appearance of impropriety or malpractice and to report known or suspected occurrences to the proper authorities. (See 3.3.4)
- 3.3.4 Any party aware of, or having reason to suspect, malpractice or fraud and falsification is obligated to report the violation (either anonymously or in person) to:
- a. Local supervision or management,
 - b. Purchaser supervision, management, quality representative, buyer, or
 - c. Department of Defense Hotline via
 - Telephone (800) 424-9098 or
 - Website <http://www.dodig.osd.mil/hotline/hotline7.htm>
 - Email at hotline@dodig.osd.mil or
 - Mail to: Department of Defense Hotline, The Pentagon, Washington, DC 20301-1900
- Should such a notification be necessary, it should include the location, date(s), time, names of people involved, and the violation suspected to promote and assist in any investigation.
- 3.3.5 Consequences of malpractice and F&F 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. Acts of malpractice or F&F 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.
- 3.3.6 Suppliers must ensure that employees and sub-tier suppliers are provided documentation and information necessary to perform assigned work correctly. Employees and sub-tier suppliers must follow established work procedures and contract documents to perform best possible effort within the program.
- 3.3.7 False allegations of malpractice and F&F 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 be with vindictive or spiteful intent.

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3.3.8 Contract Compliance – To demonstrate contract compliance with EB Spec 2678M, the Supplier is required to perform, and maintain records for, the following:

- Alert all employees to this policy during new hire indoctrination
- Annually provide refresher training to this policy for all employees
- Post Appendix D (to EB Spec. 2678M) as a visible reminder notice, which also provides contact information should malpractice or F&F be observed or suspected. Suppliers are to post this reminder notice in conspicuous and prominent locations throughout the facility, especially work areas, at a minimum rate of one (1) copy for every fifty (50) employees.
- Include verification during internal quality audits that malpractice and F&F training is performed and reminder notices are posted
- Include an awareness in audit requirements that auditors be alert for malpractice and F&F during internal and external quality audits
- Perform periodic and independent overchecks of final inspections and testing
- Alert all Suppliers (and sub-tier Suppliers) of malpractice and F&F by passdown of this policy (including EB Spec. 2678M) in purchase orders
- While performing on-site quality audits at sub-tier Supplier’s facilities, confirm and verify sub-tier awareness of malpractice prevention.

3.3.9 Examples of Malpractice and Fraud & Falsification

- 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 calibration 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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APPENDIX D TO EB SPEC 2678M

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:**

**Department of Defense Hotline
The Pentagon
Washington, DC 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.

NOTICE