

# **CONTRACT COMPLIANCE AND AWARENESS OF MALPRACTICE PREVENTION**

(EB2678 APPX B)

9/29/2016

The purpose of this document is to clarify business ethics and standards of conduct. These guidelines apply to all aspects of work performed by direct suppliers and their sub-tier suppliers, including manufacturing, inspection, and services.

Suppliers (management and employees) are contractually obligated and expected to meet all purchase order requirements. 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.

Suppliers and sub-tier suppliers should be aware and vigilant for Malpractice, Fraud and Falsification (MF&F) as it affects contract compliance. All parties associated with product and services destined for ultimate delivery to the purchaser must be aware that MF&F are grave and serious matters. The act of MF&F has the potential for severe and costly damages.

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 below). All personnel working within the program must be aware of MF&F, pitfalls that could lead to MF&F, methods to eliminate potential situations, and purchaser's expectations of suppliers, their employees, and sub-tier suppliers.

Consequences of MF&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 due to lengthy investigations, possible disqualification from future contracts, production shutdown, and loss of employment. Acts of MF&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 US Code, Chapter 47, Section 1001.

Suppliers must ensure that employees and sub-tier suppliers are provided documentation and information necessary to perform assigned and contracted work correctly. Employees and sub-tier suppliers must follow established work procedures and contract documents to perform best possible effort within the program.

Examples of MF&F:

- Issuing a procedure or instructions known to contain unauthorized deviations 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.

## **CEPEDA Associates, Inc.**

- 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 MF&F known to have been committed by others.