

CEPEDA Associates, Inc.

Number: Q-36

Revision: 9/30/2016

Title: MALPRACTICE, FRAUD & FALSIFICATION (MF&F)

Clause: (a) This purchase order is a lower-tier subcontract under a Government prime contract or higher-tier subcontract. As such, activities hereunder are within the jurisdiction of the Navy. Any knowing and willful act to falsify, conceal or alter a material fact, or any false, fraudulent or fictitious statement or representation in connection with the performance of work under this purchase order may be punishable in accordance with applicable Federal Statutes.

(b) Seller agrees that all employees engaged in the performance of this Purchase Order, will be, if they have not been previously, informed in writing prior to commencing performance of work under this purchase order that there is a risk of Federal criminal penalties associated with any falsification, concealment, or misrepresentation in connection with work under this purchase order.

Seller agrees that a signed statement shall be, if it has not been previously, obtained from said employees prior to their commencing performance of work under this purchase order that they have been so informed. Such statements shall be retained by the Seller for at least three years after final payment on this purchase order. An acceptable form for such a statement is substantially as follows:

"This company/division/department/branch performs work under contracts which are within the jurisdiction of departments of the United States Government. Some of the work performed under these contracts affects the national security of the United States and the requirements of these contracts are designed to ensure that essential attributes of the work are carefully checked or inspected and that records accurately reflect the results of all work. Any falsification, concealment or alteration of any material fact, or any false, fraudulent or fictitious statement or representation in connection with the work under any contract within the jurisdiction of the Government is not only prohibited by company policy, but may also be punishable under Federal Law. Please acknowledge by your signature that you have read and understand the above."

(c) Seller shall include the following statement preprinted or otherwise permanently affixed on each manufacturing, inspection or test record used in conjunction with the subject subcontract:

"Note: The recording of false, fictitious or fraudulent statements or entries on this document may be punishable as a felony under Federal Statute."

(d) Seller shall perform and maintain records of the following:

1. Alert all employees to MF&F during new hire orientation.
2. Provide annual refresher training on MF&F for all employees.

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3. Post a reminder notice in conspicuous and prominent locations throughout their facility, especially work areas, at a minimum rate of one (1) copy for every fifty (50) employees. An example of this notice can be found at http://www.cepedaassociates.com/supplier-portal/MFF_Notice.pdf.
4. Include verification during internal quality audits that MF&F training is performed and reminder notices are posted.
5. Include awareness in audit requirements that auditors be alert for MF&F during internal and external quality audits.
6. Perform periodic and independent review of final inspections and testing.
7. Alert all sub-tier suppliers of MF&F by flow down of this specification in supplier purchase orders.
8. While performing on-site quality audits at sub-tier supplier's facilities, confirm and verify sub-tier awareness of malpractice prevention.

(e) Seller shall include all provisions of this Article including this sentence in all sub-tier contracts under this order. Any inability or unwillingness of a sub-tier supplier to comply with this provision should be documented in writing and submitted to the Buyer who will submit it to the Buyer's Customer who is the prime contractor.

(f) Any party aware of, or having reason to suspect, fraud and falsification incidents pertaining to this order and occurring either within their own organization or within their sub-tier's organization 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
- e) Department of Defense hotline
 - Telephone: 800-424-9098
 - Website: <http://www.dodig.osd.mil/hotline/hotline7.htm>
 - Email: hotline@dodig.osd.mil
 - Mail
 - Department of Defense Hotline
 - The Pentagon
 - Washington DC 20301-1900

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

False allegations of MF&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.

For more information, refer to [QCP300.2, Supplier Quality Assurance Requirements](#) and [Contract Compliance and Awareness of Malpractice Prevention](#).