

<b>GENERAL DYNAMICS</b> Ordnance and Tactical Systems	ST. PETERSBURG, FLORIDA		
	<b>SUPPLIER QUALITY CLAUSE</b>		
TITLE	QUALITY CLAUSE	REVISION	EFFECTIVE DATE
<b>CUSTOMER FURNISHED MATERIAL</b>	S18	0	June 9, 2023
Material and/or services supplied to purchase orders must be in accordance with all quality clause requirements and any additional requirements outlined on the Purchase Order.			

## 1.0 REFERENCES

- N/A

## 2.0 REQUIREMENTS

### CONTRACTOR FURNISHED MATERIAL (CFM) CONTROL AND REPORTING

#### 2.1 INVENTORY MANAGEMENT

Subcontractor shall be responsible for CFM after receipt and inspection to validate the material configuration, quantity, and condition are acceptable. Subcontractor shall also be responsible for inventory management of all CFM furnished by General Dynamics Ordnance and Tactical Systems (GD-OTS), and its subcontractors and will maintain the proper segregation and ensure CFM is used only on the appropriate items as directed by GD-OTS. Any other proposed use of this material requires prior approval by GD-OTS. CFM material receipt discrepancies reports shall be submitted to GD-OTS. Subcontractor shall have or establish an inventory management system to include software, procedures, and training, to:

1. Maintain an inventory management system, supported by the necessary auditable physical evidence, to account for all movement and transactions from receipt of material to relief of the material against work orders, kits, subassemblies, finished product, discrepant material, or scrap.
2. Show results of investigation, resolution, and implementing corrective action of discrepant book to book variances.
3. Perform physical inventory count on a periodic basis on material requested by a GD-OTS Material Representative.
4. Support Audits of the inventory management system by GD-OTS personnel.

#### 2.2 CFM CRITERIA

1. Supplier possesses GD-OTS Contractor Furnished Material (CFM) as part of the contract – this includes Consolidation Suppliers.
2. Supplier material is sold to GD-OTS, but not shipped – Ship in Place (SIP) process. utilized and the GD-OTS material assesses storage fees.

If a supplier meets either of criteria in Section 2.22.1.2, the supplier shall provide the relevant corresponding CFM Inventory Reports:

1. Ship / Receive / Movement Report
2. Inventory / Consumption Report
3. CFM Non-Conforming Material
4. Loss, Theft, Damage, or Destruction (LDD) Report

All reporting will be provided upon request or at stated periodic frequency.

The subcontractor shall:

<b>GENERAL DYNAMICS</b> Ordnance and Tactical Systems	ST. PETERSBURG, FLORIDA		
	<b>SUPPLIER QUALITY CLAUSE</b>		
TITLE	QUALITY CLAUSE	REVISION	EFFECTIVE DATE
<b>CUSTOMER FURNISHED MATERIAL</b>	<b>S18</b>	<b>0</b>	<b>June 9, 2023</b>
<small>Material and/or services supplied to purchase orders must be in accordance with all quality clause requirements and any additional requirements outlined on the Purchase Order.</small>			

1. Provide for the segregation, safe-keeping, movement, and storage of all CFM (both material and equipment by contract). Industry standards pertaining to storage, handling and identification shall apply.
2. The subcontractor shall provide enclosed storage that is not open to any of the elements, for all incoming large caliber materials, components and assemblies. The enclosure or enclosures where the materials will be stored must be inspected for water leakage before any material is stored in that area to be sure that any leakages are corrected prior to any storage of large caliber materials in that area. The area or areas used for storage must be periodically inspected to be sure that there are not any leaks that could damage the products being stored. If any evidence of water leakage is detected at any time, the large caliber materials must be moved to an area that has been verified to be dry, or the leak must be immediately corrected if the materials are not moved. There must be storage available for up to approximately 80,000 rounds of ammunition and or the various components for the ammunition.
3. Maintain 100 percent accurate record of transaction histories for all GD-OTS CFM. Copies will be provided to GD-OTS upon request, or at stated frequency.
4. Physically inventory all GD-OTS CFM at least annually, reporting results to GD-OTS.
5. Incorporate the use of control numbered documents for receipt, usage, scrap, non-conforming material, shipping, and adjustments.
6. Inventory records shall be recordable by GD-OTS Part Number (PN) (or traceable back to a GD-OTS PN for easy reconciliation with GD-OTS inventory system for audit purposes), serial number (for required items), and shop order number. The Subcontractor will work closely with GD-OTS personnel on-site to achieve maximum accountability.
7. Include GD-OTS PNs in all inventory and transaction records and reports.
8. Prevent any commingling of other material with GD-OTS material and ensure only appropriate/specified material is used in the assembly of GD-OTS product.
9. Issue to the production only the material required to support specific shop orders.
10. Subcontractor is responsible for lost, damaged, or destroyed inventory above the agreed to attrition rates in these Quality Clauses or the associated Purchase Order (PO).
11. Notify GD-OTS of material residual to the contract.

CFM transaction reports shall be submitted to GD-OTS. Auditable transactional histories must be available upon request to support all inventory movements. Anytime a GD-OTS PN and/or Lot Number is used, subcontractor reports will utilize those GD-OTS numbers in addition to any new subcontract numbering utilized. This will facilitate an efficient reconciliation with the GD-OTS system.

The report content shall be mutually agreed to. Reports can be in contractor formats, in English. Subcontractor shall provide information on the following transactions:

<b>GENERAL DYNAMICS</b> Ordnance and Tactical Systems	ST. PETERSBURG, FLORIDA		
	<b>SUPPLIER QUALITY CLAUSE</b>		
TITLE	QUALITY CLAUSE	REVISION	EFFECTIVE DATE
<b>CUSTOMER FURNISHED MATERIAL</b>	<b>S18</b>	<b>0</b>	<b>June 9, 2023</b>
<small>Material and/or services supplied to purchase orders must be in accordance with all quality clause requirements and any additional requirements outlined on the Purchase Order.</small>			

1. Material Ship/Receipt Report (see S18-1): Upon receipt of CFM, a count will be made of each container/item received. This count will be reconciled with the shipping documentation to ensure that the item(s) received, and the items shipped, are consistent. The following shall be listed in the report, as applicable:
  - a. National Stock Number (NSN), GD-OTS PN, GD-OTS Lot Number (LN), Item Description, Unique Item Identifier information (UII), Serial Number (SN), quantity, Unit of Measure (UoM), PO number, and shipment number.
  - b. Any discrepancies between shipment and received quantities will be reported to the GD-OTS buyer and noted in the Material Receiving Report.
  - c. Non-conforming material will be indicated in all reports.
    - i. Any damage or unusable items, along with the quantity damaged and a description of the problem (with photos if possible) will also be reported to the GD-OTS buyer and noted in the Material Receiving Report.
    - ii. Return to vendor for repair or replacement.
    - iii. Scrap loss to be re-ordered.
    - iv. Scrap due to obsolescence.
    - v. This shipping/receiving report will be provided to GD-OTS weekly.
  
2. CFM Consumption Reports (see S18-2): GD-OTS requires transactions relieving CFM material from subcontractor inventories be reported.
  - a. Quantity of CFM in inventory at the beginning of the reporting period
  - b. Quantity of CFM received during the reporting period
  - c. Quantity of CFM consumed during the reporting period
    - i. Work in Process (WIP)/Production
    - ii. Transferred (GD-OTS issues request for Subcontractor A to ship CFM to Subcontractor B)
    - iii. Testing, destruction, discrepant/non-conforming material
    - iv. Scrap
  - d. Quantity of CFM on-hand at the end of the reporting period
  - e. Inventory/Consumption Reports will be supplied daily during production runs; and at a minimum of monthly (within five 5 calendar days after the end of the reporting period), during non-production periods. Annual Audit reporting will be supplied within 2 weeks of the Audit.
  
3. Physical Inventories/Cycle Counts (see S18-3): All subcontractors shall inventory all accountable CFM and report it annually. Counting of all CFM will be documented and submitted using the same method as Consumption Reports, adding the physical count to the expected count in the report and delineating the resulting adjustments.
  - a. Inventory adjustments
    - i. Overages

<b>GENERAL DYNAMICS</b> Ordnance and Tactical Systems	ST. PETERSBURG, FLORIDA		
	<b>SUPPLIER QUALITY CLAUSE</b>		
TITLE	QUALITY CLAUSE	REVISION	EFFECTIVE DATE
<b>CUSTOMER FURNISHED MATERIAL</b>	<b>S18</b>	<b>0</b>	<b>June 9, 2023</b>
<small>Material and/or services supplied to purchase orders must be in accordance with all quality clause requirements and any additional requirements outlined on the Purchase Order.</small>			

ii. Shortages

4. Material Transfer/Movement (see S18-1):
  - a. Inventory stores to WIP
  - b. WIP to stores
  - c. WIP to finished goods
  - d. Shipment off site
  - e. Location transfers
  
5. Material classification (non-conforming material) changes (see S18-4):
  - a. Usable to Material Review Request (MRR) or Material Review Board (MRB) - damaged or obsolete parts will be handled through a one for one exchange with associated detail noted on the issue ticket (i.e., vehicle/work order relationship and reason for failure)
  - b. MRR/MRB to scrap
  - c. Scrap to be disposed
  - d. MRR/MRB to usable
  - e. Transfers between vehicle or spares delivery orders
  
6. Reporting LDD of Material (see S18-5) will be made in a LDD report submitted by the subcontractor within 5 calendar days of the incident, unless otherwise specified. The LDD Report should, at a minimum, contain the following information as applicable:
  - a. Contract Number or PO
  - b. Date of Incident
  - c. Full Description of Item(s) including Item Description, NSN and/or PN, LN, UII information, Item SN, Quantity, and UoM.
  - d. Full Narrative of the incident
  - e. Cost of Item(s)
  - f. Corrective Actions Taken

### 2.3 PHYSICAL VERIFICATION OF CFM

The Subcontractor shall assist GD-OTS designated representatives in the conduct of physical material counts and audits, as required. Formal audits to include random sample physical inventories will be conducted with the Subcontractor's assistance. The frequency of these audits will be determined by individual circumstances and may take place at any time during the performance of this contract, upon completion or termination of the contract, or at any time thereafter during the period that the Subcontractor is required to retain inventory records. A full wall-to-wall physical inventory of GD-OTS owned material will be conducted at least annually by GD-OTS personnel with the subcontractor's assistance. Full inventories will be conducted more often as determined by individual circumstances and previous inventory results.

Subcontractor is subject to submission of inventory costs claims by GD-OTS for unsubstantiated discrepant inventory balances and inventory scrap rates above those specified and agreed upon in the PO.

<b>GENERAL DYNAMICS</b> Ordnance and Tactical Systems	ST. PETERSBURG, FLORIDA		
	<b>SUPPLIER QUALITY CLAUSE</b>		
TITLE	QUALITY CLAUSE	REVISION	EFFECTIVE DATE
<b>CUSTOMER FURNISHED MATERIAL</b>	<b>S18</b>	<b>0</b>	<b>June 9, 2023</b>
Material and/or services supplied to purchase orders must be in accordance with all quality clause requirements and any additional requirements outlined on the Purchase Order.			

## 2.4 FINAL DISPOSITION

At least once annually and immediately upon completion or termination of the contract, the Material Inventory Report will include a signed statement that, with exceptions noted, the property records were found to be in agreement with the physical inventory count.

The subcontractor will submit to GD-OTS a final Material Inventory Report certifying that all disposition actions are complete and there remains no accountable material either at the subcontractor location or any of the subcontractor's lower tier supplier.

## 3.0 QUALITY CLAUSE DELIVERABLES (QCD)

Microsoft Office or PDF formats are preferred. All subcontractor data submittals shall be in English. These data items shall be submitted to GD-OTS in accordance with the QCDs as indicated below. The method of submission to GD-OTS St. Petersburg is specified in the General Supplier Quality Clause "S1" located on GD-OTS's Supplier Portal <https://www.gd-ots.com/suppliers/quality-clauses/> under GD-OTS St. Petersburg, FL.

NO.	TITLE	GD-OTS APPROVAL REQUIRED	SUBMITTAL TIMING/FREQUENCY
S18-1	Ship/Receive/ Movement Report	No	Unless otherwise directed in the Subcontract/PO or Special Instructions document provided by GD-OTS; QCD is due weekly
S18-2	Inventory/ Consumption Report	No	Unless otherwise directed in the Subcontract/PO or Special Instructions document provided by GD-OTS; QCD is due daily during production runs and monthly during extended gaps in production.
S18-3	Physical Inventory Audits	No	Unless otherwise directed in the Subcontract/PO or Special Instructions document provided by GD-OTS; QCD is due within 14 calendar days of the Annual Audit and the first Monday of each month for cycle counts.
S18-4	Non-conforming Material	No	Unless otherwise directed in the Subcontract/PO or Special Instructions document provided by GD-OTS; QCD is due daily during production runs and monthly during extended gaps in production.
S18-5	Loss/Damage/ Destruction	No	Unless otherwise directed in the Subcontract/PO or Special Instructions document provided by GD-OTS; QCD is due within 5 calendar days of the incident.

<b>GENERAL DYNAMICS</b> Ordnance and Tactical Systems	ST. PETERSBURG, FLORIDA		
	<b>SUPPLIER QUALITY CLAUSE</b>		
TITLE	QUALITY CLAUSE	REVISION	EFFECTIVE DATE
<b>CUSTOMER FURNISHED MATERIAL</b>	<b>S18</b>	<b>0</b>	<b>June 9, 2023</b>
<small>Material and/or services supplied to purchase orders must be in accordance with all quality clause requirements and any additional requirements outlined on the Purchase Order.</small>			

## 4.0 REVISION HISTORY

REV	DATE	CHANGE
0	06/09/2023	ECN23315-Initial Release