Purchasing System
Procedure
1.0 PURPOSE AND SCOPE

1.1 Purpose
1.1.1 The purpose of this procedure is to establish the system that shall be used for Purchasing supplies, equipment/tools, piece parts, assemblies, finished products or services at our Company.

1.2 Scope
1.2.1 This procedure shall apply to all Purchase Orders (POs) at our Company.

2.0 APPLICABLE DOCUMENTS
The following documents are applicable as to the extent specified here in:

Industrial/Commercial/Government Documents
ISO 9001 Quality Management System - Requirements

ATS Company Documents
ATS-PGP-2001 Supplier Evaluation and Approval/Disapproval
ATS-PGP-3001 Receiving Inspection
ATS-QAP-1004 Quality Records
ATS-QAP-1008 Internal Audits

Our Company Forms
FORM ATS10-0048 Supplier Corrective Action Request
FORM 1902 Approved/Disapproved Supplier Record
FORM ATS10-2024 Supplier Quality Audit Record
FORM ATS10-8002 Purchase Order
(TBD) Purchase Order Request

3.0 DEFINITIONS/RESPONSIBILITIES

3.1 Definitions
3.1.1 Purchase Order (PO) - A document that is used to commit our Company to the purchase of supplies, equipment/tools, piece parts, raw materials, other products or services of any value. It is a record of purchase commitment and provides a means for planning and scheduling, paying for, and analyzing purchased goods.

3.2 Responsibilities
3.2.1 Purchasing - is responsible for making authorized commitments by preparing final Purchase Orders, determining Vendor/Supplier source for best price, delivery and terms,
ensuring proper approvals are obtained, placing order, distributing copies (as required), and maintaining computer/paper P.O. Files through closure.

3.2.3 **Originator** - is responsible for initiating the draft Purchase Order to provide a description of requirements including part number, estimated price, type of delivery, date needed, and suggested source of supply to Purchasing to initiate an order. The Originator shall prepare a draft Purchase Order form and obtain approvals as necessary before forwarding the order to Purchasing.

### 4.0 REQUIREMENTS

4.1 **General**

4.1.1 The Purchasing methods defined herein meet or exceed the Procurement requirements specified by the following:

- Industrial/Commercial/Government
- ISO 9001:2008 Quality Management System Requirements

4.2 **Originator Purchase Evaluation**

4.2.1 Prior to developing and submitting a draft Purchase Order form for approval, the person originating a draft Purchase Order form shall do a self evaluation as follows:

1) How critical is this item to this Company?
2) When do I really need this item?
3) Is there a less expensive item I can use?
4) Can I buy a used one from some where else?
5) Do we have one now? Is it available for usage?
6) Is it less expensive to fix a damaged one that is available?

4.2.2 The idea is to spend money each year on critical activities, and avoid spending money on items that do not have an impact on our business.
4.3 Preparing a Purchase Order
4.3.1 The Purchase Order is prepared by recording the order information on the Purchase Order Request form. When determined necessary by Purchasing, Purchasing shall obtain quote information from Vendors/Suppliers and record/retain the information as necessary.

4.3.1.1 Purchases made using a Credit Card do not need a Purchase Order. The supplier’s issued receipt or packing slip shall be used as the official documentation held by Finance.

4.4 Submitting a Purchase (PO and Credit Card Purchase) for Approval
4.4.1 Purchasing personnel shall ensure Purchase Orders and Credit Card Purchases are approved as follows

<table>
<thead>
<tr>
<th>$ Limits:</th>
<th>Project Type:</th>
<th>Required Approvals:</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Non-Billable Project (i.e. Non-Capital Equipment Overhead)</td>
<td>President or Purchasing</td>
</tr>
<tr>
<td>None</td>
<td>Billable Project</td>
<td>President or Purchasing</td>
</tr>
<tr>
<td>None</td>
<td>Non-Project (Capital Equipment)</td>
<td>President or Purchasing</td>
</tr>
</tbody>
</table>

4.4.1.1 These approvals are recorded on the Purchase Order Request form.

4.4.2 Purchasing shall utilize Vendors/Suppliers that are approved in accordance with ATS-PGP-2001, Supplier Evaluation and Approval/Disapproval and this procedure.

PURCHASE TYPE REQUIREMENTS

**Type 1 - Critical Process Vendors, Production** (Vendors who provide Test & Inspection Services, Calibration Services, Subcontract Assembly/Fabrication, Custom Design Products/Software, etc.).

**Type 2 - Distributors or Raw Materials, Production** (Production Items such as packing material, packing labels, software, computers or other off-the-shelf products, etc.)

**Type 3 - Distributors/Vendors, Non-Production** (Non-Production Items such as office supplies, etc.)

**Type 4 – Partner Subcontractors, Production** (Vendors who team with us to support our client projects)

4.4.3 The Approval/Conditional Approval/Disapproval status of each Vendor/Supplier is retained in our QuickBooks Software.
4.4.3.1 The Vendor/Supplier approval/disapproval/conditional approval information is entered and maintained by the Finance Department. After the Approved Vendors List is printed by Purchasing, it is signed and dated by Purchasing and Quality Assurance.

4.5 Issuing a Purchase Order

4.5.1 Purchasing is responsible for ensuring that Purchase Orders are accurately and completely filled out prior to release to Vendors.

4.5.1.1 Purchase Orders shall be examined to ensure that a clear description of the item that is being purchased. When applicable, performance/quality system/workmanship requirements are defined on the Purchase Order.

4.5.1.2 When applicable, the item part number, model number, lot code, date code, serial number, drawing/parts list revision, or any special description shall be recorded on the Purchase Order to ensure the correct item is purchased.

4.5.1.3 When our Company or its customer intends to perform verification at the supplier’s premises, Purchasing includes the intended verification arrangements and method of product release on the supplier's purchase order.

4.6 Purchasing Data

4.6.1 When a P.O is issued from our Company, it clearly describes the item to be purchased (part number, name, type, class, grade or other precise identification). When applicable, the PO includes the appropriate drawing/specification revision control, and other requirements that are important to ensure acceptable quality from the vendor. Where applicable, the P.O shall include:

- a) the type, class grade or other precise identification;
- b) the title or other positive identification, and applicable issues of specifications, drawings, process requirements, inspection instructions and other relevant technical data, including requirements for approval or qualification of product, procedures, process equipment and personnel;
- c) the title, number and issue of the quality system standard to be applied;
- d) design, test, examination, inspection and customer acceptance requirements and any related instructions and requirements;
- e) right of access by the purchaser, their customer and regulatory authorities to all facilities involved in the order and all applicable quality records;
- f) requirements for test specimens (production method, number, storage conditions, etc.) for the design approval, inspection, investigation or auditing;
- g) requirements relative to the notification of anomalies, changes in definition and the approval of their processing;
- h) requirements to flow down to subtier suppliers the applicable requirements in the purchasing documents, including key characteristics where required.
4.6.2 All Purchase Orders are reviewed for adequacy for the specified requirements and approved by Purchasing prior to issue.

4.6.3 Verification of Purchased Product
4.6.3.1 Quality Assurance and Purchasing has implemented procedures for verifying purchased products. See ATS-PGP-3001, Receiving Inspection and ATS-PGP-2001, Supplier Evaluation and Approval/Disapproval. The verification of purchased products includes:
   a) obtaining objective evidence of the quality of the product from subcontractors (e.g. accompanying documentation, certificate of conformity, test reports, statistical records, process control);
   b) inspection and/or audit at source
   c) review of the required documentation;
   d) inspection of products at delivery (when necessary)
   e) delegation of verification to the subcontractor, or subcontractor certification

4.6.3.2 When our Company delegates requirements to the subcontractor/suppliers, we maintain a list of delegations.

4.7 Distributing the Purchase Order
4.7.1 The Purchase Order detail is communicated to the Vendor via email, mail or fax.

4.8 Receiving Inspection and Nonconforming Material
4.8.1 All Production material shall be inspected upon receipt from the Vendor/Supplier in accordance with ATS-PGP-3001, Receiving Inspection

4.8.2 The identification, documentation, segregation, control and disposition of nonconforming material shall be handled in accordance with ATS-QAP-1005, Nonconforming Material System.

4.8.3 When nonconforming material is returned to the Vendor/Supplier, Receiving Inspection provides a copy of the Defect Report to Purchasing for processing. It is the responsibility of Purchasing to contact the Vendor/Supplier to discuss the issue, obtain Return Material Authorization (RMA) number (when applicable), and methods for debiting the account if the supplier was already paid. If the Vendor/Supplier supplied item is no longer under warranty, a Purchase Order will need to be prepared by responsible personnel to authorize the Vendor/Supplier to rework/repair and provide a means for the Vendor/Supplier to get paid.

4.8.3.1 Purchasing shall prepare a Packing List form and obtain the RMA information and set up the Return to Vendor of material. The Packing List is routed to Receiving Inspection for further processing per ATS-PGP-3001, Receiving Inspection. Purchasing shall retain a
copy of the Packing List and debit/credit information and file it with the Purchase Order as required.

4.9 Vendor/Supplier Selection, Approval (Active), Disapproval (In Active) and Periodic Review Type 1 and 2 Suppliers are evaluated and selected on their ability to meet our Company Purchase Order requirements. The Active (Approval)/In Active (Disapproval) of Type 1 and 2 Suppliers is as defined in ATS-PGP-2001, Supplier Evaluation and Approval/Disapproval.

4.9.1.1 Vendors/Suppliers shall provide Products/Services that meet functional, performance, workmanship, delivery and cost requirements as defined on the Purchase Order. Vendors/Suppliers who fail to meet these requirements will be evaluated by Quality Assurance and Purchasing to determine necessary corrective action and possible removal from the Approved Vendors/Suppliers List (AVL).

4.9.2 Purchasing and Quality Assurance are responsible for periodically reviewing Type 1 and 2 supplier performance. During the normal scheduled ISO 9001 Management Review meetings (typically every 6 months) per ATS-QAP-1009, Management Review, Defect Reports and other information provided by Quality Assurance/Purchasing regarding Types 1 and 2 suppliers are discussed. A record of the periodic global review of suppliers is recorded in the Management Review report. Supplier issues requiring Supplier corrective action are addressed as per ATS-QAP-1006, Corrective Actions System.

4.9.4.1 The Approved Vendors List will reflect the annual formal review for each Type 1 supplier per ATS-PGP-2001, Supplier Evaluation and Approval/Disapproval. In addition, Purchasing will update the Approved Vendors List once per year to reflect that a review of the Type 2 Suppliers is performed as reflected in the Management Review document. No additional documentation is required.

4.9.4.2 The disapproval of all suppliers is handled as described in ATS-PGP-2001, Supplier Evaluation and Approval/Disapproval.
5.0 QUALITY ASSURANCE REQUIREMENTS

5.1 General
5.1.1 Quality Assurance shall ensure the requirements specified in this document are complied with by means of system audits. Audits are conducted as scheduled per ATS-QAP-1008, Internal Audit.