

Botta-Boom, Inc.



A Subsidiary of
Bigtime
Incorporated

Internal Audit Case Study

THE BOTTA BOOM INC. CASE STUDY

This introduction sets the stage for a multiple part case study involving the design and production of parts by a fictitious company, Botta Boom Incorporated.

This case is based on actual incidents that occurred at many different companies during the design, production, assembly, test, and use of parts for different contracts. The case has been reconstructed and subdivided into a series of thought-provoking situations. Our purpose in presenting these situations is to provide you with the opportunity to:

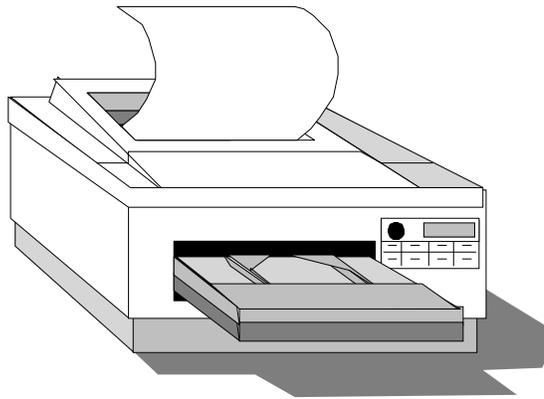
- Use actual information and skills you have acquired to assess an audit situation and determine the nonconformity issues involved.
- Discuss possible solutions or actions for handling each situation and determine the most appropriate approach to take.

This case study serves as a basis for group discussions and asks for your response to different situations. Each situation relates to elements that have been covered in the training materials. The case study is designed to allow each individual to use analytical skills and to interact with others to share and learn as part of a team. By so doing, each individual will be better prepared when difficult problems arise during actual audits.

The case study consists of two connected parts. In the first part, you will be asked to review a Botta Boom procedure to determine whether it meets the requirements and intent of its quality manual. Recall this is Step 1 in analyzing an audit situation - to determine whether the company has met the intent of the model being used. You will be asked to develop a Guidelist that you could use to audit that part of the quality system based on the procedure you will review. In part two of the case study, you will be asked to review audit interview narratives that describe situations that occurred during an audit of the Botta Boom Company. In this part, you must decide whether a nonconformity has occurred. If so, you must decide what is its severity and what requirement has not been fulfilled. In part two, you will be asked to write Nonconformity Finding notes. After the case study is completed, our answers will be provided for your guidance and study.

You should assess each of the situations independently and then discuss your assessments as a group. Each case study segment helps you focus on different aspects of the quality system issues and concerns that confront an auditor at that point in the process. For most of the case study segments, you will be asked to read the scenario or situation and answer a question or make a decision regarding the issues presented. Then you will discuss your response(s) within your small group to reach a consensus on the best approach for handling the situation presented. When you have completed the assessment, a representative from your group will present your solution to the class. After all the groups have presented their solutions, the class as a whole will discuss the various approaches and determine the best course of action. Finally, you will learn how the actual situation was handled so that you can compare and assess your own responses to a similar situation.

Botta-Boom, Inc.



Audit Interviews

BACKGROUND INFORMATION:

Botta-Boom, a manufacturer of printers for personal computers, has been in business since 1988. The company has been under pressure from several customers to implement an effective quality management system. A year ago, they began the process and assigned Jim Newton, the QA/QC Manager, as the Management Representative.

Jim produced a very professional looking Quality Manual and system level procedures covering the requirements of their customers. The three internal auditors completed two rounds of audits, and Jim believed the company was fully compliant. He hired XYZ Consulting to perform an assessment audit to provide a third party perspective.

Mark Price, the auditor from XYZ, arrived on Monday morning, October 8, 2018, and began the day with a formal opening meeting. Jim Newton, Ginny Hopkins, Ron Balewa, and Brian Murphy attended the meeting.

CASE 1:

After the meeting, Ginny Hopkins took the auditor on a tour of the plant. They began at the receiving dock, where the QC inspector was busy checking in a truckload of materials. Everything seemed to be operating smoothly, and the area was clean and well organized.

They proceeded to the assembly area, which had 10 production lines. As they walked through the area, the auditor noticed that many of the work instructions in use had handwritten notes and changes. He also noted that some of the production lines had a maintenance checklist posted while other lines did not. He looked closely at one of the checklists and saw that the most recent entry was 1/5/17.

As they walked toward the inspection area, they passed an area marked "Nonconforming Product." There were several racks containing printers and various components labeled with bright yellow "HOLD" tags. Ginny smiled and proudly explained how well the nonconforming product procedure was working. Everyone in the plant had been trained and knew that whenever they found nonconforming product or material, they had to bring it to this area so the QC Inspector could decide what to do about it.

When they reached the Inspection area, the auditor took a quick look around and was impressed with how neat and well organized the room was. Ginny commented that the QC Inspector was one of their best employees and had really turned that area around in the two years since she arrived at Botta-Boom. They turned to leave, and the auditor glanced at a pair of calipers lying on a table. A sticker indicated that calibration was 6 months overdue.

CASE 2:

After the tour, the auditor went to Jim Newton's office to discuss the corrective and preventive action system. Jim showed him the database they use to track corrective and preventive action requests (CAPAs). Internal audit findings were tracked separately by Joe Parisi, he told the auditor. Most of the CAPAs were initiated because of customer complaints. A few were generated by employees who saw a problem or had a suggestion for improvement.

Approximately half of the customer complaints stemmed from changes the customer made after the original order was taken. The CAPAs indicated that information about customer changes had not made it to the assembly area and so the printers were made without the update. The auditor studied one CAPA form regarding this problem (See Exhibit D). He asked to see the specific customer complaint forms mentioned on the form. Jim said he did not keep them, but called Brian Murphy, the Sales Manager, who could get them. Brian said he would find those complaint forms and have them ready when the auditor came to interview him later that morning.

The auditor asked about the relatively low number of CAPAs generated by Botta-Boom employees. Jim said that all employees had received training on the CAPA system and how to fill out a CAPA. The quality system was obviously well implemented and there weren't many problems for the employees to find.

CASE 3:

The auditor's next interview was with Joe Parisi, the internal audit manager. He showed Mark the database of internal audit findings (see Exhibit E). The auditor asked about the lack of closure in the engineering department. Joe said he had tried to meet with Al Stevens, the engineering manager, to work on the corrective action, but Al wouldn't return his calls or messages.

The auditor asked Joe to show him the internal audit schedule. Joe pulled out a copy from his desk and handed it to Mark. Mark checked the report files and found there were no reports for two of the three audits scheduled for June. When he mentioned this to Joe, Joe responded, "I keep telling Jim that we need some more auditors. We haven't done all of the audits that are scheduled, and we haven't followed up on any of the audits we have done!"

CASE 4:

The auditor continued the audit by interviewing Maria Castillo, the Purchasing Manager. He first asked about the process of evaluating suppliers. Maria explained that they audit potential suppliers to determine their ability to meet Botta-Boom's needs for goods and/or services. If they do well in the audit, they are added to the approved supplier list. In some cases, their customer stipulates which supplier they must use, so these suppliers are just put on the approved list without an audit. She pulled a stack of files containing supplier evaluations.

Mark glanced at the top three files, reports on Perfect Plastics, Inc., Benchmark Products, and Stellar Manufacturing. All three files contained audit reports indicating that the suppliers had well-implemented quality systems. The most recent report was that of Stellar Manufacturing, from an audit 3 years earlier.

Maria showed the auditor Botta-Boom's Approved Supplier List, which included these three vendors. The auditor asked Maria how Botta-Boom reviews ongoing performance for the suppliers who are already on the list. She responded, "If they're already on the list, they're approved. We don't have to do any more evaluations!"

The auditor asked to see where they keep the completed purchase orders (POs). Maria took him to a file cabinet, opened one of the drawers and told him to help himself. He pulled a sample of 10 POs and checked for approval. Botta-Boom's documented purchasing procedure requires that the Purchasing Manager sign all POs to indicate approval. Seven POs had Maria's signature and the other 3 were signed by the buyers who had placed the orders.

CASE 5:

The auditor went to the sales department next. Brian Murphy greeted him and said they had not yet found the customer complaints he requested, but his secretary was busy searching for them. The auditor then spoke with Brian and Kevin Watson, one of the salesmen, about the contract review process. The documented procedure was very vague, so Mark asked about the training for that department. Brian explained that there is a formal 2-day class that each new salesperson attends, and then they typically work with an experienced employee for a week until they are ready to handle incoming calls on their own. Kevin had been with the company only 3 months, and confirmed that he had received the formal training and worked with another employee to prepare for his job. Kevin described the contract review process, and the records that are kept.

Kevin added that the sales file is the key to the whole project, as it contains all of the customer requirements and contract changes. The information relevant to production is forwarded to David Cooper,

the assembly supervisor, who updates the work orders when changes are made to the order. As an example, he showed the auditor the file for Job #23761, which had been updated two days earlier based on a customer change order and the resulting Engineering Change Order (ECO) 2500-0932. It was a big order of their newest printer, the Laser 2500. The customer, ACE Computers, had faxed a revised purchase order requesting that their company logo be added to each printer. The change was to be implemented on all product not already shipped. This was reflected in the ECO. Botta-Boom already had the logo since they had complied with this request on some previous orders.

Kevin sent an email message to David notifying him of the change, and included a copy in the sales file.

The auditor asked to meet David Cooper to follow up on this particular job. As Kevin led him out of the office, they heard Brian ask his secretary about the customer complaint records. "I'm trying, I'm trying," she sighed. "They just don't seem to be here!"

When they got to the assembly area, Kevin introduced the auditor to David Cooper who confirmed the change that had been made to the work order they had discussed in the sales office. He pulled Job #23761 on the computer and proudly showed Mark the addition in the production instructions. He then showed Mark the box of work orders pending in the plant, where a printed copy of the updated work order was located, waiting to be pulled for assembly.

CASE 6:

The auditor then moved out on the assembly floor. He wandered around for a few minutes, asking several employees about Botta-Boom's quality policy and how they contribute to the achievement of the company's quality objectives. Of the 6 people he questioned, only 2 could tell him anything about the quality policy and objectives. The two people that were aware of the policy and objectives did not know how they contributed to achieving the objectives.

He introduced himself to Carter Taylor, one of the assemblers, and asked about the job he was doing. Carter showed Mark the LTC 50 printers he was assembling and the drawing (Rev.B) he was using, and showed where he initialed each step on the work order (Job # 23778) as he completed it. The auditor spotted a stack of Corrective Action forms at the workstation, and asked about them. "We're supposed to fill those out if we find a problem," Carter replied, " but it's a whole lot quicker just to fix the problem and not hassle with the paperwork. I don't think they really read them anyway. See Kenny over there in the red shirt? He's filled out about 5 or 6 of those forms, and never heard back on any of them."

The auditor asked about equipment maintenance; did he have any written instructions and were there any records kept on the equipment. Carter said he'd been working with that machine so long, he knew exactly

what to do when it went down, and as far as records go, it's all in his head. Another assembler who was observing the interview said he had a procedure and went to get it for the auditor. He returned with a copy of the work instruction for Equipment Maintenance (WI 7.5.1-1, Rev.A), which had some handwritten changes initialed by David Cooper. The auditor asked Carter if he had seen it before. Carter shrugged and shook his head no.

CASE 7:

When Carter completed the current job, he called Karin Khanna, the QC Inspector. She checked the printers he had done, and initialed the appropriate spaces on the work order, explaining each step to the auditor as she went along. When she finished, the auditor asked about receiving inspection. "Let's go to my office and I'll show you the log book." As they walked across the production floor, they passed a rack of new Laser 2500 printers. She told Mark they were assembled the previous afternoon and had been inspected first thing this morning. Mark looked at the completed work order, which was in a folder on the rack with the printers. It was the order for ACE, Job #23761, but the printers did not have the ACE logo as the customer had requested. He examined the work order closely. It had been printed two days earlier, and did not reflect the change to add the customer logo.

As they continued toward Karin's office, they passed the nonconforming product area Mark had seen during the tour that morning. He asked Karin how that system worked at Botta-Boom. "Employees who find defective material or product bring it to this area and tag it with a yellow Hold tag like you see here. Each day I review what is in the area and decide what to do with it. Sometimes it can be fixed, sometimes it has to be scrapped, other times we may be able to get the customer to accept it as is." The auditor asked who made the decisions regarding what to do with the nonconforming product. She said that she decides in most cases, but she asks Jim Newton for help if she isn't sure how to handle something.

CASE 8:

They arrived at Karin's office and Mark took a look at the receiving logbook. He noticed that a shipment of LED display covers from Stellar Manufacturing was rejected the previous day. When asked about the problem, Karin responded, "The plastic covers were too narrow. We've been having this same problem for months!" Mark asked to see the receiving inspection records on all shipments from Stellar in the last six months. Five of the last ten shipments were rejected for the same reason. Karin showed Mark the report she compiles monthly for her boss on receiving inspections.

Next they discussed the calibration system. Karin showed the auditor a copy of the calibration schedule and the work instructions (WI 7.6 Rev.C) she used. Mark asked what she does if any equipment is found to be out of calibration. "We pull it immediately!" Karin responded. "I label the equipment with an orange

“DO NOT USE” sticker and record the information in the calibration record. Then I have it recalibrated and put back into use or scrapped and replaced if it cannot be brought back into tolerance.” The auditor looked to the side and saw the pair of calipers he had noticed during the tour that morning. “The sticker indicates those are past due for calibration,” he said. “Oh, that pair is not used for inspection, just for reference,” Karin responded. “They aren’t accurate enough, so we bought a better pair to use when checking components.” The auditor walked over and picked up the calipers. He turned them over and saw a yellow sticker that said “FOR REFERENCE ONLY.”

CASE 9:

The auditor walked to Engineering, and asked to speak with Al Stevens, the manager of that department. Al was on the phone, so Mark just looked around the area for a few minutes while he waited. On the wall was a chart showing the status of current engineering projects, all in various stages of completion. Project #BB-72 was due for final review the next week. Project #BB-69, a revision to the LTC 50 printer, had been completed the previous week, and led to the Revision C drawing for that product. The auditor noticed the Controlled Documents binder for Engineering on a nearby desk, and looked at the work instruction for design verification (WI 7.3.5, Rev. B). A few minutes later, Al Stevens hung up the phone and asked Mark to come into his office. Al described the design control process at Botta-Boom.

The auditor asked to see the file on Project #BB-72, which was almost complete. Al called to Philip Cason, the engineer in charge of that project, and asked him to bring the file. Mark flipped through the pages contained in the file as Philip described the design stages represented there. “You’ve done a great job documenting all of your results in the file,” the auditor said, “but what about the design plans?” “Well, the plans are always changing,” Philip replied. “We don’t write them down, but we have project meetings regularly and I make sure everyone involved knows exactly what’s happening. Besides, what’s important is having a record of the final design.

Nobody cares about the original plan if that’s not how the product was built.”

CASE 10:

Next, the auditor sat down with Jim Newton and Michael Butler to discuss the management review meetings. Michael explained that the meetings took place once a quarter, and they discussed things like internal audit results, the corrective and preventive action system, and training needs. The auditor asked to see the records, so Jim went to his office and returned with the minutes from the previous two meetings. Mark took a few moments to skim the pages, and asked Michael, “I don’t see any discussion about the purchasing program, or the contract review process. How do you know that your system is adequate?” “Well, we only discuss the areas that had audit findings or any internal corrective action requests,” Michael responded. “If an area hasn’t generated any need for corrective action, we can

assume it's OK. Besides, we don't have time to discuss the entire system. We've got a business to run!"

The auditor then asked to speak with someone about training and was introduced to Fritz Adler in Human Resources. Fritz explained that he coordinates all of the training that takes place at Botta-Boom and pulled out a copy of the operating procedure for training (OP 6.2 Rev.A). Mark asked to see the training records for Linh Nguyen , Maria Castillo, Kevin Watson, Carter Taylor, Philip Cason and Karin Khanna. Fritz pulled three files, but there were no files for Philip Cason, Carter Taylor or Linh Nguyen .

As the auditor was leaving David's office, Brian Murphy ran down the hall carrying several files. "Here are the customer complaint records you were looking for earlier. Sorry it took so long." "Thank you," replied the auditor. "I'll review these in a few minutes, and come to your office if I have any questions." With that, the auditor headed for the conference room to review his notes from the day, and finalize his plan for the next day's audit.