

Internal
Audit
Report

2013

Prepared by:

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Client Name: Logik Precision, Inc.

Date: April 15, 2013

Address: 5007 Steffani Lane
Houston, TX 77041

References: ISO 9001-2008
The Logik Precision Manual

Process Audited: Analysis

Standard Elements: Customer Satisfaction – 8.2.1
Data Analysis – 8.4

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor

Records/Documents Reviewed or Processes Observed:

Customer satisfaction is determined through NCRs and customer complaints. A survey process is utilized in order to monitor and measure customer satisfaction.

Customer Surveys have been sent for 2013. In comparison of the number of NCR's and Customer Complaints with the number of Work Orders, it can be concluded that customer satisfaction remains at a high level.

Monitoring and measuring of processes are shown through weekly reports, such as the Job Performance report, which measures quantity, efficiency, and profitability.

A Customer Feedback Summary has been prepared.

Data Analysis is in the form of a Management Review Report Binder, issued on an annual basis. These reports address the following issues:

- Audit results
- Analysis of Processes
- Nonconformance Reports
- Corrective/Preventive Actions
- Customer Complaints
- Supplier performance

Observation and review of generated reports supplying data analysis concluded that the amount of NCR's might be skewed as a result of documenting all problems and responding to issues with a Nonconformance Report.

Process Audited: Continual Improvement

Standard Elements: System Measurement – 8.1
Management Review – 5.6.1, 5.6.2, and 5.6.3
Internal Audit – 8.2.2
Continual Improvement – 8.5.1
Corrective / Preventive Action – 8.5.2 and 8.5.3

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor

Records/Documents Reviewed or Processes Observed:

System Measurement is via the Management Review, Report to Management, and Internal Audits.

The Management Review is performed annually with Information supplied by the President. This information is then put into the form of an internal document and signed by the President. The 2013 Management Review has been performed the following topics were covered:

- Quality Policy
- Audit Results
- Product Performance
- Process Performance
- Customer Feedback
- Nonconformances
- Corrective or Preventive Actions
- Previous Management Review Follow-Up
- Planned Changes that Could Affect the QMS
- Recommendations for Improvements
- Improvement Objectives

Improvement **Objectives** will be documented in the Management Review, as well as improvements made.

Corrective and Preventive Action is controlled by procedures 8.5.2. Although no Corrective Actions have been documented or raised over the course of the last year, it is apparent through the review of Nonconformances and the resulting corrective actions that the Corrective Action Process is effectively implemented.

Despite the fact that no Preventive Actions have been raised over the course of the year, it is apparent through observation and communication with management that actions are taken to prevent potential nonconformances. This is a part of the company's continued commitment to improve their processes and results

It was determined that Self-Initiated Corrective Actions have been raised individually in regards to trends of Nonconformance in response to NCR's, process problems, or procedural problems, but they have not been documented on the CAR Form.

Corrective Actions were in the process of being documented in regards to the following issues/trends:

- Scratches on finished parts.
- Mistakes in packaging and shipping.
- Accepting incomplete customer work instructions.
- Late deliveries

Observation concluded that Nonconformance Reports are documented for every issue that is processed through Logik Precision, which results in an inaccurate percentage in the data analysis.

The Quality Manager was re-trained on the process of documenting Nonconformance, Corrective, and Preventive Actions, as well as the definitions in ISO 9000-2005 and applicable clauses in ISO 9001-2008 in order to prevent a recurrence of this error.

Process Audited: Management Process

Standard Elements: Top Management – 5.1, 5.2, 5.3, 5.5.1, 5.5.2, 6.1
Objectives Development – 5.4.1 and 5.4.2
Communication – 5.5.3 and 7.2.3
Data Control – 4.2.2, 4.2.3, 4.2.4
Exclusions

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor

Records/Documents Reviewed or Processes Observed:

Exclusions verified:

7.3 Design and Development-Logik machines parts and components to customer supplied criteria and drawings.

7.5.2 Validation of Product and Service Provision-Logik performs no special processes.

There are no Areas of Concern or Opportunities for Improvement were noted during the last ISO Audit. The 24 Month Surveillance Audit took place on 5/3/12.

Outsourced processes include coating, welding, and heat-treating. These processes are selected as specified by the customer and/or through selection by the organization.

It is medium facility with one-on-one communication via daily discussions and meetings. Interviews indicated that personnel are aware of the program and quality requirements. This is verified through a review of training logs.

The quality policy addresses both customer satisfaction and meeting customer requirements. It is documented in the manual and communicated to personnel, as verified through a review of Training Records. The policy is reviewed annually as input to the Management Review.

A New Organizational Flow Chart, Process Flow, and Interaction Chart have been developed.

Job Descriptions have been developed.

The Management Representative is the president. The president reviews the performance of the program through Internal Audits and Management Reviews, using input as required by Section 5.6. Additionally, the president ensures awareness of Customer Requirements through Training and the Work Order. Objectives are developed by management and are part of the Management Review.

Customer Records are stored in Quick Books and in Job Man.

Job Records are stored in Quick Books and Job Man. All computer-based records are backed up through server storage.

Records that have not yet been scanned to file were found to be well-protected, stored in metal file cabinets and backed up electronically. Electronic records are backed up daily and taken off site daily.

A scan-to-file to system has been implemented upon the move of the facility to its current location.

Product information is communicated to customers through outside and inside sales, and via the company website.

The review concluded that Procedure 4.2.4 has been revised to Revision 5.0. The Control of Records Process has been significantly changed over the course of the last few months. Internal Records are now controlled through unique identification number, as well as revision number to ensure that personnel are using current forms.

Forms are no longer illustrated as part of the procedure in order to prevent potential nonconformance in regards to document control.

A Records Matrix has been developed that describes which records and forms are retained by Logik Precision. The Matrix also indicates form number and revision control of LPI Forms.

The SAI Global Logo is used on Company Business Cards, Letterhead, Application for Employment, Invoices, and the Website.

Process Audited: Product Preservation

Standard Elements: Customer Property – 7.5.4
Product Preservation – 7.5.5
Identification – 7.5.3

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor

Records/Documents Reviewed or Processes Observed:

No Customer Property for Re-Work was available for observation. However, communication with the Financial & Process Advisor concluded that customer property is identified, at the minimum, with the Customer's Name and the Work Order Number that is assigned for that particular project.

Observed Customer Property in the form of Customer Supplied Drawings:
FMC DWG No. 2090DM1058970 Rev. B
Cameron DWG. No. X-200435-01 Rev. A02
Cameron DWG. No. X-2616/1-08-01 Rev. 01
Smith Services DWG. No. D80022694 Rev. D
FMC Technologies DWG. No. DU100065911 Rev. A

The Part Number is identified on the Work Order to ensure proper identification of parts throughout the production process. The Work Order Number identifies the project. Additional identification requirements are maintained as required by the customer, including, but not limited to, Heat Numbers.

Verified Proper Identification for the following Work Orders:
W.O. #287759 for SII Neyfor (In-Process Machining)
W.O. #288112 for FMC Kongsburg Subsea (In-Process Inspection)
W.O. #288113 for Subsea (In-Process Final Inspection)

Logik Precision does not maintain an inventor; the organization buys on a project-by-project basis, or the customer supplies the necessary material.

Preservation practices were observed. Finished goods are maintained in a well-organized, temperature-controlled warehouse. It was observed that material ready for shipment was shrink-wrapped and placed in cardboard boxes for shipment. It was also observed that larger items awaiting shipment were shrink-wrapped and palletized accordingly.

Packaging is typically performed as required by the customer, unless otherwise noted through proper packaging practices of Logik.

Process Audited: Product Realization

Standard Elements: Contract Review – 7.2.1, 7.2.3, and 8.2.3
Design and Development (Excluded)
Purchasing – 7.4.1, 7.4.2, 7.4.3, and 8.2.3

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor
Enrique Hidalgo – Purchasing Manager

Records/Documents Reviewed or Processes Observed:

Verified the exclusion of 7.3: Design and Development - Logik Precision machines parts and components to supplied customer criteria. This is verified through the review of customer supplied drawings and observation.

A contract review is conducted and is signified by the issuance of the Route Sheet.

The Release Date Column signifies when the work was accepted and guarantees that the job requirements can be met. It also includes a start and finish Date.

The following Completed Route Sheets:

Job #287843 for FMC Technologies P.O.#47658020
P/N P144968 Rev. C 2-GV Stem M130 4 1/16" 10K Actuated PSL
Contract Reviewed 3/8/13
FMC DWG No. 2090DM1058970 Rev. B

Job #287781 for Cameron P.O. #4503685920 for P/N 2021356-01 Rev. A01 4 Base Plate
Stack Receptacle Mounting
Contract Reviewed 2/1/13
Cameron DWG. No. X-200435-01 Rev. A02

Job #287908 for Cameron P.O. #4503720068 for P/N 2275075-08-01 Rev. 01 Adpater
Plate, ROV Panel Rinser Conn. Prim.
Contract Reviewed 2/21/13
Cameron DWG. No. X-2616/1-08-01 Rev. 01

Job #287760 for Smith International P.O. #1008159 for P/N 80022694 Housing Flow
Diverter Adjustable 6.25
Contract Reviewed 1/23/13
Smith Services DWG. No. D80022694 Rev. D

Job #287842 for FMC Technologies P.O. #47657932 for P/N 1000058338 Rev. AGV Packing
Nut M130 Plus
Contract Reviewed 2/7/13
FMC Technologies DWG. No. DU100065911 Rev. A

The approval of the Purchasing Process is via the issuance of the Purchase Order and documented with the name of the person that approved the order.

The following completed Purchase Orders (to include receiving verification):

Receiving Inspection is documented via the Supplier's Documentation and is then attached to the Invoicing Package, along with the Purchase Order. A "Logik Precision Receiving Inspection" Stamp is also utilized and applied to the original Purchase Order, including Date, Inspected By, Acceptance or Rejection.

P.O. #13536 to Testmasters for PT of P/N P144968 Rev. C
for Job #287843
Approved 3/21/13
Received 3/21/13

P.O. #13571 to Houston Plating and Coatings Co. for Coating of P/N P144968 Rev.C
Approved 3/21/13
Received 3/27/13

P.O. 313287 to Special Quality Alloys for 2 ½" OD x 21 ½" Long Solid 625 Inconel
Approved 2/11/13
Received 2/21/13

Process Audited: Product Verification

Standard Elements: Final Inspection – 8.2.4
Calibration – 7.6
Nonconforming Product – 8.3

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor
Albert Montilla- Quality Supervisor

Records/Documents Reviewed or Processes Observed:

Final Dimensional Inspection product characteristics are monitored and measured by methods of receiving, while in process, and at the final inspection. First article and final inspection are documented on the router. Subsequently a Final Inspection Sheet is utilized.

It was verified that operations are being completed and documented through the review of the following Completed Route Sheets with Final Inspection Sheets:

Job #287843 for FMC Technologies P.O.#47658020
P/N P144968 Rev. C 2-GV Stem M130 4 1/16" 10K Actuated PSL
Final Inspection Report Completed By Inspector E.S. 3/20/13
Final Visual Inspection 3/28/13
Final Document Inspection 4/1/13
Certificate of Conformance E.S. 3/28/13

Job #287781 for Cameron P.O. #4503685920 for P/N 2021356-01 Rev. A01 4 Base Plate Stack Receptacle Mounting
Final Inspection Completed By Antonio Marquez 3/13/13
Final Document Inspection By ACC 3/13/13
Certificate of Compliance Antonio Marquez 3/13/13

Job #287908 for Cameron P.O. #4503720068 for P/N 2275075-08-01 Rev. 01 Adapter Plate, ROV Panel Rinser Conn. Prim.
Final Inspection Completed By Victor H. 3/9/13
Certificate of Compliance Victor H. 3/9/13

Job #287760 for Smith International P.O. #1008159 for P/N 80022694 Housing Flow Diverter Adjustable 6.25
Final Inspection Completed By Antonio Marquez 3/5/13
Final Document Inspection By ACC 3/6/13
Certificate of Compliance Antonio Marquez 3/5/13

Job #287842 for FMC Technologies P.O. #47657932 for P/N 1000058338 Rev. AGV Packing Nut M130 Plus
Final Inspection Completed By Antonio Marquez 3/8/13
Certificate of Compliance 3/8/13

Witnessed First Article and Final Inspection.

Nonconformance reports are issued for all nonconformances that are identified internally or by customers. These documents are used to record the problem, cause, corrective and preventive action. At the end of the month, nonconformance reports are reviewed and the results are recorded on the CAR/PAR Log. CAR's are listed on the bottom of the log.

NCR's are identified by the Work Order Number, and a NCR Log is utilized. It includes information on the date created, NCR no., Part #, Serial #, Company, Reason for NCR, Disposition, and any additional comments as needed.

The following NCRs were reviewed:

NCR #201875 Issued 2/28/13. Cameron P.O.#4503638083. Oversized ID of Part. Machinist Error. Re-machined and accepted. Reviewed and Approved JS 2/28/13

NCR #201876 Issued 2/28/13. Expro Americas, LP. Final Inspection Dimension Error. Machinist Error. Re-machined and accepted. Reviewed and Approved JS 2/28/13

NCR #201877 Issued 2/28/13. Cameron P.O. #4503604057. Incorrect MTR Document for Heat No. Was Included in the Document Package. Expeditor Not Aware Parts Were Listed Under Different H/N. MTR Corrected and Resent to the Customer. Reviewed and Approved JS 2/28/13.

NCR #201878 Issued 2/28/13. Cameron P.O. #4503382360. Incorrect Part Number and Serial Number on Certificate of Conformance. Inspector Error. Document Corrected and Sent to the Customer. Reviewed and Approved By JS 2/28/13.

A separate file is maintained and separated by Customer for Customer Complaints. *See Customer Satisfaction.*

Calibration is outsourced and micrometers are verified prior to use against a calibrated standard. An electronic calibration log is utilized to indicate rejection of equipment and highlighted in red to ensure shop personnel do not use it. It documents that equipment has been designated as not to use and that new equipment is being purchased. This log also includes serial numbers, description of equipment, date calibrated, and due date.

The following Calibration Certs were reviewed:

Granite Surface Plate S/N 20174	Calibration Date: 1/14/13	Annual
Height Gauge S/N 20-0585	Calibration Date: 1/10/13	Annual
Dial Caliper 24" S/N 20-0083	Calibration Date: 10/29/13	Annual
Gauge Blocks S/N 20169	Calibration Date: 2/15/14	Annual
Hardness Tester S/N 8537	Calibration Date: 1/14/13	Annual

A Daily Calibration Verification Log is utilized for verification of employee owned tools prior to use. The Log is continuous and changed out daily. Verified current use of the form as required by Logik's QMS.

Process Audited: Production

Standard Elements: Production Planning – 7.1
Production – 6.3, 6.4, 7.5.1, 7.5.2 (Excluded), and 8.2.3
Identification and Traceability – 7.5.3

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor

Records/Documents Reviewed or Processes Observed:

When an order is received a Route Sheet is created detailing the work to be performed, items to be sold, and any inspections required. It documents the Production and Inspection Process. The status of each activity is documented on the Route Sheet as the order goes through the Production Cycle. When the order has been completed and the items are ready for shipment, the Route Sheet becomes the document for verifying final acceptance.

The following Route Sheets were reviewed;
Job #287843 for FMC Technologies P.O.#47658020
P/N P144968 Rev. C 2-GV Stem M130 4 1/16" 10K Actuated PSL

Job #287781 for Cameron P.O. #4503685920 for P/N 2021356-01 Rev. A01 4 Base Plate Stack Receptacle Mounting

Job #287908 for Cameron P.O. #4503720068 for P/N 2275075-08-01 Rev. 01 Adapter Plate, ROV Panel Rinser Conn. Prim.

Job #287760 for Smith International P.O. #1008159 for P/N 80022694 Housing Flow Diverter Adjustable 6.25

Job #287842 for FMC Technologies P.O. #47657932 for P/N 1000058338 Rev. AGV Packing Nut M130 Plus
Verified Identification for each of the above.

The Route Sheet does an excellent job of maintaining traceability. A review of completed Route Sheets showed the Heat Number of purchased raw material is documented, along with the number of the Purchase Order used to acquire that particular item.

A notation was placed on the Route Sheet indicating that Certs had been received and archived for the work order.

Component identification is via Part Numbers and Work Order Number.
Traceability is as required by the customer.

Process Audited: Training

Standard Elements: Qualification / Training – 6.2.1 and 6.2.2

Personnel Interviewed: Jim Stanislaus - Financial & Process Advisor

Records/Documents Reviewed or Processes Observed:

Each employee training record contains the following:

Explanation of the Training Process

Training Need Identified

Date of Training

Instructor

Employee Acknowledgement

Competency Verification

It was observed through a review of training records that records have been created for new employees and they have been indoctrinated into the system.

All employees attended QMS training in group sessions during March and April 2012. Evidence was available to show that employees hired after the group training sessions were trained individually. Supplemental QMS training was presented throughout the year and participants have documented their attendance by signing an attendance sheet. Training effectiveness has been evaluated through employee performance. Any employee that violates a QMS Procedure receives one-on-one training from their supervisor.

Group training sessions were performed on 3/31/12, 3/20/12, and 4/14/12.

Enrique Hidalgo/Purchasing Manager Date of Last Training: 4/5/13
QMS Manual and Procedures
Competency Verified 4/12/13

Fernando Cardona/Manufacturing Supervisor Date of Last Training: 4/5/13
QMS Manual and Procedures
Competency Verified 4/12/13

Jose Cardona/Quality Inspector Date of Last Training: 4/5/13
QMS Manual and Procedures
Competency Verified 4/12/13

Antonio Marquez/Quality Inspector Date of Last Training: 4/5/13
QMS Manual and Procedures
Competency Verified 4/12/13

Victor Salas/Quality Inspector Date of Last Training: 4/5/13
QMS Manual and Procedures
Competency Verified 4/12/13

Albert Montilla/Quality Inspection Manager Date of Last Training: 4/5/13
QMS Manual and Procedures
Competency Verified 4/12/13

An Employee Training Requirements Matrix has been developed for 2H12-1H13.

There is an informal Annual Performance Evaluation, addressing training needs. This is addressed in the Management Review. At the end of first 90 days and toward the end of each year, an assessment is performed.

Audit Results

On **April 15, 2013**, I conducted an audit of your quality system to verify compliance with the **ISO 9001-2008** and your internal operating procedures. The following discrepancies were documented. Please issue an internal Corrective Action Report for all of the nonconformances listed below. Review the areas of concern for possible trends, Nonconformances, Corrective Actions, and/or Preventive Actions for continual improvement at the time of the Management Review.

Nonconformance(s) identified:

No nonconformances identified

Area(s) of concern:

- Recommend reviewing Nonconformance Reports or ensuring future reports are documented accurately to ensure that data analysis provides a clearer picture of how product is conforming and processes are performing.
- It was determined that Self-Initiated Corrective Actions have been raised individually in regards to trends of Nonconformance, in response to NCR's, process or procedural problems but have not been documented on the CAR Form.
- Continue to Review Nonconformance Reports, Processes, and Procedures for possible Trends in order to determine if Corrective Action is needed and document accordingly.
- Continue to review processes and procedures to document Corrective Action Reports.
- Review processes and procedures for potential problems to apply and document as Preventive Action.

The following management personnel have reviewed this audit report:

Reviewed By: _____

Date: _____

Reviewed By: _____

Date: _____