

SIERRA'S EDGE, INC.

Your Catalyst to Enhanced Awareness ► Process ► Technology ► Results

There is Nothing to Fear But Audit Fear Itself: Tricks of the Trade to Survive Vendor Audits

Nelson Perez, PI*
September 16, 2009



SEIPartner

*Process Improver

Topics



- ▶ It's All About Relationships (and Money)
- ▶ Swapping Horror Stories!
- ▶ Sharing the External Audit Process
- ▶ The Power of a Good Dog & Pony Show
- ▶ Putting Cards on the Table vs. Best Foot Forward
- ▶ Audit Checklists – Yours vs. Theirs
- ▶ Talk the Talk – Know the ISO 9000 Standard
- ▶ The First Defense – The Full Kitchen Sink!
- ▶ The Last Defense – Baffle Them with !@#&
- ▶ Finally - The Dirty Little Secret

It's All About Relationships (and Money)



- ▶ What is your relationship with the auditor?
 - Current Happy Customer?
 - Adversarial (not so happy customer)?
 - Future Customer?
 - Don't give them a reason to fail you
 - Long-Term? Where you're the customer? (e.g., Registrar)?
- ▶ Hint: You don't have to have your act totally together
 - With a good bag of tricks...

Swapping Horror Stories



- ▶ Same client, 2 very different audits on my watch
 - First ISO Audit (Registrar)
 - First week on the job, 9+ month lapse in their QA Dept.
 - 2 minor non-conformances, no suggested improvements!!??
 - First Vendor Qualification Audit (Potential Customer)
 - SHARP audit team from Japan, interesting audit dynamics
 - Occurred 2+ years after the above first audit
 - Good thing because it took over 200 corrective and improvement actions to get things in shape!
 - The auditors read every procedure, every word, cross-checked everything, but we had our act together
 - 1 very minor finding, 1 major strength, 5 suggested improvements

- ▶ Yours?

Sharing the External Audit Process



- ▶ What do you do to “help” your auditor out?
 - For the Japanese, we asked for their audit checklist in advance
 - We prepared a written response to all questions, showing traceability to our processes and work products
 - We prepared a dog and pony show, highlighting many areas of interest
- ▶ Turn it into a “verification” audit instead of “discovery”

The Power of a Good Dog & Pony Show



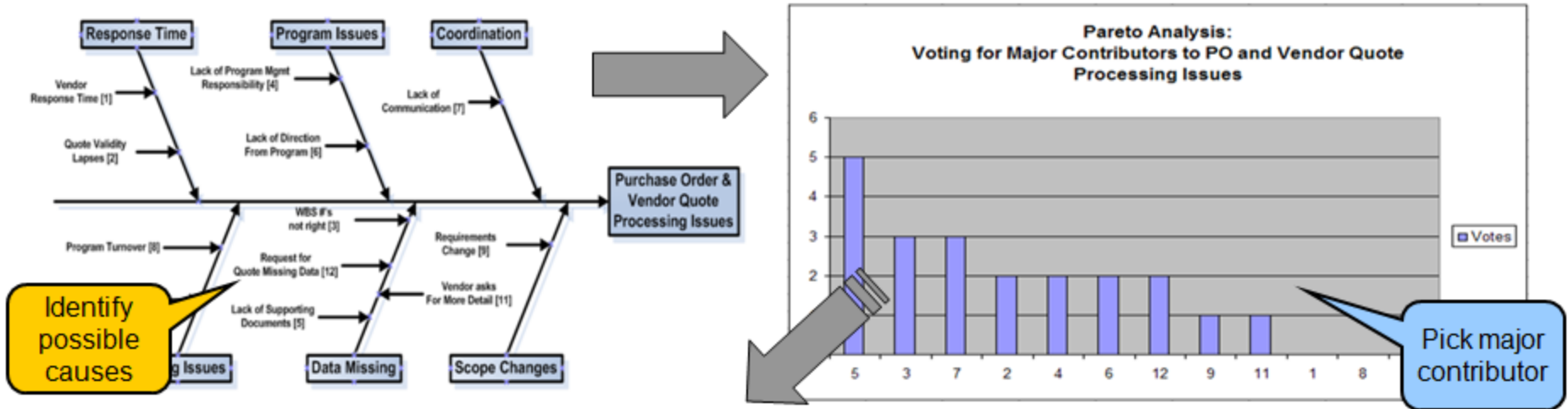
- ▶ A good summary presentation:
 - Introduces the company to the audit team
 - Answers some of their audit questions
 - Gets top management involved
 - Plants seeds that may lead them to conclude you have your act together or draw other positive inferences
 - Helps set the tone for a successful audit
 - Razzles and Dazzles

Typical Contents



- ▶ History and statistics of company
- ▶ Organization chart
- ▶ Quantitative goals and objectives, including current progress
- ▶ QA metrics and actions since last audit
- ▶ Results and remediation of last audit
- ▶ Customer feedback and related metrics
- ▶ Improvements since last audit
- ▶ Internal audit schedule
- ▶ QA roadmap moving forward

Examples



Issue #	Issue Description	Votes
5	Lack of Supporting Documents	5
3	WBS #'s Not Right	3
7	Lack of Communication	3
2	Quote Validity Lapses	2
4	Lack of Program Mgmt Responsibility	2
6	Lack of Direction from Program	2
12	Request for Quote Missing Data	2
9	Requirements Changes	1
11	Vendor asks for more details	1
1	Vendor Response Time	0
8	Turnover of Program Employees who process PO's	0
10	Data Entry Capacity	0

Collect data to confirm

Wickline Issue #	Problem	Action Needed	Start Date/Time of Issue (4 hour slots)	Amount of Time Wasted (minutes)	Email Sent?	Call Made?	If Call/Email, Who To?	Program Name	Req # /RFQ #	Problem Resolved /Time of completion	Lapset Time
Example	Lack of Supporting Docs	WBS 13 missing	7/28, 14:30	5	Yes	No	Mary Singleton	DOE	RFQ # 0001716	7/28, 16:00	2 hours
1	Request for Quote Missing Data	Requested Part & Description	7/27/08 9:00am	15	YES	YES	Gary English	BOAA	RFQ # 102547	7/27/2008 10 am	7 hours
2	Lack of Direction from Program	No Due date on RFQ	7/27/08 16:00 pm	10	YES	YES	Mary Singleton	DOE	Req # 7/1206739	7/28/2008 10 AM	1 day
3	Unidentified Qty from PC	Identified Qty from PC	7/28/08 9:30am	25	YES	YES	Mary Singleton	DOE	Req # 7/1206742	8/18/08 9:00am	3 weeks
4	WBS # not Right	Requested correct WBS#	7/28/08 12:25pm	66	YES	YES	Norman Milena	Milena	Req # ko 723036	7/28/08 16:25pm	4 hours
5	No Part Number	Req sent back to PC	8/12/08 8:00am	5	YES	YES	Terry Vines	NETCENTS	RFQ # gdd8595	8/22/08 10:00pm	10 days
6	RFQ not returned from Vendor	Vendor will have tomorrow	8/13/08 10:00am	15	YES	YES	Michelle Scott	Milena	Req # ko 723038	8/13/08 11:00am	1 hour
7	No Manufacturer	Order placed, but cannot issue PO until "Ship To" address is supplied	8/15/08 16:00pm	25	No	YES	Chris Ball	IMOD	RFQ #19920082	8/18/08 16:00pm	3 days
8	No Ship to Address	Cannot ship without Vendor PC	8/20/08 11:00am	12	YES	YES	Chris Ball	IMOD	RFQ #19920082	8/20/08 14:00pm	1 hour
9	Request for Quote Missing Data	Request for Quote Missing Data will send Reqs Carls tomorrow	8/20/08 13:50pm	10	YES	YES	Jim Allen	Engineering	Req # r2003802	8/27/08 16:50pm	1 week

Improve Process - PDCA

Putting Cards on the Table vs. Best Foot Forward



- ▶ If there is a major concern, then open the appropriate corrective and improvement actions
- ▶ Decide whether to air the dirty laundry or not, depends on appropriateness
 - For registrar audit, probably
 - For vendor qualification, might be good for the relationship, but that's a tougher call

Audit Checklists – Yours vs. Theirs



Example from Japan

Talk the Talk – Know the ISO 9000 Standard



- ▶ Know the difference between “document” and “record”
- ▶ Know what they’re looking for when they use specific ISO terminology
 - Relationships between processes
 - Do you have a graphic for this?
 - Policy includes commitment to continual improvement and meeting customer requirements
 - Etc.

The First Defense – The Full Kitchen Sink!



- ▶ Prepare a binder to ease the process of evidence review and point towards “good” examples
 - Quality Manual
 - Quality Policy
 - Processes
 - Audit reports
 - Management Review agendas/minutes
 - Previous external audit report/findings
 - Listing of open/closed corrective actions since last audit
 - Copy of audit summary presentation
 - Customer feedback data, etc.

The Last Defense – Baffle Them with !@#&



- ▶ The tree that does not bend with the wind may become tomorrow's stump
- ▶ My favorite are process loopholes!
 - Know where they are so you can tap them when needed
- ▶ Luckily, the ISO standard can be open to some interpretation, too
- ▶ Know when to “attack” their weaknesses
- ▶ Throw in a pinch of humor – couldn't hurt

Examples



▶ See Verizon Business poster

Finally – The Dirty Little Secret



▶ <Censored>

Questions and Answers



Contact Information



- ▶ Nelson Perez
- ▶ President and Principal Consultant
- ▶ Sierra's Edge, Inc.
- ▶ (301) 801-0740
- ▶ Email: nelson@sierrasedge.com