

# Wonderful Products, Inc.

## Audit Report – A41120

3. Finding: Packaged product is not properly identified.  
In several cases, the identity or source of the product is unknown. This does not meet internal specifications, customer or safety requirements.  
Ref. ISO 9001:2000, 7.5.5 Preservation of product.
- Product code (Storm V540) markings on three pallets for lot 123347 were not legible
  - Markings on 8 bags on pallet 22 of lot 2223425 were incomplete
  - Several of the bags on one pallet of returned product (lot ???17??) were not identified. (No product code and illegible lot number)

# CORRECTIVE/ PREVENTIVE ACTION REQUEST - page 1

Date: 9/6/20XX

Number: CAR 412

Improvement ☐

Audit: ☒

Audit No.: A41120

Area: Packing Unit in ABC Warehouse

## (A) Finding/ Problem:

The auditing was for product not properly identified. The improvement team assigned the finding has restated the problem as:  
Customers are receiving product that does not conform to mutually agreed-upon requirements. The nonconformance is that product is being delivered that is not properly labeled (product code and series).

### Contact

Signature: Phil Rod

Printed Name: Phil Rod

Telephone number: 555.987.6543

### Auditor/ Originator

Signature: Rachel Hook

Printed Name: Rachel Hook

Telephone number: 555.123.1234

## (B) Remedial Action

1. The three pallets of lot 123347 with illegible marking were repackaged. The 8 bags on pallet 22 of lot 2223425 were removed and blended in to the next product run. The unidentified returned product (lot 177717?) was sent to the landfill.
2. Product audit is being conducted on all shipments until the process is changed-corrected.

## (C) Root Cause Investigation:

The Product Audit results and customer complaints were evaluated. The customer package marketing complaints were plotted on a Pareto chart (Exhibit A). A flow chart was constructed (Exhibit B) and a cause-and-effect diagram (Exhibit C) was created by the team. The investigation revealed that 70% of the product audit nonconformities and customer complaints are caused by incomplete, illegible, or missing product code and/or series.

Root causes: When labeling equipment breaks down, the packaging line keeps running either because it goes unnoticed or to meet output schedules. The equipment is unreliable and there is no PM program to minimize unscheduled downtime. There are no product marking standards.

## (D) Action Plan:

1. Define acceptable package performance criteria coupled with a formal inspection & PM program.
2. Replace the packaging line with new equipment (filling, sealing, weighing, labeling, & wrapping).
3. Replace old labeling equipment with a system designed to conform to requirements (higher volume and bulk density variations) coupled with set criteria for acceptable packages and containers. Comment: Most economical, timely, and eliminates the root cause.

Measures: No customer complaints or returns due to product code and series markings

Start

Complete

Acceptance

Corrective Action  
Plan Dates: 12/2/20XX

1/11/20YY

Manager/  
Auditor *Jim Leader*

Date: 1/17/20YY

## CORRECTIVE/ PREVENTIVE ACTION REQUEST- page 2

Number: CAR 412-

### (E) Corrective/ Preventive Action Taken:

The team took action to prevent recurrence by implementation of the third solution alternative.  
Implement new packaging standards and absorb short-term operating cost increases.

1. Justify expenditure for new labeling equipment (cost of quality). Seek approval as required.
2. Purchase/install/start up new system.
3. Monitor complaints and performance of new system.

### CUSTOMER BENEFITS:

Eliminate cost of handling and returning compliant material  
Reduce the cost of handling and returning complaint material  
Reduce the business risk of producing bad finished product  
Eliminate shutdown of production due to lack of correct material  
Reduce inventory cost by lowering reorder point  
Reduce business risk of complaints and claims by customers

*Select alternatives - Determine measures - Implement - Evaluate results*

(F) Effect/ Explain: Reduce Cost ☒ Opportunity ☒ Avoid Risk ☒

Saving in cost and productivity equal \$108,000 per year.

Potential loss of sales averted equal \$50,000 per year

The safety and regulatory risk is high. If there was a transportation accident or landfill incident, fines, negative exposure and internal productivity could exceed \$6 million dollars.

Using DOT commercial accident rate statistics as probabilities, the corporate risk is \$276,000

See Exhibit D for details

### (G) Recommended Actions for other Areas:

This solution is specific to the Wonderful Products business. However, we recommend other businesses conduct product audits and evaluate customer complaints to determine if there is a latent business risk.

Signature:  
Team Leader

*Phillip C. Rod*

Date: 2/05/20YY

Corrective Action  
Approved ☒

Corrective Action  
Disapproved ☐

Manager/  
Auditor:

*Jim Leader*

Comments: \_\_\_\_\_

Follow-up (Audit) Date:

Signature:

Close Out Date:

Signature:

## Exhibit D: Cost of Quality Calculation Sheet

The elimination of this defect (nonconformance) will result in the following benefits:

Source	\$/Year
ORGANIZATIONAL BENEFITS:	
1. Eliminate the occurrence of five complaints per year. (Cost to investigate and handle paperwork for a distribution complaint is \$3,000)	\$ 15,000
2. Eliminate the cost of return goods freight and handling	\$ 10,000
3. Reduce working capital cost, storage cost, and handling of returned goods. Typically returned goods are inventoried twice as long as good product (based on historical data).	\$ 14,000
4. Eliminate business risk of customer claims due to inadvertent use of the wrong product (based on historical data).	\$ 50,000
5. Reduce internal warehouse appraisal and inspection cost for identification and field correction.	\$ 6,000
6. Cost to rework defective material. Cost based on actual outside toller (contractor) charges.	\$ 10,000
7. Reduce legal and regulatory risk of improperly marked packaged product being involved in a transportation incident or improper landfill disposal.	\$ ?
8. Maintenance cost reduction for repairing existing unreliable equipment (labor and materials).	\$ 3,000
Total Operating Cost Savings	<hr/> \$108,000
9. Potential negative impact on sales revenue based on industry studies and marketing estimate.	\$ 50,000
Organization's Cost of Quality	<hr/> \$ 158,000