



SYSTEM PROCEDURE

Internal Audit

REVISION: 04

PROCEDURE NO.: 18

DATE EFFECTIVE: 8/17/17

1. PURPOSE

1.1 To establish and maintain a documented system for planning and implementing an Internal Audit System, whose goal is to verify whether the quality management system and related results comply with planned arrangements and to ensure the system is effectively implemented and maintained.

2. SCOPE

2.1 This procedure applies to the scheduling and performance of the internal audits for all of the processes defined within the Quality Management System.

3. PROCEDURAL REQUIREMENTS and RESPONSIBILITIES

3.1 QUALITY SYSTEM AUDITS

3.1.1 The Tempco Electric Heater Corporation Internal Audit System shall consist primarily of Quality System Audits (QSAs), whose purpose shall be to verify the implementation and effectiveness of the Quality Policy and Objectives, as well as the Quality System Requirements defined in the Quality Manual and Standard Procedures (SPs). QSAs shall be performed by QSA auditors selected from various functional departments or from a qualified subcontractor as defined within with this System Procedure.

3.2 ADMINISTRATION OF QUALITY SYSTEM AUDITS

3.2.1 The Chief Financial Officer shall be the primary person responsible for administering the QSAs. This responsibility shall include: 1) Scheduling the QSAs; 2) Selecting the Auditor(s); 3) Determining the direction, criteria and/or scope of each QSA; 4) Providing the opportunity to develop and utilize a QSA Checklist, if applicable; 5) Ensuring the generation of the Internal Audit Report 6) Coordinating the review of the audit results along with the assignment of corrective and preventive actions; 7) Providing feedback on the System Effectiveness for the Tempco Electric Heater Corporation Management Review and; 8) Retaining QSA Documentation per SP 2 Quality Records.

3.3 SCHEDULING QUALITY SYSTEM AUDITS

3.3.1 The Audit System shall be planned, taking into consideration the status and importance of the processes and areas to be audited, as well as the results of previous audits and any changes impacting Tempco prior to each new audit.

3.3.2 A Quality System Audit schedule shall be established and will ensure that all Quality Management System processes and System Procedures will be evaluated on an annual basis. The Chief Financial Officer shall establish and maintain an Internal Audit Schedule that identifies the audit scope and frequency and will communicate this schedule to the relevant QSA Auditors and management personnel.

3.3.3 Un-Scheduled Audits may be performed when major organizational or system changes (e.g., New Management Personnel, New System Procedures or Functional Instructions, etc.) have occurred, or a trend in increased internal and/or external nonconformances (including customer complaints) has been identified. These audits shall be arranged at the discretion of the Chief Financial Officer.

3.4 SELECTION OF QSA AUDITORS

3.4.1 In selecting QSA auditors, the Chief Financial Officer shall ensure the auditor meets the following applicable criteria:



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- 3.4.1.1 Competency in Clearly Communicating Concepts and Ideas both Orally and in Writing;
- 3.4.1.2 General Understanding of Tempco's Business and Quality Systems.
- 3.4.1.3 Completion of Quality Auditor Training

3.4.2 In assigning QSA auditors to perform an audit, the Chief Financial Officer shall adhere to the following Independence Criteria:

- 3.4.2.1 Auditor shall not audit their own work;
- 3.4.2.2 Auditor should be objective, impartial and free from bias and influences, which could adversely affect their performance.

3.5 QSA CHECKLISTS

3.5.1 Quality System Audit (QSA) Checklists may be developed for each audit and used for recording audit observations and results to support the audit of the quality management system requirements. It can be utilized in identifying the requirements the auditor(s) will focus on in the audit. When necessary to gather and analyze data, other working documents may be developed, utilized, and referenced along with the checklist(s). The acceptability of the selected tools will be measured against the effectiveness of the internal audit process and overall organization performance. Internal audits shall also meet contract and/or regulatory requirements.

3.6 AUDIT PREPARATION

3.6.1 The auditor(s) shall familiarize themselves with the following in preparation for the audit:

- 3.6.1.1 The pertinent requirements in the Quality System Manual and System Procedure(s);
- 3.6.1.2 Results of previous audits including any Corrective Action Reports issued in relation to the audits;
- 3.6.1.3 Any pertinent policies, practices, and work instructions.

3.7 AUDIT PERFORMANCE

3.7.1 The audit team shall make logistical arrangements with the department managers responsible for those areas being audited per the scope and purpose of the audit.

3.7.2 The objective of the audit is to verify conformance to the ISO 9001 and consists of focusing on the following considerations:

3.7.2.1 Evaluating the current revisions of the Quality Management System Procedures, Work Instructions and relevant Quality Management System documentation to ensure that they meet the intent of the ISO 9001 Standard.

3.7.2.2 Verifying the implementation of the Quality Management Systems by selecting random samples of various documentation and Quality Management System records and by performing interviews of various personnel throughout the organization.

3.7.2.3 Evaluation of the capability of the management systems to ensure compliance with statutory, regulatory and contractual requirements.

3.7.2.4 Evaluation of the effectiveness of the management systems in meeting their specified objectives.

3.7.2.5 Identification of areas for potential improvement of the system.

3.8 INTERNAL AUDIT REPORTS



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- 3.8.1 The QSA results shall be documented in an audit report and will identify compliance issues with the procedures and/or quality management standard, as well as any concerns and/or opportunities for improvement. The audit team will send the report to the CFO for an audit accuracy review. The CFO in conjunction with the management rep will meet with the audit team to review and determine the appropriate communication of the audit results and the assignment of the implementation of the appropriate actions to the management responsible for the processes audited. The assigned responsible management shall have the ultimate responsibility for implementing the required actions. All related CARS will be created within a maximum of 30 business days of audit report completion. In addition, elimination of detected nonconformities and their causes shall be accomplished in a timely manner with a documented due date agreed upon by the assigned team leader and management rep.
- 3.8.2 Compliance issues with the Quality Management System Standard, System Procedures and/or Work Instructions shall be addressed through the Corrective Action System SP 21, where the Chief Financial Officer and/or Vice President of Operations, or an internal auditor, is responsible for follow-up and verification of the effectiveness of the actions taken and reporting of verification results.

3.9 SUBCONTRACTED AUDITS

- 3.9.1 Tempco Electric Heater Corporation may have a qualified subcontractor perform audits to meet the requirements of this system procedure. The Chief Financial Officer will select an approved subcontractor and coordinate with the approved qualified auditor to identify the scope, business processes and requirements of ISO 9001 to be audited. The subcontractor audit checklist, if applicable and schedule, as well as the audit report will be reviewed and approved by the Chief Financial Officer.
- 3.9.2 Retention of the subcontractor's audit schedule and report shall be evidence of approval by the Chief Financial Officer.
- 3.9.3 The Chief Financial Officer will also review the audit results and ensure they are integrated into the Tempco Electric Heater Corporation Management Review process and that effective corrective actions are implemented.

3.10 INTERNAL QUALITY AUDITS & TEMPCO ELECTRIC HEATER CORPORATION MANAGEMENT REVIEW

- 3.10.1 The Chief Financial Officer shall ensure that the results from the Tempco Electric Heater Corporation Quality Audit System are presented during Management Review. The Chief Financial Officer shall provide feedback on the effectiveness of the QSA process. Customer audits, when documented, may also serve to supplement information to management for evaluating the overall effectiveness of the quality system.

4. RECORDS

- 4.1. Internal Audit Schedule
- 4.2. Internal Audit Report
- 4.3. Corrective Action Report

5. PROCESS FLOW CHART

The sequential steps for the Internal Audit process are presented in flowchart format on the last page. The function and/or position responsible for the activity in the flow is identified outside the initial activity. This responsible function and/or position continues until a change is identified. The function of a decision or option requires the responsible function and/or position be identified for each result.



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6. REVISION HISTORY

REVISION LEVEL	DATE OF REVISION	SECTIONS	DESCRIPTION OF CHANGE
00	04/27/09	All	Initial release
01	06/13/11	3.8.1 3.8.2	Deadline clarification and specificity of dates. Added internal verification of corrective actions.
02	06/04/12	3.7.2	Numbering System modified to 3.7.2.1, 3.7.2.2 etc.
03	05/26/15	3.8.1	Procedural clarification and further deadline clarification
04	8/17/17	3.2.1 and 3.3.1 3.6.1, 3.8, 3.9, 5	Was Procedure 8.2.2. Updated procedure number in section 3.2.1 and in flow chart. Updated section 3.3.1 to incorporate an additional ISO 9001:2015 requirement. Updated multiple sections to incorporate an additional ISO 9001:2015 requirement



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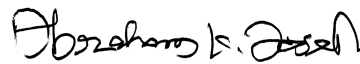
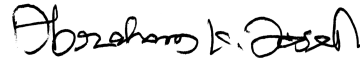
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7. AUTHORIZATION

POSITION	HELD BY	AUTHORIZATION SIGNATURE OR INITIALS
Prepared By: Chief Financial Officer	Paul Wickland	
Senior Management Representative: Vice President of Operations	Abe Joseph	
Management Representative:	Abe Joseph	



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