



THE SECRETARY OF THE NAVY  
WASHINGTON DC 20350-1000

November 2, 2016

The Honorable Carolyn N. Lerner  
Special Counsel  
U.S. Office of Special Counsel  
1730 M Street, N.W., Suite 218  
Washington, DC 20036-4505

Dear Ms. Lerner:

Thank you for your letter of August 29, 2016, File No. OSC DI-15-5871, requesting an investigation at Norfolk Naval Shipyard (NNSY), Portsmouth, Virginia. Your letter states that an NNSY employee ("complainant") disclosed that the Non-Nuclear Waterfront Engineering Department (Code 200) had not implemented required quality assurance processes to identify and document non-conforming materials which were discovered during waterfront ship overhaul. As a result, according to the complainant, material problems may not have been resolved.

After conducting an investigation, the Office of the Naval Inspector General (NAVINSGEN) concluded that the allegation was not substantiated. NAVINSGEN determined that Code 200 had a codified waterfront process in place to ensure the capture and documentation of non-conforming materials when discovered both before and after a Naval Sea Systems Command (NAVSEA) Functional Audit in October 2014. Nonetheless, NNSY updated applicable policies and clarified the non-conforming material process based in large part on the complainant's efforts and input. The complainant was unaware of these changes until a meeting he had with the Commander, NNSY; the Process Controls (Code 220) Department Head; and, the Director, Navy Systems Support Group (NSSG), NAVSEA, in September 2016. Thereafter, the complainant communicated to the NAVINSGEN Investigating Officer that he was satisfied that Code 220 took appropriate actions to address his concerns, and NAVINSGEN agreed.

Enclosed are the official-use version of the report of investigation and another copy which is suitable for public release. I understand that you will provide a copy of the official-use version to the complainant, the President, and the House and Senate Armed Services Committees for their review. As has been the case with other reports that the Department of the Navy has provided to your office since September 11, 2001, I request that you make only the public-release version of the report available to members of the public.

Again, thank you for bringing this matter to my attention. If you require additional information, the point of contact for this matter is Mr. Neal Puckett, Director, Special Inquiries Division, NAVINSGEN, who may be reached at (202) 433-6651.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ray Hehr", is written below the word "Sincerely,".

Enclosures: 1. For Official-Use Copy of Report of Investigation  
2. Public Release Copy of Report of Investigation

**Office of the Naval Inspector General**

**OSC DI-15-5871  
NAVINSGEN 201602774**

**Report of Investigation**

**ALLEGED FAILURE BY CODE 200 TO CODIFY WATERFRONT PROCESS  
TO ENSURE THE CAPTURE AND DOCUMENTATION OF  
NONCONFORMING MATERIALS WHEN DISCOVERED  
NORFOLK NAVAL SHIPYARD, VIRGINIA**

**18 October 2016**

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**Preliminary Statement**

1. This report was prepared pursuant to a 29 August 2016 Office of Special Counsel (OSC) letter tasking the Secretary of the Navy (SECNAV) to conduct an investigation under Section 1213 of Title 5 of the United States Code (5 U.S.C. § 1213).
2. OSC is an independent federal agency whose primary mission is to safeguard the merit system by protecting federal employees and applicants from prohibited personnel practices. OSC also serves as a channel for federal workers to make allegations of: violations of law; gross mismanagement or waste of funds; abuse of authority; or, a substantial and specific danger to the public health and safety.
3. Reports of investigations conducted pursuant to 5 U.S.C. § 1213 must include: (1) a summary of the information with respect to which the investigation was initiated; (2) a description of the conduct of the investigation; (3) a summary of any evidence obtained from the investigation; (4) a listing of any violation or apparent violation of law, rule, or regulation; and, (5) a description of any action taken or planned as a result of the investigation, such as changes in agency rules, regulations or practices, the restoration of any aggrieved employee, disciplinary action against any employee, and referral to the Attorney General of any evidence of criminal violation.

**Information Leading to the OSC Tasking**

4. The OSC tasking stems from a complaint to OSC alleging that employees at the Department of the Navy, Norfolk Naval Shipyard (NNSY), Portsmouth, Virginia, may have engaged in conduct that constitutes a violation of law, rule, or regulation; gross mismanagement; and, a substantial and specific danger to public safety. More specifically, the tasking letter states that the complainant, Joseph A. Wright Jr., a quality assurance (QA) specialist, alleged that the Non-Nuclear Waterfront Engineering Department (Code 200), NNSY, has not implemented required

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QA processes to identify and document nonconforming material<sup>1</sup> discovered during waterfront ship overhaul, in violation of Naval Sea Systems Command (NAVSEA) QA manuals and instructions. OSC stated that Mr. Wright, hereafter referred to as the “complainant,” consented to the disclosure of his name.

5. The departments within NNSY are structured by codes. Code 100 is the Shipyard Commander. Code 130 is the QA Office, which oversees all QA for NNSY. Code 133, Receipt Inspection, is responsible for conducting receipt inspection for QA Code 1, 2 and 3 materials upon arrival at NNSY. Code 136.3, Engineering and Analysis Division, investigates deficiencies pertaining to the quality of the product, including design, procurement and generic material specification deficiencies.<sup>2</sup> Code 200 is the Engineering and Planning Department. Code 220, Process Controls, is responsible for material management and logistics within Code 200. Code 225 is Work Packaging Control. Code 900 is the Production and Resources Department. All trade mechanics and supervisors work in Code 900.

6. The OSC tasking letter stated:

[The complainant] explained NNSY is responsible for the maintenance, repair, and upgrade of nuclear and conventionally powered naval ships. To perform this work, NNSY receives a large quantity of parts and equipment destined for shipboard installation. He further noted that NAVSEA defines ‘Nonconforming Material’<sup>3</sup> as any item that fails to meet the functional, dimensional, chemical, or product configuration specified during the material procurement process. *See* NAVSEAINST 9078.1. As required by NAVSEA, all material received at NNSY is designated to one of four categories based on its intended use. Mr. Wright stated that these categories are referred to as QA Code 1, 2, 3, and 4.<sup>4</sup>

[The complainant] noted that QA Code 1, 2, and 3 materials are considered ‘Critical Material’<sup>5</sup> and comprise approximately 15 to 20 percent of material received at NNSY. In contrast, QA Code 4 material constitutes approximately

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<sup>1</sup> The OSC tasking letter references NAVSEAINST 9078.1 of 1 May 2007, for the definition of “nonconforming material,” however, the instruction does not provide a definition for nonconforming material. It does define “nonconformance” as “the failure of a system or component to conform to specified requirements.” Naval Shipyard Norfolk Instruction (NAVSHIPYDNORINST) 4355.4L CH-3 of 23 November 2015 defines “nonconforming material” as “material not meeting its required specification.”

<sup>2</sup> The complainant is assigned to Code 136.3.

<sup>3</sup> NAVSHIPYDNORINST 4355.4L CH-3 further defines “nonconforming material” as “material noted to have either a design deficiency, material deficiency, procurement deficiency, or receipt discrepancy such as incorrect item received, an overage, shortage, or shelf life issue.”

<sup>4</sup> Uniform Industrial Process Instruction (UIPI) 0078-112 CH-3 of 14 June 2012, establishes standard QA codes for all non-nuclear material ordering for Navy ships. Code 200 Job Planning Guide (JPG), Appendix T, Material Identification, Ordering, and Management Process, provides the QA Code requirements.

<sup>5</sup> “Critical Material” is a term used by the complainant to describe QA Code 1, 2 and 3 materials. “Critical Material” is not identified or defined in applicable regulations or instructions. NAVSEAINST 9078.1 of 1 May 2007, defines “critical characteristic” as “any feature of a critical safety item (CSI) such as dimension, tolerance, finish, material, material properly or assembly, manufacturing or inspection process or operation, that if non-conforming, missing, or degraded may cause the premature failure or malfunction of a CSI.”

80 to 85 percent of received material and represents parts and equipment installed by Code 200 on ships.

7. QA Code 1 identifies Level 1 material. Level 1 is the highest level of certification. QA Code 1 material must be permanently marked for traceability to documentation certifying compliance with actual specification. QA Code 2 identifies Controlled Industrial Material (CIM) and requires proper inspection and controls to insure specified materials are installed in permanent shipboard applications. QA Code 3 identifies material requiring Local Technical Inspection (described as any material requiring documented inspection/test when received), as required by the Engineering and Planning Department, or governing specifications, or local shipyard instructions. QA Code 4 identifies non-level material which requires general receipt inspection (local supply activity compares material requirement to what has been received).<sup>6</sup> Code 200 Job Planning Guide (JPG), Appendix-T, Material Identification, Ordering, and Management Process, states that QA Code 4 material does not require technical inspection.

8. The OSC tasking letter stated the following allegations are to be investigated:

- (1) Code 200 lacks a codified waterfront process to ensure the capture and documentation of nonconforming materials when discovered; and
- (2) This deficiency appears to indicate that Code 200 is in violation of NAVSEA QA manuals and instructions.

9. The OSC tasking letter provided additional information about the complainant's contentions, stating:

[The complainant] explained that under NAVSEA policy, NNSY is required to document nonconforming material when discovered, regardless of QA Code. *See* NAVSHIPYDINST 4355.4, NAVSO P-2683, and SECNAVINST 4855.3. Notably, these policies require the documentation of any material issue, regardless of cost. He further noted that a 2014 NAVSEA audit of NNSY recommended the implementation of a codified process for evaluating deficiencies discovered during the inspection of material received at the facility. *See* NAVSEA Functional Audit Finding [Material Identification and Control Item Number 7] MIC-7 (October 2014).<sup>7</sup>

[The complainant] alleged that Code 200 has not implemented a [QA] program to cover QA Code 4 material. He explained that under current procedures, QA Code

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<sup>6</sup> The general receipt inspection compares what was ordered to what was received to ensure proper material was received. This is not a technical inspection.

<sup>7</sup> Audit Finding MIC-7 noted defective material was not reported in accordance with NAVSHIPYDNORINST 4355.4L, CH-1. Further review showed that Code 133 did not report an instance of a QA Code 1, 2 or 3 deficient material. Finding MIC-7 did not find that the Non-Nuclear Waterfront Engineering Department (Code 200) failed to report QA Code 4 deficient material in accordance with applicable procedures. The audit recommended NNSY determine the root cause for failure to report defective material and take appropriate corrective and preventive action. NNSY reviewed the process for evaluating QA Code 1, 2 and 3 materials.

4 material is not inspected upon receipt at NNSY. He further noted that this material is first inspected when a waterfront mechanic takes the part to a jobsite to install.

### Summary of Conduct of the Investigation

10. After receiving the OSC Tasking Letter, SECNAV tasked the Office of the Naval Inspector General (NAVINSGEN) to conduct the investigation.

11. At the outset of the investigative effort, the NAVINSGEN Investigating Officer (IO) interviewed the complainant by telephone. Information provided by the complainant that was not contained in the OSC tasking letter appears in the findings of fact as appropriate. During the course of the inquiry, the NAVINSGEN IO interviewed one witness by telephone. The NAVINSGEN IO also reviewed 20 documents, including applicable instructions and regulations, contracts, audits, and e-mails.

### Summary of Allegations and Conclusions

12. Based on the contents of the OSC tasking letter and our preliminary review, NAVINSGEN decided to structure the investigation around one allegation that asserts NNSY Code 200 lacked a codified waterfront process that ensured the capture and documentation of QA Code 4 nonconforming materials when discovered.<sup>8</sup>

13. The NNSY allegation is:

Allegation One: That Norfolk Naval Shipyard Code 200 lacked a codified waterfront process to ensure the capture and documentation of nonconforming QA Code 4 materials when discovered, in violation of Navy Shipyard Norfolk Instruction (NAVSHIPYDNORINST) 4355.4, Nonconforming Material (Non-Nuclear), and Industrial Process Instruction (IPI) 0410-451A, Material Management, (Non-Nuclear) High Level. **Not Substantiated**

14. We concluded Allegation One was not substantiated because we found that Code 200 had a codified waterfront process to ensure the capture and documentation of QA Code 4 nonconforming materials in place before the October 2014 audit took place. The 2014 NAVSEA Functional Audit did not find a general or widespread failure to conform to the requirements for handling nonconforming materials specified in the applicable instructions in 2014. The 2014 audit identified only one instance, Material Identification and Control Item Number-7 (MIC-7), in which those procedures were not followed for nonconforming materials; those materials were QA Code 1, 2 and 3 and not code QA Code 4 material, and the complainant was interviewed by the auditors about this matter.

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<sup>8</sup> The two “allegations to be investigated” in the OSC tasking letter do not identify individual subjects by name. Our past practice has been to write allegations naming specific individuals only when people are specifically identified in the OSC letter as those who engaged in wrongdoing.

15. In February 2015, Code 136.3 formed a Learning Cell (Focus Group)<sup>9</sup> to determine the scope and root cause of MIC-7, but as the Learning Cell reviewed processes for QA Code 1, 2 and 3 materials, it also recommended that the waterfront QA Code 4 material inspection processes be reviewed. NNSY concluded that the violation (MIC-7) occurred because the individual who did the inspection in Code 133 failed to properly document the non-conformance due to a lack of training rather than a deficiency in the requirements of the standards. NNSY addressed the violation (MIC-7) by increasing awareness of the Material Problem Report (MPR)<sup>10</sup> process throughout the shipyard through articles in shipyard publications and information monitors in addition to issuing updated instructions.

16. As a result of the Learning Cell, NNSY revised applicable instructions with updated content, responsibilities, and recommended changes to clarify applicable instructions for the QA Code 4 waterfront material inspection process and Nonconforming Material Process. These changes were due, in significant part, to the complainant's efforts. The complainant was not aware of the updated instructions until 2 September 2016, at which time he agreed the revised instructions addressed his concerns.

17. The complainant never alleged, and the NAVINSGEN investigation did not disclose, any instance where nonconforming material was discovered only after it was installed on a ship. Because the instructions have always required material inspections and documentation of nonconforming material found during those inspections, and no nonconforming material was installed on ships, there was never a danger to public health and safety.

## **Background**

### **Description of Norfolk Naval Shipyard, Portsmouth, Virginia**

18. NNSY is located in Portsmouth, Virginia, and serves as the Navy's main East Coast ship repair and overhaul facility. NNSY is one of NAVSEA's four public shipyards that maintains America's fleet, and provides a wartime surge capability to keep the Nation's ships ready for combat. The shipyard performs full-service fleet capability that includes servicing aircraft carriers, amphibious assault ships, other surface ships, and submarines.

19. NNSY is one of the largest shipyards in the world specializing in repairing and modernizing ships and submarines. The shipyard also performs logistic support and work in connection with ship construction, conversion, overhaul, dry-docking, outfitting, manufacturing research, redevelopment, and test work. NNSY employs more than 10,000 skilled civilian employees, to include engineers, technicians, tradesmen, and administrative personnel, to support five dry-docks, 41 structures (docks, piers, berths, etc.), and 91 buildings that total over 4.4 million square feet with a total value that exceeds \$1.7 billion.

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<sup>9</sup> The complainant was a member of the Learning Cell.

<sup>10</sup> NAVSHIPYDNORINST 4355.4 4L defines a MPR as NNSY Form 4355/35 from the Discrepant Material Tracking System (DMTS) database used to report both Quality Deficiencies and Discrepant Material.

## Summary of Evidence Obtained During Investigation

### Allegation One

That Norfolk Naval Shipyard Code 200 lacked a codified waterfront process to ensure the capture and documentation of nonconforming QA Code 4 materials when discovered, in violation of Navy Shipyard Norfolk Instruction (NAVSHIPYDNORINST) 4355.4, Nonconforming Material (Non-Nuclear), and Industrial Process Instruction (IPI) 0410-451A, Material Management, (Non-Nuclear) High Level. **Not Substantiated**

### Findings of Fact

20. From 27 – 31 October 2014, NAVSEA conducted a Functional Audit of NNSY. The 2014 audit identified only one instance, MIC-7, in which the procedures for nonconforming materials were not followed; those materials were QA Code 1, 2 and 3 and not code QA Code 4 material. Specifically, MIC-7 found that Code 130 did not report a dimensional non-conformance on an MPR, and no Product Quality Deficiency Report (PQDR)<sup>11</sup> was issued to the stock system as required.<sup>12</sup> The complainant was interviewed by the auditors about this matter. The audit recommended that NNSY determine the root cause for the failure to report a QA Code 1, 2 or 3 deficient material and take appropriate corrective and preventive action.

21. The auditors also asked the complainant about waterfront processes for QA Code 4 materials. The complainant told the auditors that the waterfront QA Code 4 material inspection is a user inspection and the material is not inspected upon receipt at NNSY.<sup>13</sup> The mechanic conducts a user inspection of QA Code 4 material just prior to installation of the material on the ship to determine if the material is acceptable or if the material is deficient. If the material is deficient, the mechanic is required to complete a Deficiency Form (DF) and provide the deficient material to a waterfront engineer for review.

22. The complainant told the auditors that the waterfront engineer evaluates the DF and researches why the material was deficient. He asserted that the waterfront engineer was not required to initiate an MPR for deficient QA Code 4 materials and there were no written procedures necessitating the creation of an MPR when nonconforming QA Code 4 material was discovered.<sup>14</sup> The waterfront DF lacked any field to enter instructions or information related to

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<sup>11</sup> The SF-368 form (or web format) used to record and transmit product quality deficiency data to activities outside of NNSY.

<sup>12</sup> NAVSHIPYDNORINST 4355.4L, CH-1 of 30 July 13, states in part that the ship, code or work packaging control of the individual who discovers the deficiency is responsible for inputting the MPR. The requirement for the information on the MPR accompanying the material is critical as Code 136 cannot initiate a PQDR until the material credit determination is made. IPI 0410-451 CH-1 of 28 September 2010, states once Code 136.3 receives an MPR, it will validate the deficiency and determine if a PQDR is required.

<sup>13</sup> The user is the waterfront mechanic. Code 200 Job Planning Guide (JPG), Appendix-T, Material Identification Ordering and Management Process states in part that QA Code 4 materials do not require a technical inspection upon arrival at NNSY.

<sup>14</sup> The IO found that at the time of the audit, IPI 0410-451 CH-1 and NAVSHIPYDNORINST 4355.4 CH-1 required an MPR be initiated for nonconforming QA Code 4 materials.

the initiation of an MPR. The complainant asserted that as a result, material problems discovered on the waterfront were not reported to the QA Department for additional investigation and correction, which was a violation of NAVSHIPYDNORINST 4355.4 and other NAVSEA procedures that has resulted in the installation of deficient or defective parts on ships.<sup>15</sup>

23. At the time of the NAVSEA Functional Audit, IPI 0410-451 CH-1, dated 28 September 2010, was applicable and established the NNSY High Level “A to Z” process for Non-Nuclear Material Management at NNSY from material identification to support of authorized work to excess material closeout at the end of the availability. This instruction provided an overview of the entire Material Management process and directed the reader to further information regarding each sub process reference.

24. IPI 0410-451 CH-1 stated, in part, that the material process began when a material problem was identified and ended when the problem was investigated and reported as resolved. The function of the process was to ensure material problems were identified, controlled, and reported, and that adequate actions were taken to prevent the inadvertent use of defective material. Code 130 was responsible for this module.

25. IPI 0410-451 CH-1 further stated, in part, that once material was issued in Material Access Technology (MAT) and a problem was found, the mechanic would initiate a Deficiency Log/Discrepancy Report (DL/DR) form and return the material with packaging and paperwork to Work Packaging Control (WPC). WPC (Code 225) worked to solve immediate problems by call out or expediting replacement material. Code 225 would also attach an MPR tag to the material and initiate the MPR.

26. IPI 0410-451 CH-1 stated that once an MPR had been initiated, the applicable shop/code would determine if the problem was a quality deficiency.<sup>16</sup> Quality deficiencies would be forwarded to Code 136.3 along with supporting documentation. Non-quality problems such as shortages, shipping of wrong items, and overages would be forwarded to the Defense Logistics Agency (DLA) with supporting documentation.

27. IPI 0410-451 CH-1 stated that once Code 136.3 received an MPR, it would validate the deficiency, determine if a Product Quality Deficiency Report (PQDR) was required, and update the Discrepant Materials Tracking System (DMTS).<sup>17</sup> When the problem was found not to be a quality deficiency but a discrepant material<sup>18</sup> issue, Code 136.3 would forward the MPR to DLA to initiate a Supply Discrepancy Report (SDR). In instances where the problem was found to be

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<sup>15</sup> The complainant did not identify a specific instance where nonconforming material was installed.

<sup>16</sup> Quality deficiency pertains to the quality of the product, including design, procurement, and generic material specification deficiencies. These deficiencies are investigated by Code 136.3.

<sup>17</sup> DMTS is a database used for reporting and monitoring NNSY non-nuclear material problems.

<sup>18</sup> Discrepant material is a non-quality problem. The terminology is used for the identification and reporting of discrepant shipments of material occurring in the Department of Defense Logistics System, when the discrepancy is attributable to a shipper (issuer) error. Shortages and overages in shipment receipt of incorrect/wrong items, and products received with expired shelf life are a few examples of problems designated as discrepant material.

invalid, Code 136.3 canceled the MPR and the originator would be required to retrieve material from DLA.

28. IPI 0410-451 CH-1 stated, in part, that SDRs were issued by DLA on MPRs noted to be discrepant material issued in MAT. DLA updated the DMTS, reviewed SDR responses, and closed out SDRs providing disposition for material, as applicable.

29. IPI 0410-451 CH-1 further stated that Code 136.3 submitted PQDRs to suppliers and verified responses in accordance with the Navy and Marine Corps Product Data Reporting and Evaluation Program (PDREP) Manual. Once the response was received and was deemed adequate, Code 136.3 closed the PQDR providing disposition for material and updated the DMTS.

30. IPI 0410-451 CH-1 finally stated, in part, that the NAVSEA Logistics Center Detachment Portsmouth included the closed PQDRs and SDR information to populate vendor history in the PDREP, Red/Yellow/Green Program. The Red/Yellow/Green Program provided purchasing and QA personnel a source of contractor past performance information to reduce risk of receiving nonconforming products.

31. At the time of the NAVSEA Functional Audit, NAVSHIPYDNORINST 4355.4L CH-1, dated 30 July 2013, was applicable for identification and control of non-nuclear nonconforming material, regardless of cost, procurement source, and quality condition. NAVSHIPYDNORINST 4355.4L CH-1 covered the identification and control of nonconforming material undergoing receipt inspection, and upon issuance from supply. Material identified as nonconforming prior to issue was handled by the Supply Department, DLA directives.

32. NAVSHIPYDNORINST 4355.4L CH-1 Paragraph 5, Responsibilities, provided that Code 136.3 maintained overall responsibility for the implementation of the DMTS, executed the duties of originator for NNSY initiated PQDRs on standard and nonstandard materials, and executed the duties of support point for PQDRs received from other activities.

33. NAVSHIPYDNORINST 4355.4L CH-1 Paragraph 5, Responsibilities, further stated that Shops, Codes, WPC, or JRC personnel who discovered the deficiency would: (1) designate individuals to be responsible for inputting MPRs; (2) ensure the control of nonconforming material; (3) control existing nonconforming material; and, (4) notify the originator of the ordered material to reorder when nonconforming material was rejected.

34. In February 2015, Code 136.3 formed a Learning Cell (Focus Group) to determine the scope and root cause of why Code 133 did not write an MPR as required for a piece of nonconforming QA Code 1, 2 or 3 material, and provide corrective actions (MIC-7). The complainant was a member of the Learning Cell.

35. The Learning Cell recommended that Code 133 write “reject material” on the Deficiency Report (DR) for QA Code 1, 2 and 3 materials to alert the engineer who processes the DR that an MPR must be written. The MPR would ensure that the material was referred to the QA

Department for further quality investigation.<sup>19</sup> This process would allow engineers to discover nonconforming QA 1, 2 and 3 materials and quarantine the rejected material to remove it from the supply stream. Code 133 agreed with the recommendation to write “reject material” on the DR to ensure an MPR would be written for QA Code 1, 2 and 3 materials.

36. On 13 February 2015, Code 136.3 Technical Support Branch Head sent Code 200 the response to the 2014 NAVSEA Functional Audit. The memorandum stated that the scope of the problem (MIC-7) was knowledge and awareness of the MPR process throughout NNSY. The memorandum further noted that the root cause of MIC-7 was that no training on the MPR process was conducted as part of new project training. It also noted that some waterfront personnel may not have been aware or trained on the MPR process; therefore, training and awareness on responsibilities for MPR reporting needed to be bolstered to ensure compliance. The Code 136.3 Learning Cell recommended the following corrective and preventive actions:

- a. Modify the MPR form to allow attachments (recommendation implemented on or about 9 February 2015).
- b. Increase awareness of the MPR process throughout the shipyard through articles in shipyard publications and information monitors (first article issued on or about 10 February 2015).
- c. Ensure MPRs are generated immediately upon identifying non-conforming materials during receipt inspection (on 6 April 2015, Code 200 reviewed how Code 133 handled MPR generation with direction from Code 224 (engineer adds statement to “initiate MPR” on receipt inspection).<sup>20</sup>
- d. Ensure training is conducted (on 26 June 2015, Code 136.3 conducted training for Joint Readiness Centers (JRC) when requested by the Projects). In addition, it was also made known that training was available online via the DMTS.<sup>21</sup>

37. The Learning Cell further recommended that the waterfront QA Code 4 material inspection process be revised as well to clarify waterfront procedures, and that the waterfront also write “reject material” on the DF to alert the waterfront engineer that an MPR must be written when a mechanic discovers deficient material during the QA Code 4 user inspection. This process would guarantee that an MPR would be written for QA Code 4 nonconforming material. The complainant stated Code 200 did not implement this process for the waterfront, and only revised the requirements. The complainant asserted the revised instructions did not tell the mechanic

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<sup>19</sup> NAVSHIPYDNORINST 4355.4L CH-3 states that “a Quality Investigation is a comprehensive investigation conducted by the action/support activity to determine whether the reported unsatisfactory material was repaired, manufactured, or tested in conformance to required contractual requirements and, if applicable, quality controls are adequate to ensure conformance. Corrective and preventive actions will be initiated when inadequacies are identified for all QA Code materials. Actions could include removal of materials from warehouses and prevent the ordering of deficient parts before material issues are corrected. QA processes also enable Navy-wide alerts for material issues so that others shipyards in receipt of nonconforming material can remove it from supply stocks.”

<sup>20</sup> IPI 0410-451A CH-1 dated 27 May 2016, was revised to state that the individual who discovers nonconforming material is responsible for reporting it by initiating an MPR.

<sup>21</sup> DMTS is a local database used at NNSY to support entry of the MPRs.

what type of deficient material qualified as nonconforming material and how to initiate the MPR process.<sup>22</sup>

38. The complainant was not satisfied with the waterfront material inspection process and asserted that waterfront mechanics were not able to determine if material was nonconforming, which was the genesis of the complainant's concerns.

39. The waterfront material inspection process begins when the mechanic is issued material in a kit, which includes a technical work document. It is the mechanic's responsibility to unpack and conduct a QA Code 4 inspection of the material. The QA Code 4 inspection is conducted to determine if the material meets the requirements of the material specified on the technical work document. If it meets the requirements on the technical work document, the material is installed. If the material does not meet the specifications on the technical work document, the material cannot be installed and the mechanic notifies his/her chain of command, which initiates the MPR process.

40. The NNSY expects waterfront mechanics to perform the QA Code 4 inspection and confidently believes that waterfront mechanics are in the best position to start the MPR process for QA Code 4 material inspections.

41. The complainant wanted the QA Code 4 material inspection process to mirror QA Code 1, 2, and 3 material inspection processes, because there would be a requirement to formally codify the MPR number that would ensure that the MPR information was entered into DMTS. Code 220 evaluated whether the waterfront could inspect QA Code 4 material issues the same as QA Code 1, 2 and 3 materials, but concluded the proposal was not workable because Code 220 did not have an engineer available at the waterfront to inspect every piece of QA Code 4 material prior to installation.<sup>23</sup>

42. The NNSY takes the position that waterfront mechanics are professional shipyard mechanics who are capable of identifying nonconforming material based on their training and the direction provided via NAVSHIPYDNORINST 4355.4L. Waterfront mechanics have the ability to discern whether or not material is good for installation. Code 220 determined that training and clarification of instructions would remove any ambiguity in the MPR process.

43. On 12 May 2015, IPI 0410-451 CH-1, Material Management (Non-Nuclear) High Level, was cancelled and replaced with IPI 0410-451A. The revised instruction updated content, responsibilities, and incorporated previously recommended changes.<sup>24</sup>

44. On 24 August 2015, the complainant submitted a Hotline complaint to the NNSY Command Evaluation and Review Office (CERO). He alleged that Code 200 did not have a process to

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<sup>22</sup> The complainant was not aware that IPI 0410-451A CH-1 was updated to change "Defective Material" with "Nonconforming Material" to remove any ambiguity as to what type of material qualified as nonconforming material. All defective material is now considered nonconforming material.

<sup>23</sup> Code 200 Job Planning Guide (JPG), Appendix-T, states QA Code 4 material does not require a technical inspection.

<sup>24</sup> IPI 0410-451A did not amend the material management process as previously outlined in IPI 0410-451 CH-1.

ensure nonconforming material was documented on an MPR as required by IPI 0410-451A. On 4 December 2015, the Code 200 Director sent a memorandum to the NNSY CERO that stated Code 200 completed an investigation into the alleged failure to follow IPI 0410-451A. Code 136.3 reviewed 1,691 TWDs to determine if MPRs were created for nonconforming material. The review concluded no deficient material problems were found that were not documented or reported on an MPR. However, the review did discover a single instance of non-compliance with NAVSHIPYDNORINST 4355.4L. The discovered instance was the same instance as found during the NAVSEA Functional Audit (Finding MIC-7).

45. On 17 September 2015, the Code 220 Department Head sent an email that stated Code 136 had an audit card (MIC-7) to answer and Code 200 needed a comprehensive plan for fixing MPRs. The e-mail provided a Plan of Actions and Milestones (POAM). The POAM included:

- (1) Send proposed changes to NAVSHIPYDNORINST 4355.4L. Estimate Completion Date (ECD) 2 October 2015.
- (2) Code 136 provide a “bridging action” until NAVSHIPYDNORINST 4355.4L is issued and a memorandum to introduce and implement the new process. ECD 16 October 2015.
- (3) Code 900T issue one-time production training bulletin on the new requirements based on the Code 136 memo. ECD 23 October 2015.
- (4) Code 300.1 incorporate requirements for production training mechanic discovery of nonconforming material in the execution process. ECD 30 October 2015.
- (5) Code 1102 issue 4355.4L CH-3 to incorporate process changes. ECD 30 November 2015.
- (6) Code 900T incorporate Non-Nuclear Execution Process (NNEP) requirements for production mechanic discovery of nonconforming material into NNEP Course. ECD 30 November 2015.

46. On 16 November 2015, the Code 136.3 Technical Support Branch Head issued a training bulletin<sup>25</sup> emphasizing the importance of deficient material reporting per requirements of NAVSHIPYDNORINST 4355.4L. The bulletin outlined shop supervisor and mechanics responsibilities upon discovery of nonconforming material.

47. On 23 November 2015, NAVSHIPYDNORINST 4355.4L CH-2 was cancelled and replaced with NAVSHIPYDNORINST 4355.4L CH-3. The change updated the responsibilities of the MPR Initiator and the MPR initiation requirements for projects utilizing a JRC or any other similar or equivalent “material procurement and distribution” process. This requirement was previously mandated for Shops, Codes, and Work Packaging personnel who discovered

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<sup>25</sup> The training bulletin served as the “bridging action” to introduce and implement the new process until NAVSHIPYDNORINST 4355.4L CH-3 was issued on 23 November 2015.

nonconforming material. Paragraph 5, Responsibilities, Section “b” was specifically revised to state, “The individual who discovers nonconforming material is responsible for reporting it.”

48. NAVSHIPYDNORINST 4355.4L CH-3 further stated that the nonconforming material discoverer will personally input the MPR according to the enclosure or will initiate the MPR input process according to notification procedure. The notification procedure for work performed in-yard at NNSY is to notify Code 900 JRC personnel (for waterfront work) of the nonconforming material item; Code 900 JRC or Shop Planner will assist with input of the MPR. Notification shall include turn-in of the nonconforming material, packaging with all associated paperwork, and the following information at a minimum: project, job order, key op, supervisor’s name, phone number, and brief narrative of the nonconformance requiring resolution.

49. On 12 January 2016, NNSY Operations Notice (OPSNOTE) 4700.2 Revision 4 (REV 4), was revised to update the Non-Nuclear execution process in accordance with NNSY Technical Work Documents. Specifically, the revision updated the mechanics responsibilities when nonconforming material is discovered to coincide with the updated responsibilities identified in NAVSHIPYDNORINST 4355.4L CH-3, which was issued on 23 November 2015.

50. On 27 May 2016, IPI 0410-451A was cancelled, and replaced with IPI 0410-451A CH-1. The revised instruction incorporated the requirements of NAVSHIPYDNORINST 4355.4L CH-3 that was issued on 23 November 2015. The updates included changes to the Nonconforming Material Process, Section 6.2.4. Figures 6.2.4A – Nonconforming Material Process (Part A) and 6.2.4B – Nonconforming Material Process (Part B) were updated to coincide with the changes made in Section 6.2.4. The update included changing the terminology from “Defective Material Process” to “Nonconforming Material Process.”<sup>26</sup>

51. IPI 0410-451A CH-1 was updated to state if material is found to be nonconforming after it has been issued in MAT, the individual who discovers nonconforming material is responsible for reporting it by initiating an MPR. Notification shall be made to Code 900 JRC (for in-yard waterfront work) who will input the MPR with information provided by the discoverer. Notification shall include turn-in of the nonconforming material, packaging with all associated paperwork, and the following information at a minimum: project, job order, key op, supervisor’s name, phone number, and brief narrative of the nonconformance requiring resolution.

52. The revised IPI 0410-451A CH-1 further states that the Tech Code will work to solve immediate material problems by call out or expediting replacement material. Technical material problems (such as material substitutions) shall be formally documented via Deficiency Form DL or DR.

53. IPI 0410-451A CH-1 adds that the MPR Type (either Quality Deficiency or Discrepant Material) is determined during MPR input. Hardcopies of MPRs noted as Quality Deficiencies will be forwarded by JRC or Shop Planner or WPC as applicable to Code 136.3 along with

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<sup>26</sup> One of the complainant’s concerns was that the instructions did not tell the mechanic what type of deficient material qualified as nonconforming material and how to initiate the MPR process. The updated IPI 0410-451 replaced “Defective Material” with “Nonconforming Material” to remove any ambiguity as to what type of material qualified as nonconforming material. All defective material is now considered nonconforming.

supporting documentation. Hardcopies of MPRs noted as Discrepant Material (non-quality problems) such as shortages, shipping of wrong items, and overages will be forwarded by JRC or Shop Planner or WPC personnel (as applicable) to Defense Logistics Agency-Distribution Portsmouth, Virginia (DLA-DIST PV) Supply Discrepancy Report (SDR) clerk with supporting documentation.

54. IPI 0410-451A CH-1 states that if it is determined that the nonconforming material was issued out of Mission Support Material (MSM), Code 900 JRC or Shop Planner or Work Packaging Control (WPC) (as applicable) will ensure that it is tagged with MPR tag and routed back to MSM along with a hardcopy of the MPR accordingly. Material not issued from MSM will be tagged with an MPR tag and delivered to DLA-DIST PV for disposition within three days of discovery of the problem. When the problem is found not to be a Quality Deficiency but is a Discrepant Material issue, Code 136.3 will forward the MPR to DLA-DIST PV to initiate an SDR.

55. IPI 0410-451A CH-1 states that SDR's will be issued by DLA-DIST PV on MPRs noted to be Discrepant Material issued in MAT. DLA-DIST PV will update the DMTS, review SDR responses and close out SDR's providing disposition for material as applicable. MAT must be updated after disposition of SDR Material. Once the response is received and is deemed adequate, Code 136.3 will close the PQDR providing disposition for material and update the DMTS. MAT must be updated after disposition of PQDR Material.

56. IPI 0410-451A CH-1 further states that NAVSEA Logistics Center Detachment Portsmouth will include the closed PQDRs and SDR information to populate vendor history as Past Performance Information Retrieval System (PPIRS) rating in the Product Data Reporting and Evaluation Program, Automated Information System (PDREP AIS) Program.

57. The revisions to NAVSHIPYDNORINST 4355.4L CH-3 were a result of Learning Cell input and subsequent Code 200 evaluation of the instruction. As now written, NAVSHIPYDNORINST 4355.4L CH-3 does set forth the requirements for the entire process.

58. The updates to NAVSHIPYDNORINST 4355.4L CH-3 were incidental to Audit Finding MIC-7. MIC-7 identified a discrepancy in Code 133, not the waterfront. However, as the Learning Cell reviewed processes to identify the root cause of MIC-7, the team members determined that the waterfront process lacked clarity. The lack of clarity for waterfront processes was a self-identified weakness that was recognized and fixed.

59. During the Learning Cell, the complainant encouraged Code 200 to take a hard look at waterfront processes. Although Code 200 did not implement the complainant's specific proposal to mirror the process used for QA Codes 1-3, his efforts to improve the process caused Code 200 to take a deeper look at waterfront processes. The updates to NAVSHIPYDNORINST 4355.4L CH-3 were due, in large part, to the complainant's insistence for more clarity. The resulting changes made the instructions stronger, and the complainant was a catalyst for those changes.

60. On 2 September 2016, the complainant had a meeting with the NNSY Commander, the Code 220 Department Head, and the Director, Navy Systems Support Group (NSSG), NAVSEA, to discuss the definition of nonconforming material. During the meeting, the Code 220 Director

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explained to the complainant that Code 200 considered any material that stopped a waterfront job as nonconforming material. During his interview, the complainant told the investigator that since Code 200 considered any material that stopped a job on the waterfront as nonconforming material, his concern regarding a mechanic's ability to identify nonconforming material was no longer an issue because the revised Code 200 process requires initiation of an MPR.

61. On 15 September 2016, the complainant sent an e-mail to the NAVINSGEN IO that stated he was satisfied that Code 200 was now capturing nonconforming QA Code 4 material problems on the waterfront. He further stated that NNSY explained its process to resolve his concern that Code 200 lacked a codified waterfront process.

### **Discussion and Analysis**

62. We concluded Allegation One was not substantiated because we found that both before and after the 2014 NAVSEA Functional audit, Code 200 had a codified waterfront process that ensured the capture and documentation of nonconforming materials when discovered. Nonetheless, we found that on 27 May 2016, IPI 0410-451A CH-1 was revised with updated content, responsibilities, and recommended changes to include the Nonconforming Material Process and these changes were due, in significant part, to the complainant's efforts. Specifically, IPI 0410-451A CH-1 was revised to state if material is found to be nonconforming after it has been issued in MAT, the individual who discovers the nonconforming material is responsible for reporting it by initiating an MPR.

63. The requirement to initiate an MPR for nonconforming QA Code 4 material is not a new requirement, but having the discoverer initiate the MPR vice Code 225 is a new process as outlined in 27 May 2016 revision of IPI 0410-451A CH-1. Prior to the update, once material had been issued in MAT and a problem was found, the mechanic was responsible for attaching a DL or DR and returning the material to WPC, but Code 225 was responsible initiating the MPR process, not the discoverer. The updated process requires the discoverer of nonconforming QA Code 4 material to initiate the MPR by providing the information directly to JRC or Shop Planner to guarantee that an MPR is written. The updated process places more ownership on the discoverer to ensure the MPR process is performed.

64. In addition, even before the 2014 audit, NAVSHIPYDNORINST 4355.4L required the identification and control of nonconforming material undergoing receipt inspection, and upon issuance from supply. NAVSHIPYDNORINST 4355.4L was applicable for the identification and control of non-nuclear nonconforming material, regardless of code number, cost, procurement source, or quality condition.

65. Although NNSY did not implement the recommendations of the complainant, the revisions to NNSY instructions were based on the recommendations of the complainant and the Learning Cell. The complainant's insistence and efforts caused NNSY to review the QA Code 4 material inspection process, and his influence was the catalyst for revising waterfront processes. The complainant was not aware of the updated instructions until 2 September 2016, at which time he agreed the revised instructions addressed his concerns.

### **Conclusion**

66. The allegation that Norfolk Naval Shipyard Code 200 lacked a codified waterfront process that ensured the capture and documentation of nonconforming QA Code 4 materials when discovered, in violation of Navy Shipyard Norfolk Instruction (NAVSHIPYDNORINST) 4355.4, Nonconforming Material (Non-Nuclear), and Industrial Process Instruction (IPI) 0410-451A, Material Management, (Non-Nuclear) High Level, is **not substantiated**.

### **Recommendations**

67. None

### **Actions Taken**

68. In February 2015, Code 136.3 formed a Learning Cell to determine the root cause of finding MIC-7.

69. On 9 February 2015, the MPR Form for QA Code 1, 2, and 3 was modified to allow attachments.

70. On 10 February 2015, NNSY increased awareness of the MPR process throughout the shipyard through articles in shipyard publications and information monitors.

71. On 6 April 2015, Code 200 reviewed how Code 133 (QA Code 1, 2 and 3) handled MPR generation with direction from Code 224 (Engineer adds statement to “initiate MPR” on receipt inspection).

72. On 26 June 2015, Code 136.3 conducted training for Joint Readiness Centers (JRC). Code 136.3 also made it known that training was available online via the DMTS.

73. On 16 November 2015, Code 136.3 Technical Support Branch Head issued a training bulletin emphasizing the importance of deficient material reporting per requirements of NAVSHIPYDNORINST 4355.4L. The bulletin outlined shop supervisor and mechanics responsibilities upon discovering nonconforming material.

74. On 23 November 2015, NAVSHIPYDNORINST 4355.4L CH-2 was cancelled and replaced with NAVSHIPYDNORINST 4355.4L CH-3. The change updated the responsibilities of the MPR Initiator and the MPR initiation requirements for projects utilizing a Job Readiness Cell or any other similar or equivalent “material procurement and distribution” process. This requirement was previously mandated for Shops, Codes and Work Packaging personnel who discovered nonconforming material. Paragraph 5, Responsibilities, Section “b” specifically stated that “The individual who discovers nonconforming material is responsible for reporting it.”

75. On 12 January 2016, NNSY Operations Notice (OPSNOTE) 4700.2 Revision 4 (REV 4), was revised to update the Non-Nuclear execution process in accordance with NNSY Technical Work Documents. Specifically, the revision updated the mechanics responsibilities when

nonconforming material is discovered to coincide with the updated responsibilities identified in NAVSHIPYDNORINST 4355.4L CH-3 that was issued on 23 November 2015.

76. On 27 May 2016, IPI 0410-451A was cancelled, and replaced with IPI 0410-451A CH-1. The revised instruction incorporated the requirements of NAVSHIPYDNORINST 4355.4L CH-3 that was issued on 23 November 2015. The updates included changes to the Nonconforming Material Process, Section 6.2.4. Figures 6.2.4A – Nonconforming Material Process (Part A) and 6.2.4B – Nonconforming Material Process (Part B) were updated to coincide with the changes made in Section 6.2.4.

#### **Actions Planned**

77. None.

#### **Personnel Actions Taken**

78. None.

**Appendix A – Reference Documents**

The Reference Documents are not included in the Public Release version of this report.

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**Appendix B – Witness List**

1. The complainant, by telephone
2. Code 220 Department Head, NNSY, by telephone

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**Appendix C – Consolidated List of Recommendations**

**Allegation One Recommendations**

1. None.