Compliance Audits, Common Issues Identified

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All Ohio Meeting
August 10, 2017
Auditing Perspectives

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Objectives

- Define pros and cons of internal vs. external EHS audits
- Audit Protocol Best Practices
- Open forum discussion: What are your auditing issues?
Audit Philosophy

“When you cannot see what is happening, do not stare harder. Relax and look gently with your inner eye.”

- Lao Tzu
Important Definitions

**Audit** /ˈɑːdət/  
*Systematic, independent, and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled.*

**Audit Criteria**
- Policies, procedures or requirements used as a reference against which audit evidence is compared.

**Audit Evidence**
- Records, statements or fact or other information relevant to the audit criteria and verifiable.

**Audit Findings**
- Results of the evaluation of the collected audit evidence against audit criteria.

**Audit Scope**
- Extent and boundaries of an audit.
Principles of Auditing

- Integrity
- Competency
- Fairness
- Professional Care
- Confidentiality
- Independence
- Evidence-Based – Approach

An audit should be an open and honest process where everyone can learn something new toward doing a better job.
Important Considerations

Auditors must stay current:

- Keep up with changing and newly developed regulations and regulatory interpretations
- Keep up with changing enforcement criteria and priorities
- Professional development
- Be prepared!
- Work hard during each site visit – this is where the rubber hits the road.
Auditors

- The average auditor is a compliance professional – internal or external. They typically:
  - Apply what they know from their personal compliance experience, i.e., a discrete set of regulations applied to a discrete set of recognized conditions; and
  - Provide a basic review of programs within their area of expertise.

- A professional auditor... audits most of the time. They avoid conflicts of interest, e.g., doing both auditing and compliance projects for the same company / plant.
  - Auditing your own work creates conflicts.
Ok……Should I Use Internal or External Auditors?

- Let’s look at the pros and cons……………..
Internal Auditor “Pros”

- Auditors can be a management instrument in implementing procedures and programs.
- Auditors have a better idea how your particular business runs and how EHS requirements interact.
- Auditors have more flexibility in responding to issues and corrective actions.
- Auditors have flexibility in “segmenting” the audits to coordinate with operations minimizing disruption.
Internal Auditor “Cons”

- Auditors may not have experience conducting EHS audits.
- Internal audit reports are not always accepted by shareholders and/or legal.
- Audits may be biased.
- Increased chance of error or missing crucial EHS details.
- Priority may not be given to conducting the audit.
- Internal conflict may arise.
External Auditor “Pros”

- Auditors tend to be professionally trained, educated, certified in EHS.
- Audit reports are accepted by shareholders and/or legal.
- Audits are non-biased.
- Increased chance of identifying crucial EHS details.
- Priority is given to conducting the audit.
- Internal conflicts are not applicable -”blame it on the external auditor.”
- Auditors can benchmark your facility against others; identifying best practices, efficiency, contacts.
External Auditor “Cons”

- Organization must allocate management staff, time and expense.
- Auditor may not understand your operation.
- Lack of freedom to execute corrective actions.
- Conflict may arise from being an “outsider.”
Systems vs. Compliance Audits

- I have ISO 14001 and OHSAS 18001 Certifications.....I’m good right?
Going Back……Should I Use Internal or External Auditors?

- BOTH?

- You can be blinded if you only rely on internal audits –
  - Tunnel vision
  - Repetition
  - Depth
  - False sense of security

- It can be dangerous to rely on only external audits
  - Reduced audit frequency (more time to fall into bad habits)
  - Plenty of time to fix
  - Disappointing - so may issues

- A strong audit program requires short and long term goals and a strategy to achieve them.
An Effective Audit Process
Starts With Understanding Effective Governance

1st line of defense - Operations

- Function and line management have day-to-day responsibility for operationalizing risk management and internal control (e.g. dashboards, self-assessments, plan-do-check-act, and general management oversight activities) as guided by regulatory obligations and corporate policy.

2nd line of defense - Oversight

- Risk management and compliance functions are responsible for establishing standards and monitoring performance to ensure the effectiveness of management’s first line responsibilities.

3rd line of defense - Audit

- External audit is responsible for providing objective assurance and advice on governance, risk and compliance across all activities.

As data integrity increases, the various levels and functions across the organization can place higher and higher reliance upon the data.

Actively engaged leadership sets clear “tone at the top” which helps establish a culture of compliance by supporting, validating, and monitoring the effectiveness of 3 lines of defense.

Source: IIA 3 Lines of Defense 2013
Business Significance and Related Risks

When internal audit is also responsible for second line of defense functions, e.g., risk identification and compliance support …

• Are safeguards in place to protect independence and objectivity?
• Are these safeguards are operating effectively? Routine validation.
State and Local Requirements

- State and local requirements must be addressed for a complete and thorough audit
- Many state and local jurisdictions have differences from federal rules
- Preparation is the key to becoming familiar with the differences
- Most states have their rules on their websites
- Finding local rules can be a little more difficult
State and Local Differences

Examples of Differences:

- Air rules often differ state-to-state … at least somewhat:
  - Permit exemptions, insignificant / trivial sources
  - Permits by rule vs PTI / PTO concepts
  - How should your cold clean (parts washer be labeled)
  - Emergency generator management
  - Open burning permits / notices (fire training)
  - Not to mention permit conditions, themselves

- Wastewater ordinances – always some variation (chemical / oil limits)

- Infectious / medical waste – always state / local variations
  - From little to no regulation to fairly complex regulation
  - Size considerations
  - Registration / permitting
  - Generation / conditions / languages
  - Storage periods / security
State and Local Differences

Examples of Differences:

- **Universal waste:**
  - Federal approach to adding paint, aerosols, electronics? TX, CA, others
  - Label language – MI really cares / IN doesn’t

- **Hazardous waste**
  - New federal generator standards – Immediately effective in MO
  - Satellite container labeling and management

- **Chemical inventory reporting differences – 500 lbs vs 10,000**

- **Illinois – Heating oil USTs are not exempt**

- **Pennsylvania – here waste oil really is called “waste oil.”**

- **California – nearly everything is a hazardous waste, creates air pollution, needs to be reported, and is covered in a variety of regulations administered at various levels of government and aren’t so easy to find.**
Performing an Audit – or Managing an H&S Program

- Introduction
- Initiation
- Preparing Audit Activities
- Performing the Audit
- The Audit Report
- Completing the Audit
- Audit Follow-up
External Audit Process

**Confidentiality.** All field notes and reports should be marked with appropriate confidentiality statements and environmental audit privilege language.

**Pre-Audit Preparation.** To save time and expense, and to improve efficiency, review permits, plans, written programs, and a few example reports, etc. before the site visit.

**Opening Meeting.** The opening meeting introduces the auditors and facility staff. It is designed to describe the process and ensure that all expectations are understood and will be met during the audit. 15 – 30 minutes and should be attended by facility management, EHS staff, and any other personnel deemed necessary to the audit process.
External Audit Process

**Table-Top Review.** After the opening meeting, facility EHS staff briefly review manufacturing and ancillary operations through the use of facility drawings. This review usually lasts 15 - 30 minutes.

**Facility Tour.** Facility personnel lead the auditors through the facility, ancillary operations, and outside the facility, so they can observe equipment, operations, and practices. This tour typically requires one-half to one day. Interviews may be conducted during the tour.

**Document Review.** After the site tour is completed, the auditors review required EHS documents; permits, plans, monitoring and inspection records, and required reports.
GS HEALTH & SAFETY COMPLIANCE CHECKLIST

Bloodborne Pathogens: **29 CFR 1910.1030**

### Interpretation / Detail

**Checklist: Bloodborne Pathogens**

#### Exposure Control Plans

<table>
<thead>
<tr>
<th>Citation</th>
<th>Requirement</th>
<th>Status</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(c)(1)</td>
<td>Are any employees potentially exposed to bloodborne pathogens?</td>
<td>Unsure</td>
<td>unsure</td>
</tr>
<tr>
<td></td>
<td>If &quot;No&quot; STOP. Otherwise, continue.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Additional Comments:**
  - "Occupational exposure" means reasonably anticipated skin, eye, mucous membrane, or parenteral contact with blood or other potentially infectious materials that may result from the performance of an employee's duties. (29 CFR 1910.1030(c)). Consequently, one or more employees in almost every workplace will be subject to this standard.

**Regulatory Links**

- Can Respond "unsure"

**Interpretation / Detail**

- **(c)(1)(d):** Does the Exposure Control Plan contain a written Exposure Control Plan?
- **(c)(1)(e):** Does the Exposure Control Plan contain an exposure determination including ALL of the following elements:
  - A list of all job classifications in which ALL employees are exposed
  - A list of all job classifications in which SOME employees are exposed, AND
  - A list of all tasks and procedures that result in exposure for those employees who are sometimes exposed.
- **(c)(1)(g):** Does the Exposure Control Plan contain a schedule AND method to implement compliance methods including:
  - Yes
  - No
  - N/A
  - Unsure

**Additional Comments:**

- Compliance methods are described in more detail under 29 CFR 1910.1030(b) requirements below.
Audit Process and Approach

**End-of-Day Meetings.** At the end of each day, auditors should provide an update as to deficiencies (findings), concerns (potential problems), and observations. This should be done to ensure that the facts are correct, to bolster everyone’s understanding of the issues, to avoid surprises, and to provide the best opportunity for facility personnel to provide available documents and discussions that might refute or correct our concerns.

**Closing Meeting.** A closing meeting should be held to summarize the primary findings, and to provide facility management with an overall conclusion about the audit. This meeting normally takes about 30 minutes and is typically attended by the same people who attended the opening meeting.

**Audit Report.** Audit report should be provided to the facility as soon as possible. How about on the last day? The next?
Surviving an Audit and Staying Sane

Air & Waste Management Association
All Ohio Meeting
August 10, 2017

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Image from https://www.youtube.com/watch?v=JTWHkKDJ6Ws
I DO NOT ENDORSE THE VIDEO, just liked the image

▶ Other disclaimers…
  ◦ Based on personal experience only, no research/data
    • Facility engineer
    • Corporate engineer/audit manager
    • State agency inspector
    • International EHST auditor
    • Consultant for audit prep
Be “Audit Ready”

- Know applicable requirements
  - Regulations
  - Permit Conditions (including General Conditions)
  - Corporate programs
- Record logic for exemptions/exclusions
- FOLLOW whatever systems are claimed
  - Recordkeeping
    - Inspections, calibrations, maintenance, QA/QC
  - Training
- Share the joy
  - Communicate/coordinate

http://www.morismu.com/audit-and-assurance.html
Planning/Scheduling Audit

- Your main objective =
  - Get auditors out as quickly as possible, satisfied that you’re on top of things.
- Confirm scope
- Review previous findings
- Assemble documentation
  - (or identify where it is)
  - Clarify confidentiality/access issues
- Identify others who will need to be involved
  - Communicate/coordinate

Audit Logistics

- Conference room
  - Projectors
  - Electrical outlets / power strips
    - Tape them down
  - Internet access
- Food/CAFFEINE
  - Check what is acceptable
- Security/PPE/photography/copy/ split sample requirements
- Reserve car(s) if needed for tour
- Sleep, vitamin C, protein, *exercise*
During Audit

- Answer the auditor’s question
  - Get clarification if needed
    - Answer the question they’re really asking
  - Don’t get on tangent(s)
  - Get data ASAP

- Remember your objective
- Try to stay “objective”
Confirm facts
  ◦ Qualifier for any opinions

Seek recommendations that
  ◦ Focus on “what”, not “how”
  ◦ Cite the applicable requirement
  ◦ Give due dates for **formulating the corrective action plan**
    • Sometimes the “problem” is actually due to a different root cause than assumed

http://www.wikihow.com/Write-an-Audit-Report
Corrective Action

- ASAP for clear-cut findings
- Assemble stakeholder team for more complex findings
- Institutionalize all “fixes”
  - Prevent recurrence
  - Revise procedures, retrain
- Validate “long term” effectiveness
  - Maybe 6+ months after the fix

https://jacobysolutions.com/core-audit/
http://dcleadboot.deviantart.com/favourites/48031899/Pinky-and-the-Brain

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Open Forum

- What’s your experience with internal vs. external EHS audits?
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