

Planning and Conducting EHS Audits: A Critical Component of Your Global Compliance Programs

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Introduction

Planning and conducting environmental health and safety (EHS) audits for a company or client's full range of operations can be a daunting undertaking.

These operations may include both domestic and international manufacturing plants, research and development labs, distribution centers, corporate aviation activities, and office complexes. Further, there may also be third party, or "Toller", manufacturers involved as well.

The planning strategy must incorporate a variety of considerations, including whether to formulate the process on compliance or system based issues. Other factors include emerging legislation, costs and availability of appropriate resources, identification of customers, frequency of audits, and confidentiality.

What is an EHS Audit?

The definition of an audit varies from one organization to another. To start with, an audit is referred to by a number of different terms. They include appraisal, survey, assessment, evaluation, and inspection. Whatever you call it, when conducted properly, it is a systematic and comprehensive evaluation of a company's compliance programs. Not just the current status, but over a period of time such as the past 2 years, 3 years, etc. It can be accomplished equally as effectively by either internal (company) or external (consultant) auditors. When the new American National Standards Institute (ANSI) Z10 standard became effective last year it contained the following definition of an audit:

"A systematic process for obtaining information and data and evaluating it objectively to determine the extent to which defined criteria are fulfilled."¹

Audits can be designed to evaluate either compliance or systems-based programs. Simply stated, a compliance based audit is driven by a specific government agency (OSHA or EPA, for example), company policies, facility written requirements and/or local facility Standard Operating Procedures (SOPs), in that order. Typically, the most stringent of these takes precedence.

¹ ANSI/AIHA, Z10 - Occupational Health and Safety Management Systems, 2005

A system based audit is more non-regulatory but necessary for a successful EHS program. This type of audit should include evaluating senior management's support and active participation (policy statement, staff meeting agenda item, etc.), employee participation (safety committees, "off-the-job" safety efforts, and so on) inspections and audits, training, contractor management, and emergency response programs. Some of these topical areas have regulatory implications, but collectively they are generally considered system based programs. The usual suspects in this type of audit are ISO 14001, OSHAS 18001 and the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP). With the advent of the ANSI Z10 standard there is now another option available to companies.

Determining whether the audit program should be compliance based or system based is typically a result of a company's philosophy and the maturity of the program. Costs and frequency of an audit are usually driven by a company's concern for being viewed as a good corporate citizen.

Audits are emotional exercises in most businesses. Those who have been on the receiving end know this. To be successful, the audit should address positive programs and activities (i.e., Best Practices), as well as program gaps, recommendations, findings, and local attention items. Another cornerstone for success is for the final report to be a clear and accurate evaluation of the overall EHS program and sent to the right people in the organization, including senior management.

The EHS Added Value Audit Process

The EHS added value audit process has been designed to support increased performance and results with unique financial benefits over the traditional audit. The added value process has three primary tenets: Recognition of all customers; Knowledge Transfer before, during, and after the audit; and Consistency and Quality throughout the process.

Identifying your Customers who should be involved in the EHS audit process and receipt of the final report is the first step of the process. Typically, candidates include all domestic and international facility managers, Risk Managers, EHS professionals of the facility being audited, business unit managers and company senior managers. All of these levels of management have a stake in the audit, and as such, the audit should be designed and conducted to fulfill each of their needs.

For confidentiality purposes, most EHS audits are done under attorney/client privilege and anyone on the distribution list must have a need to see the report. This can complicate the customer list and the exchange of information. Consequently, the distribution list for the final report should be large enough to include all the stakeholders but small enough to protect the privilege.

Knowledge Transfer includes an understanding of the responsibility to facilitate various activities as part of the team's audit duties including analyzing loss leaders for trends prior to conducting the audit, sharing and harvesting best practices during and after the audit, and using the guest auditor program as both a mentoring tool for team members during the audit and a means of distributing best practices between facilities.

Consistency and Quality are critical if your audit program is committed to delivering a high quality product consistently to those involved in the process. The best opportunity to accomplish this on a regular basis is through the use of web-based technology systems, including Aon Safetylogic.

The EHS added value audit process is divided into three-phases that take place over several weeks. Phases include the pre-audit, the on-site, and the post-audit phases. Each phase is distinct in its activities, and each subsequent phase can be viewed as a progression. Collectively, they make up the entire audit process and depend on each other in order for the audit to be successful. (See Diagram 1.)

EHS Added Value Audit Process

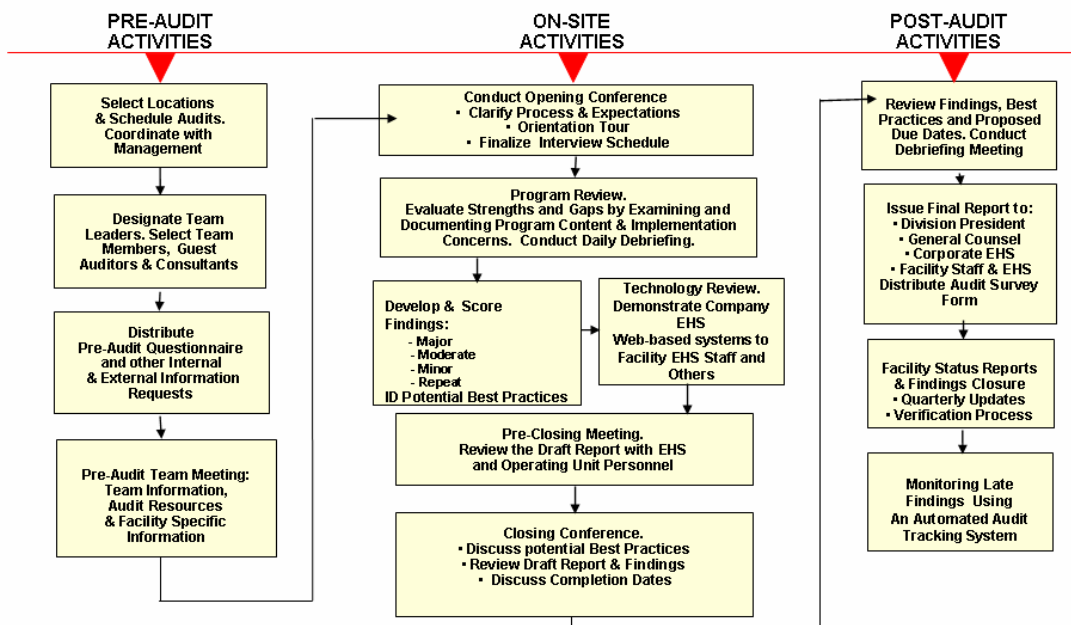


Diagram 1.

Pre-Audit Phase Activities

There are several essential pre-audit activities. These include developing a schedule, notifying the selected facilities, selecting teams for each audit and coordination with the sites prior to the audit. The use of a pre-audit questionnaire is a very valuable method of communicating with the facility to be audited before the audit and sharing the results with the team. Some of these activities are typically completed in the preceding year in order to allow both the facility and the team members to schedule the time necessary to conduct the audit. When all of the information has been received from the various sources, the Team Leader or Lead Auditor should conduct a team meeting to review everything from travel arrangements to specific team assignments. When the team is comfortable with their preparations, all of the final arrangements should be communicated with the facility to avoid any misunderstandings.

On-Site Phase Activities

On-site activities during the audit include: audit opening conference, an orientation tour, applicable program reviews (a two-step methodology), employee interviews, record reviews, daily debriefings, recommendations development (or findings), pre-closing conference with EHS personnel, and the closing conference with the full staff for the purpose of reviewing the draft report.

Post-Audit Phase Activities

Post audit activities are generally focused on finalizing the draft report, assisting the site in either developing the corrective action plan or approving it when submitted, and tracking all findings through to completion. Some form of verification of the closure activities is recommended.

Beginning the Audit

The Opening Conference

The opening conference is scheduled in advance and is held as early as possible on the first day of the audit. This is to advise the facility of the function of the corporate EHS department, in general, and the EHS audit process, in particular.

The team leader is generally responsible for conducting the team portion of the opening. The site managing director or a designated representative usually presents an overview of the site, processes, or services provided; EHS goals and objectives; changes since the last audit; significant environmental impacts; risk management programs; loss experience; any pending or outstanding regulatory issues; safety performance data; and status of any remaining open action items from prior audits. The purpose and contents of the audit process should be clearly communicated to the facility by the team leader during these proceedings.

The Facility Orientation Tour

It is strongly recommended that the audit team participates in an orientation tour with facility representatives prior to beginning the program reviews. The primary purpose is to observe facility infrastructure, briefly observe personnel performing their jobs, and identify areas that may require more in-depth review. It is always helpful to have a facility diagram and a means of recording observations during the tour. After the tour the team leader coordinates with the team and the appropriate facility staff to review the proposed audit agenda and finalize the interview and documentation review schedules.

EHS Program Reviews

Facilities are required to comply with: all applicable national, state, and local laws and regulations; company EHS policy and EHS guidelines; divisional policies; and locally developed SOPs. In order to verify that the facility has evaluated the EHS risks associated with its operations, and is in compliance, the EHS audit process uses a two-step approach. This is designed to review program content and implementation. The audit team will determine whether the facility has developed the appropriate written programs, policies, and/or procedures to address EHS risks and impacts. The team will also decide whether or not the programs are effectively implemented.

Team members use specially designed protocols (or checklists) to evaluate each applicable program. Protocols are available off the shelf, in hard copy or electronic versions for all states and

most countries, but can be costly. Unfortunately, they are often outdated before they get to the end user. Larger companies often develop their own protocols to be more specific not only to regulations, but also to company policies and procedures.

The purpose of gathering audit data is to develop an informed opinion as to the facility's compliance with performance requirements. In other words, do program gaps exist or not?

Generally, there is a protocol for each program reviewed (i.e., ground water, lockout/tagout, fire extinguishers, etc.). They are valuable tool during the program review. All observations are noted in specially designed working papers and are maintained until the final report is distributed.

◆ Program Content

Evaluating program content is the first step in the suggested two-step program review. The audit team evaluates all written programs for content and consistency with applicable requirements. The written program must, at a minimum, include all applicable elements of the corresponding requirements.

The appropriate company and/or regulatory EHS protocol for each topic is used to assist in the evaluation. Each written program should be reviewed prior to conducting implementation to ensure the team member understands the programs before making program observations in the facility.

◆ Program Implementation

Evaluating program implementation is the second step in the review. Various techniques used to accomplish this include interviews, observations, and document reviews.

Again, the program content review should take place prior to making any conclusions about implementation. Follow-up tours should be scheduled only after the program content has been thoroughly reviewed and the auditor understands the facility program.

Interviews with facility personnel are essential to understanding what is being done to implement and maintain facility programs. Interviews can be informal and can take place during tours or meetings. Training for auditors in proper interviewing techniques as a part of the team preparation usually is helpful in properly collecting and recording information and not disrupting operations in the process. There may also be times when bargaining unit considerations must be adhered to, if applicable.

A representative sample of records from all areas reviewed must also be evaluated. Records should be checked for accuracy, completeness, and timeliness. Sample size methodology must be applied. Reviewing medical records must be conducted by qualified personnel and under health care professional review, with confidentiality requirements observed.

The use of specially designed working papers is recommended as a means to document and to convey the basis for observations and conclusions so that a person reading the notes understands not just what the auditor learned, but why and how he/she learned it.

Best Practices

As a key part of the audit, team members should attempt to identify and share best practices. This helps focus on positive areas as well as those with room for improvement. Once identified and approved, best practices should be communicated internally to all company EHS professionals for consideration and use at other facilities. By doing so, EHS auditors become business supporters, not corporate policemen. Getting auditors into this business partner role and out of the “gotcha role” changes not only what they do, but who they will become. They should relentlessly transfer best practices from one facility and business to another throughout the organization.

Daily Debriefings

The audit team should strive to maintain ongoing and frequent communication with facility staff. Team members should frequently discuss the audit status and note any observations, concerns, possible program gaps, and potential best practices. Debriefings are generally held at the end of each day and generally last for 30 to 45 minutes. They may become longer as the audit progresses and the number of potential findings begins to increase, for example.

Developing Findings

During the audit, team members will begin to identify gaps or deficiencies leading to findings. It's important to develop draft findings when gaps are first identified. Findings are written for identified program content and implementation gaps, including potential non-compliance with laws, regulations, corporate EHS policies, division policies, and facility SOPs.

Citations used for justifying findings can include federal, state and local regulatory requirements, company policy, and facility standard operation procedures (SOPs). Other consensus standards providing citations might include NFPA, ACGIH, and ANSI.

Findings and Recommendations should be written in a clear and concise manner to ensure that the readers, whether they are an EHS professional or an operations manager, understand them.

The team leader and team members are responsible for justifying all findings. To do so systematically and quantifiably, each member must document program content and implementation gaps noted during audit. Also, when identifying a gap, the auditor must cite the appropriate regulatory, company, or facility requirement for which the gap is noted. This helps facilitate time management during the draft preparation phase.

The Closing Conference

This conference is designed to review the audit process and draft report with site management and EHS personnel. The team leader will summarize the activities during the audit process and review the written draft audit report in detail. The auditor responsible for each finding will discuss that item and answer questions. The team leader ensures the findings are clear and accurate and that the facility understands the requirements necessary to close each one.

The Team Leader should also highlight potential best practices and positive improvements since the last audit. Possible solutions to findings may be explored during the closing conference; however, detailed engineering and problem solving should be avoided as they would be too time consuming. Offers of future consultative services, contacts within and outside the company, and corporate/division support systems will be provided to whatever extent possible.

At the conclusion of the conference, the team leader should have outlined the process for establishing completion dates for all findings identified and considerations that the site should include in the closure planning process.

Guest Auditors

Guest auditors are periodically invited to participate in the EHS audit program. They are selected based upon a combination of technical and interpersonal skills and recommendations from the business and corporate EHS, as well as mutual interest from potential guest auditors. Guest Auditors should be expected to assume a role in the audit to include the program evaluation process and the development of the draft report.

Using Technology Tools

As previously stated, the use of technology in the added value audit process provides an excellent platform to facilitate quality in the process and data integrity for reporting. The Aon Safetylogic online audit module is a comprehensive tracking and reporting system that provides a “centralized” platform required for consistent audit data input and analysis for each audit conducted across multiple and decentralized client locations.

Upon submission of an audit either online or using Aon Safetylogic’s wireless technology, a client’s audit data becomes instantly available for analysis and roll up reporting of leading indicator exposures. Reporting options can range from question and section weighting and scoring, compliance scoring, and/or custom reporting for each audit and location. E-mail notification triggers can be generated to designated client personnel when audit results come back below pre-determined compliance scores.

Recommendations for developing a corrective action plan can be automatically generated whenever there is a non-preferred response to a question and will be tracked by individual location audit through resolution of the agreed upon actions and timelines. (Diagram 2)

EHS Audit Technology Model



Diagram 2.

Safetylogic Key Features and Benefits

The Aon Safetylogic audit module provides a robust engine for organizations to manage virtually any type of audit whether it is compliance based or systems based. Some of the key features and benefits to the system include:

- Web-Enabled Audits – Aon can web-enable your audit content to run on our system and PDA/Tablet PC Compatible using Aon’s Safetylogic’s proprietary technology.
- Multiple Audit Formats - The system supports multiple formats and question types including: Weighting & Scoring, Yes/No, Yes/No/Not Sure/Not Applicable, multiple choice, radio buttons, check boxes, short answer, long answer, and more. Each question can have “Preferred Answer” and a “Non-Preferred Answer”.
- Automatically Generates Recommendations for Corrective Action – When a non-preferred answer is selected and tracks all findings through to agreed upon resolution. This enhances the reach of client risk control personnel while raising the bar of accountability at client site locations.
- E-mail notification triggers – Can be tied to action items and non-compliant audits
- Pre-Qualifying Questions – Allows locations to only see questions that are relevant to their operations.
- Custom Reports and/or Roll-up Reporting – Created and scheduled for e-mail distribution including both executive summaries and drill-down reports. These can include compliance status, trends and comparisons, and corrective action plan tracking.
- Resource Library & Distribution – Is used as a central repository for a client to update and distribute audit content topics using e-mail distribution functionality that is built into the system.

Post-Audit Activities

The Team Leader generally completes the post-audit activities. These include a variety of tasks that take the audit report from a draft developed at the site during the audit through to a final document.

Facility Action Plans and Completion Dates

The facility is generally responsible for the development of an action plan with closure dates that reflect reasonable timelines to address all findings. They are the most familiar with the resources needed and any potential restrictions. Assistance with developing the action plan is also available from the audit Team Leader and the corporate EHS department. The final action plan is generally approved by local site management prior to being submitted.

Issuing the Final Report

The final audit report often includes a cover letter, an executive summary and complete listing of all findings. This report is issued to the managing facility director from the corporate EHS department with copies to the site EHS representative, various corporate and division operations, and legal personnel.

The cover letter generally includes the purpose of audit; a brief facility overview; a summary and table of findings from previous and current audits; a brief overview of facility management systems, environmental programs, occupational health, safety, and loss prevention programs; potential capital expenditures related to the findings; and potential best practices. Final closure of the report is established when all findings are completed within the timeline specified and agreed upon. Requesting feedback from the audited facility on the audit process and its impact on the operations is another way to add value to the process. This can be accomplished by developing a survey and requesting completion by the facility at the conclusion of the entire process.

Summary

The audit process can be an arduous one for both the team and facility management. But with proper planning, coordination and attention to the details, the benefits can go a very long way towards making your facilities safer and better places to work. The real key to success, however, is that a properly conducted EHS audit will identify loss leaders that impact a company's bottom line and compliance gaps. Those are added value components that senior management will understand and support.