ENVIRONMENTAL AUDITING

Environmental auditing is a valuable compliance and risk management tool available to the industry sector. The periodic review of your site's environmental performance allows you to identify and remedy potential compliance concerns and other longer-term concerns (issues requiring some form of clean up and/or remediation). An auditing program helps an operator control costs proactively that are associated with environmental compliance, rather than reactively. The practice of environmental auditing is a good business practice.

This guide is intended to provide the user with a general overview of environmental auditing and its usefulness to the industries.

It is paramount that any company that contemplates conducting an environmental audit seek the advice of competent legal counsel. There are many legal issues to consider when conducting an audit, which are not addressed in this chapter.

What is an Environmental Audit?

An environmental audit as defined in ISO 14000 is a systematic, documented verification process of objectively obtaining and evaluating audit evidence to determine whether specified environmental activities, events, conditions, management systems, or information about these matters conform with audit criteria, and communicating the results of this process.

The International Chamber of Commerce defines environmental auditing as, "a management tool comprising a systematic documented, periodic and objective evaluation of how well environmental organization, management and equipment are performing with the aim of contributing to safeguarding the environment by facilitating management control of environmental practices and assessing compliance with company policies which could include meeting regulatory requirements.

Environmental audits are generally performed on a routine or periodic basis. More frequent assessments may be appropriate at any facility that has been targeted for more frequent federal, state/province and/or local inspections, and/or been issued a notice of violation, or subject to some form enforcement proceeding since the last assessment.

The audit should be carried out following the ISO Standard 14011 on Environmental Auditing Procedures including a kick-off meeting, detailed inspection, interviews, document review as well as a closeout meeting with the plant management.

Why Implement an Environmental Auditing Program?

An environmental audit determines how well your business complies with environmental laws and regulations. Environmental audits are undertaken for a variety of reasons. An audit may relate to a strict compliance audit, where facility activities are reviewed against legislative requirements, or as part of a company's management system to ensure environmental best practice. Audits may cover a wide spectrum of environmental issues or be focused on a particular aspect such as air and water permits. There are potentially significant liabilities associated with auditing, therefore auditors must be experienced and fully conversant with environmental auditing requirements.

Audits have always been an important business tool, but now there are even more incentives to perform an environmental audit, especially in the aggregate industry. With increased awareness of the need for environment protection, the aggregate industry will need to rely increasingly on environmental audits. The principal aims are to ensure compliance with regulatory agencies, as well as to identify and evaluate potential liabilities, risks and hazards. This, in turn, will assist in assessing the viability of an operation with the inclusion of costs associated with reducing environmental risks and liabilities to acceptable levels. In general, the benefits of a successful environmental auditing program can be categorized as improving a company's financial position, compliance status, and stakeholder relations.
Below are examples of benefits that a successful environmental auditing program could generate:

Financial

Helps avoid fines by regulatory agencies
Identifies issues of non-compliance sooner versus later allowing for proactive financial planning
Lowers corrective action costs
Waste minimization opportunities realized, leading to reduced operating costs

Compliance

Reduced agency enforcement actions and penalties
Increased employee awareness of environmental standards and responsibilities

Stakeholder Relations

Improved employee relations and increased morale
Improved community image of the Company Goodwill
Firms with sound environmental stewardship programs are desirable to investors

Planning the Audit

Defining Scope

An aggregate operation that wishes to conduct an environmental audit must have a clear idea of the objectives and goals of the audit and steps required to achieve them. It must be decided if a single area will be focused on, or if it will be an all-encompassing audit. (For example, will the air permit be evaluated or will the property in its entirety be audited?) The audit size should be scaled to the operator's needs and the resources available.

Managing the Risks of Environmental Auditing

Another critical part of the environmental auditing process is to ensure the support and commitment of management. Where instances of non-compliance are identified, management must be committed to taking corrective action. Otherwise, if management has knowledge of a problem and fails to rectify it, they may be in a less advantageous position with regards to criminal liability should the particular issue be the subject of a critical review by a regulatory agency.

Although environmental audits are a recommended best practice, it should be noted that any business, which conducts an environmental audit risks public disclosure of the results. Because of the complex laws relating to confidentiality, there is no guarantee that confidentiality can be maintained. It must be realized that uncovering information through a compliance audit may trigger an obligation to report under the environmental laws, or an obligation to disclose under the securities laws. Failure to do so can subject both a business and its individual employees to fines and/or penalties. An operator should consult with their legal counsel regarding any specific issues.

Conducting an Audit

There are five objectives that typically define an environmental audit:

Verification of legislative and regulatory compliance Assessment of internal policy and procedural conformance Site Investigation Identification of improvement opportunities Report Generation

The results of these items should be summarized in a report for reference.

Verification of Legislative and Regulatory Compliance

Regulatory Review

Regulatory review entails the review of environmental laws and regulations, which govern areas to be addressed during the audit. Generally, there are three main levels of regulatory control including, federal, state, and local. The local regulations tend to be the most stringent and can be enacted by townships, towns, counties, or otherwise. At times, a state or federal regulatory agency may mandate that a regulatory agency at a local level administer policy.

Records Review

A thorough review of all company and any available agency records should follow the regulatory review process. The records review process provides an environmental history of the site, which can significantly reduce the time required for the site investigation if specific problem areas can be isolated.

Examples of the types of records that should be reviewed during this process include:

- Permits and documents related to permit compliance status
  (Examples: air permit, water permit, industrial mineral permit, fuel tank permit, explosive storage permit, homeland security facility security plans)
    - Stormwater Pollution Prevention Plans and Spill Prevention Control and Countermeasure plans
- Topographical maps and aerial photos
- Notice of violations
- Correspondence with regulatory agencies

It should be noted that records of suspected past violations and/or other issues of concern, such as underground storage tanks, may not be documented; therefore, the records file search cannot be regarded as a definitive determinant of a site's compliance/non-compliance. This is particularly important when looking for older records that may no longer be available or have not been transferred to an electronic forum.

Assessment of Internal Policy and Procedural Conformance

The internal policies and procedures put in place by management need to be evaluated for conformance. These programs might include such items as dust control procedures, energy management, water management, noise reduction, environmental information publicity and more. Although programs like this exist on paper, the audit is needed to ensure that the programs are actively followed and that required documentation, if any, is available and complete.

Interviews

Interviews should be conducted with site personnel, including employees who were involved with or have knowledge of past problems, and regulatory agency personnel involved with the administration of the regulations.

Site Investigation

An audit protocol (checklist) can be used to help guide the investigation. The investigation should be conducted by a team composed of (at a minimum):

1. An environmental/regulatory specialist
2. Plant operations personnel
3. Plant management personnel

If the team confronts a specific issue and does not have the necessary expertise, a specialist should be consulted.

Closeout Meeting

At the end of the site visit, an oral presentation of draft audit findings should be given to facility personnel on the last day of the audit. Numbered copies of the outline could be distributed at the closeout meeting for reference, then be collected after the meeting and counted to ensure confidentiality.

Identification of Improvement Opportunities

Opportunities to improve practices that could lead to non-compliance, as well as, to improve the overall environmental performance of the facility can also be included as part of the audit.

Report

Upon completion of the site investigation, the audit team produces a report documenting its findings and recommendations. The report should be accompanied by information such as supporting lab data, maps, drawings, photos, etc.

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