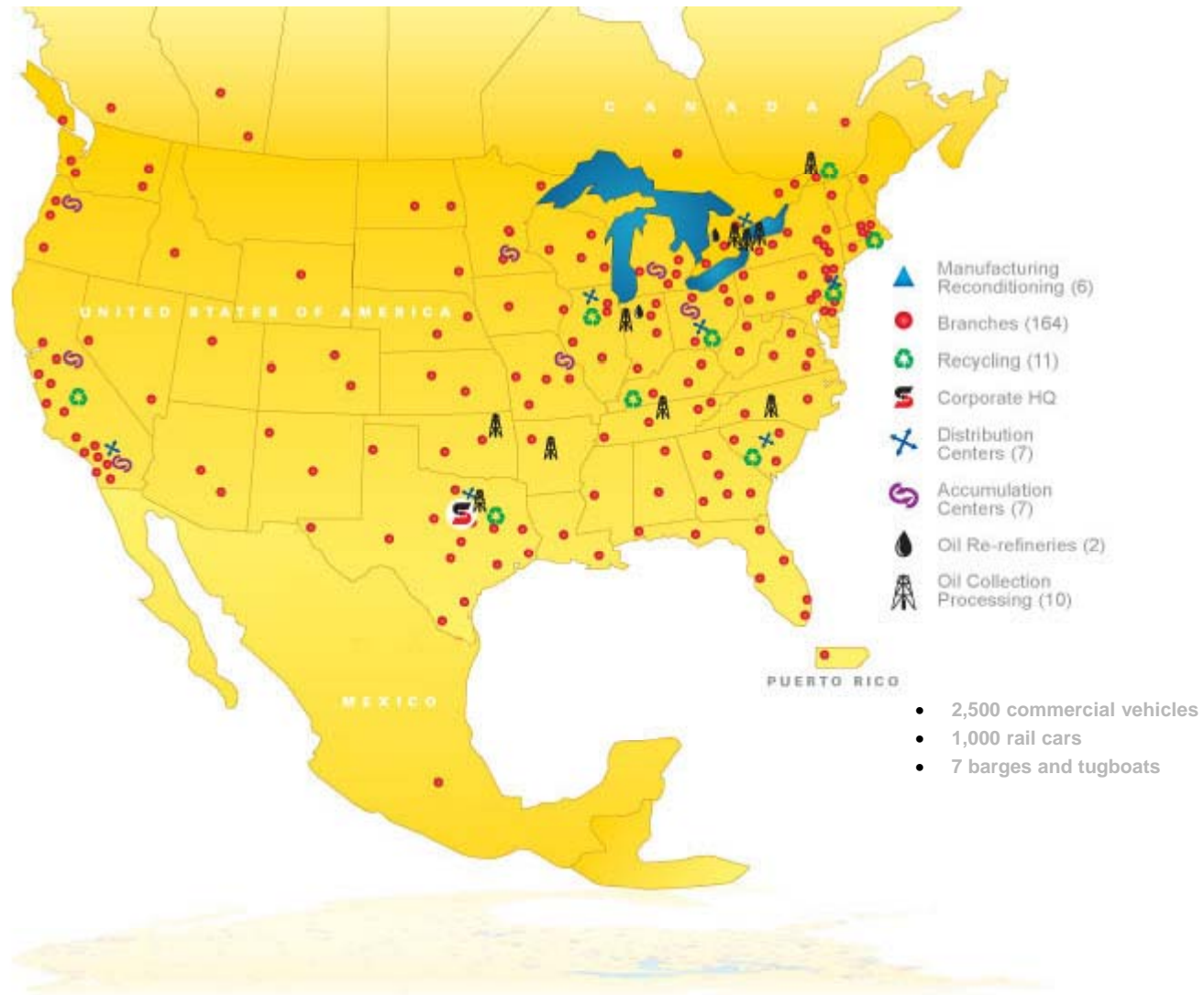# Impactful Follow Up:
The Key to Internal Audit Success

Thursday, April 7, 2011

10:30 – 11:30

Valerie Mitsynskyy

Supervisor Internal Audit

Safety-Kleen, Inc. Infrastructure

Manufacturing Reconditioning (6)

Branches (164)

Recycling (11)

Corporate HQ

Distribution Centers (7)

Accumulation Centers (7)

Oil Re-refineries (2)

Oil Collection Processing (10)

- 2,500 commercial vehicles
- 1,000 rail cars
- 7 barges and tugboats

Impactful Follow Up:
The Key to Internal Audit Success

- How to drive practical and actionable risk mitigation plans

- How and when to engage management in the risk mitigation process

- How to identify and address quick fixes and develop long-term solutions

- How to report results and evaluate Internal Audit's impact

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Why Perform Follow Up?

- International Standards For The Professional Practice Of Internal Auditing (Performance Standard #2500)

- To maximize internal audit's impact within the organization

- To assist management in the risk mitigation process

Why Perform Follow Up?

Safety-Kleen Internal Audit KPIs

- Number of Projects Completed - 50%

- Solutions Implemented – 25%

- IIA Quality Assessment – 15%

- Customer Service – 10%

Follow Up Process - Issues

- Not getting management's "buy-in". Auditors and management may have different perspectives on risks

- Processes and organizations change as do risks and management's risk appetite

- Management has competing priorities with addressing risks

- Difficulty to overcome cultural and behavioral challenges within the organization

Applying Projects to the Company's Goals

| SK Goals	SK Audit Projects
1. To be number one in our markets and in profitability	Oil Measurement Review
2. To provide, in a timely manner, accurate financial information to all of our stakeholders	Sarbanes-Oxley
3. To provide our employees with the information and tools necessary to achieve outstanding performance every day	Standard Operating Procedures (SOP)
4. To recognize and reward superior performance with money and opportunity	Commissions Review
5. To be unwavering in our commitment to the environment	Environmental Management System

Practical and Actionable Plan

The truth is, people can not take action unless they have time and resources. Therefore, when recommending a solution ask yourself: "Does cost align with risk?"
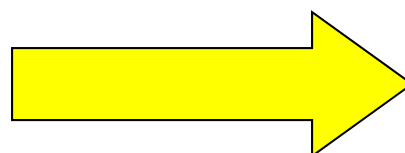

Time

Resources

Action

safety-kleen.
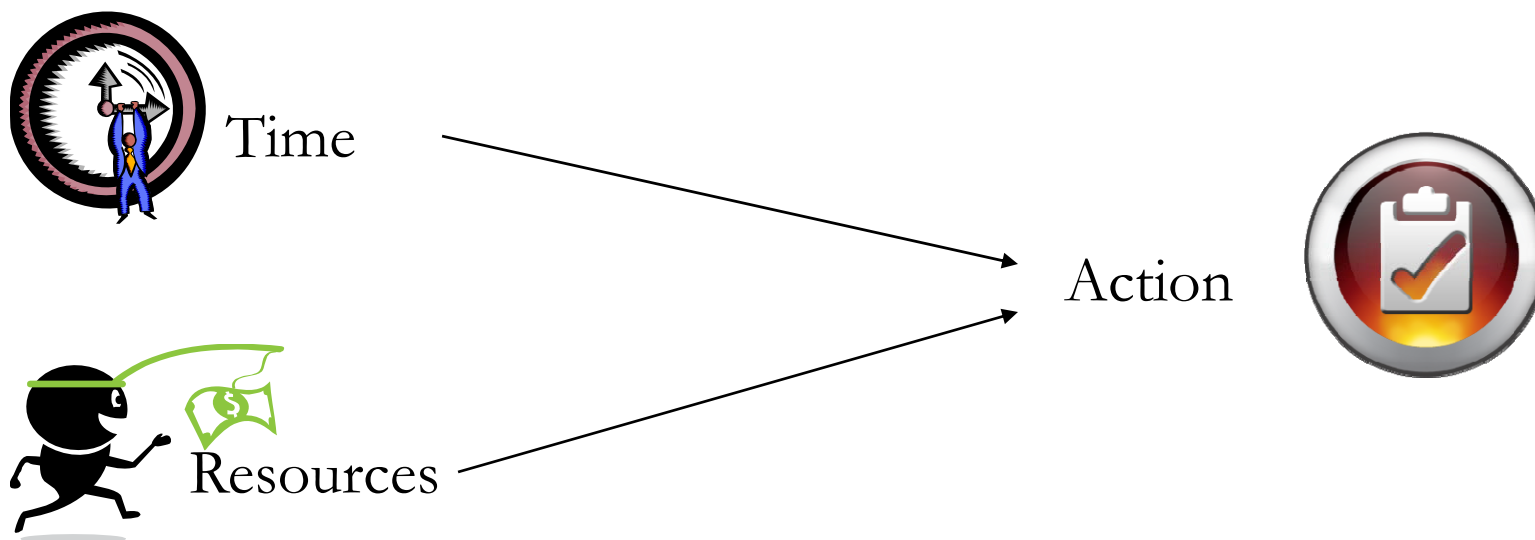
Practical and Actionable Plan

- Understand management's risk appetite

- Get management's "To Do" list. How's addressing risk prioritized on that list?

- Think like a business person. Remember, most Executives were not Auditors earlier in their career

- Align with people empowered to make decisions

Engage Management in the Process

Get management's involvement and input throughout the engagement:

- **Risk Assessment** – Is management aware of the issues and working to address them?

- **Fieldwork** – Communicate issues as they arise. Discuss solutions real-time. Some solutions can be implemented prior to engagement end.

- **Reporting** – When writing recommendations, gain management's input. Are your recommendations aligned with risk?

Engage Management in the Process
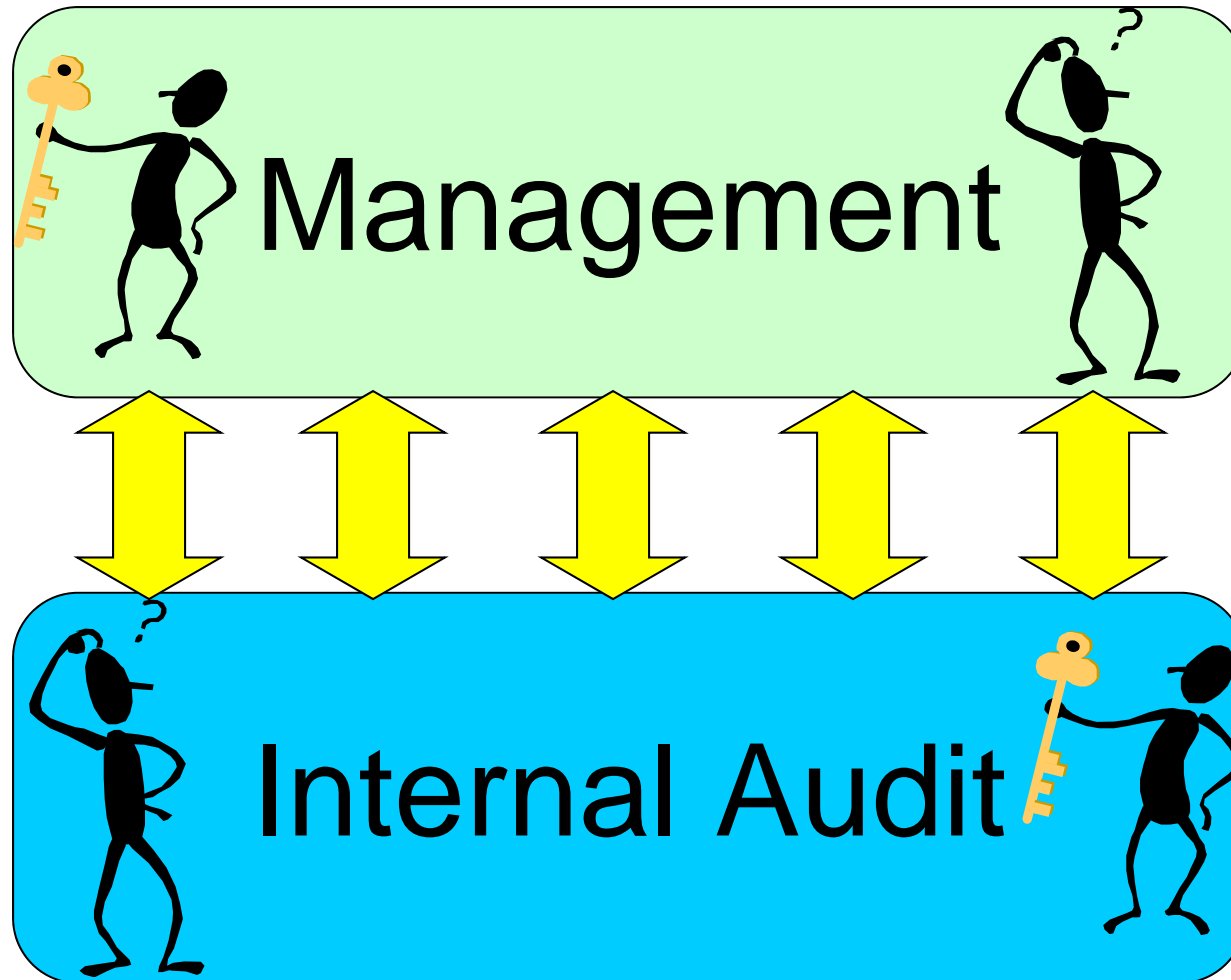
Engage Management in the Process

- Partner with decision makers and executors

- Communicate the risks and potential impact

- Become a "go-to" advisor

- Get management to own the process and implemented solutions

Quick Fixes vs. Long Term Solutions

American Heritage Dictionary

Quick Fix - a hastily contrived remedy that alleviates a problem only for the time being

VS.

Long Term – involving, maturing, or being in effect for a long time

Solution – the answer to or disposition of a problem

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PROFITS

MORRIS

search ID:jmo1805

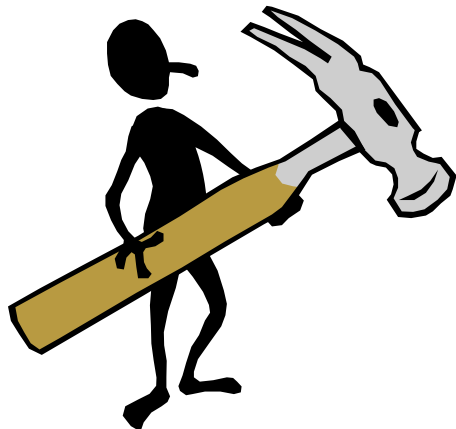"What we really need is a long term quick fix."

Quick Fixes vs. Long Term Solutions

- Use cost vs. benefit approach

- Identify quick fixes throughout the engagement, and implement them quickly

- Establish deadlines for the long-term solutions and continue to follow up

- Engage throughout the solution implementation process to ensure other significant risks are not overlooked

Quick Fixes vs. Long Term Solutions

Quick Fix	Long Term Solution

1. Manual preparation of reports to generate visibility

   Embedded system reports that automatically generate visibility

2. Terminate unauthorized system access during annual review

   Install system security software to identify conflicts in segregation of duties

3. Train employees on Policies & Procedures to ensure documents are approved according to the Expenditure Matrix

   System routes documents for approval according to the Expenditure Matrix

Reporting Results – Internal Audit

#	Risk	Management Action Plan	Due Date	Status	Process Owner	Comments	I A
2009 Oil Measurement Review (June 5, 2009)							
1	Lack of verification of volume and H20 at the rail-site prior to OSSR offload may lead to inaccuracy of daily volume reporting	Enhance rail-site supervision and the requirement that someone other than the OSSR verify volumes and H20 content in the railcar prior to shipping to non-branches.	10/31/09	Risk Accepted	John Smith	Rail sites managed by 3rd parties are not willing to validate volumes and H20 due to employees safety associated with climbing our trucks. Due to low frequency of oil offload at the company-owned sites, it's not viable to keep a full time employee on the company managed rail sites - John Smith 10/31/09	V M
2	Decentralization of files leads to difficulty to effectively manage employees personnel files	Centralize employee personnel files at one location. HR Corporate is to manage all personnel files.	06/30/09 12/31/10 01/31/11	In – progress	Cindy Jones	Employee File Centralization software will significantly improve management of the Company's documents at the centralized location. Roll-out occurred June 2010 and training occurring across areas. All facilities scheduled for incorporation by 01/31/11. - Cindy Jones 11/10/10	F C
3	Information conveyed to management may be ambiguous or confusing and may lead to drawn conclusions that are inconsistent with actual results.	Update Dashboard report formatting to make them reader-friendly for management to better define action plans	09/30/10	Closed	Jane Doe	The dashboard update was completed in November 2010. The dashboard is distributed to executive management recapping EHS results by company, region, area and branches. - Jane Doe 11/12/10	P M

Reporting Results - Audit Committee

- Summary of recently completed projects
- Report on Top 20 Risks:
  - Risk
  - Management Action Plan
  - Status – actions taken, days open, etc.
  - Significantly overdue items
  - Management Risk Acceptance
  - Re-opened items

Evaluating Internal Audit's Impact
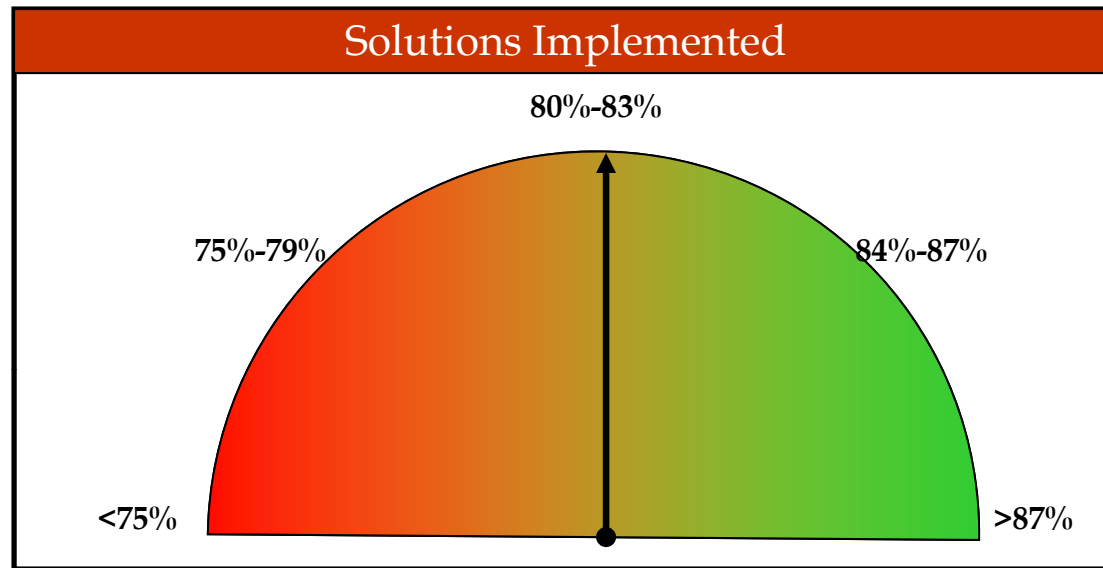
Percentage solutions implemented may be a good indicator of internal audit's impact

Maximizing Internal Audit Impact

- Treat Follow Up process as an on-going process to maximize solution implementation

- Get your team involved in the Follow Up process

- Ensure that closed issues remain closed

- Periodically readdress accepted risks

Conclusion

1. Thoroughly know your industry, company and people

2. Align with the Company's vision and goals

3. Partner with management, and become their "go-to" person

4. Think big picture and shoot for the long-term solutions

5. Create a team-work environment

6. Have fun!

THE REST OF YOUR LIFE...

AVERAGE

MEMORABLE

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