Impactful Follow Up: 
The Key to Internal Audit Success

Thursday, April 7, 2011 
10:30 – 11:30

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Safety-Kleen, Inc. Infrastructure

- 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
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

<table>
<thead>
<tr>
<th>SK Goals</th>
<th>SK Audit Projects</th>
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</thead>
<tbody>
<tr>
<td>To be number one in our markets and in profitability</td>
<td>Oil Measurement Review</td>
</tr>
<tr>
<td>To provide, in a timely manner, accurate financial information to all of our stakeholders</td>
<td>Sarbanes-Oxley</td>
</tr>
<tr>
<td>To provide our employees with the information and tools necessary to achieve outstanding performance every day</td>
<td>Standard Operating Procedures (SOP)</td>
</tr>
<tr>
<td>To recognize and reward superior performance with money and opportunity</td>
<td>Commissions Review</td>
</tr>
<tr>
<td>To be unwavering in our commitment to the environment</td>
<td>Environmental Management System</td>
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Practical and Actionable Plan

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

Management

Internal Audit
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

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

**Solution** – the answer to or disposition of a problem

“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

<table>
<thead>
<tr>
<th>Quick Fix</th>
<th>Long Term Solution</th>
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<tbody>
<tr>
<td>1. Manual preparation of reports to generate visibility</td>
<td>Embedded system reports that automatically generate visibility</td>
</tr>
<tr>
<td>2. Terminate unauthorized system access during annual review</td>
<td>Install system security software to identify conflicts in segregation of duties</td>
</tr>
<tr>
<td>3. Train employees on Policies &amp; Procedures to ensure documents are approved according to the Expenditure Matrix</td>
<td>System routes documents for approval according to the Expenditure Matrix</td>
</tr>
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</table>
# Reporting Results – Internal Audit

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Management Action Plan</th>
<th>Due Date</th>
<th>Status</th>
<th>Process Owner</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of verification of volume and H20 at the rail-site prior to OSSR offload may lead to inaccuracy of daily volume reporting</td>
<td>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.</td>
<td>10/31/09</td>
<td>Risk Accepted</td>
<td>John Smith</td>
<td>Rail sites managed by 3&lt;sup&gt;rd&lt;/sup&gt; 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</td>
</tr>
<tr>
<td>2</td>
<td>Decentralization of files leads to difficulty to effectively manage employees personnel files</td>
<td>Centralize employee personnel files at one location. HR Corporate is to manage all personnel files.</td>
<td>06/30/09, 12/31/10, 01/31/11</td>
<td>In – progress</td>
<td>Cindy Jones</td>
<td>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</td>
</tr>
<tr>
<td>3</td>
<td>Information conveyed to management may be ambiguous or confusing and may lead to drawn conclusions that are inconsistent with actual results.</td>
<td>Update Dashboard report formatting to make them reader-friendly for management to better define action plans</td>
<td>09/30/10</td>
<td>Closed</td>
<td>Jane Doe</td>
<td>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</td>
</tr>
</tbody>
</table>
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!