



2024 IIA Houston Chapter Annual Conference

Internal Audit's Role in Emergency Preparedness and Response:

Prepare for the Chaos!

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Speaker Background

- Paul Pettit, VP Performance Improvement
- Revenew International LLC
- Over 33 years of progressive roles within industry and professional services
- Certified Internal Auditor (CIA), Certified in Risk Management Assurance (CRMA) and Certified Professional EH&S Auditor (CPEA), Project Management Professional (PMP), Construction Controls Professional (CCP), Certified Construction Auditor (CCA)

Executive Summary

- Emergency preparedness and response has been an important area for Internal Audit to monitor and assess, but very often an organization can lose focus when an adverse event occurs.
- To help your organization prepare, we will share some real-life examples of areas that are often overlooked when storms, floods, wildfires, plant explosions, and other unexpected events occur.

Attendee Benefits

- Gain a better understanding of common pitfalls and areas that are often overlooked during an emergency.
- Learn about some of the key areas of risks that can have an operational and financial impact on business interruption.
- Evaluate key supplier risks and how their readiness, or lack thereof, can impact your emergency plans.
- Learn about contract risks and limitations that can impact your company's ability to recover insurance claims in a timely manner.

Emergency Preparedness and Response

Emergency Preparedness

- **Emergency Preparedness Defined***
 - Emergency preparedness refers to plans and provisions that increase the likelihood that an organization is able to get through an unplanned event safely.
 - The aim of emergency preparedness is to lessen the destruction and devastation caused by unexpected events like natural disasters, sabotage, chemical spills, fires, and explosions.
 - Emergency preparedness plans include steps for mitigating adverse situations and procedures for implementing controls during an emergency event.

* Safeopedia



Emergency Preparedness

- Preparing for an Emergency
 - Preparing for specific emergency events based on hazards present in the working environment
 - Posted instructions, including details of who to contact or notify during an emergency
 - Procedures to follow in the event that severe weather or a power outage makes evacuation more difficult or dangerous
 - Training sessions and drills to practice and reinforce the steps workers must follow
 - Clear lockdown and shelter-in-place procedures
 - Regularly verify that all first aid kits and other items that may be needed during an emergency are on hand and well stocked

Emergency Response

- Emergency Response Defined*
 - An emergency response is an immediate, systematic response to an unexpected or dangerous occurrence.
 - The goal of an emergency response procedure is to mitigate the impact of the event on people, property, and the environment.
 - Emergencies warranting a response range from hazardous material spills resulting from a transportation accident to a natural disaster.



* Safeopedia

Emergency Response

- Emergency Response
 - Putting the emergency plan in action
 - Sheltering in place
 - Evacuating from the premises
- Post-Emergency Recovery
 - Medical treatments for anyone injured or harmed
 - Cleanup and repair of the affected facility
 - Review of the event to assess the effectiveness of the emergency response plan
 - Update of the emergency plan in light of any new information gained



Question #1

- What type of emergencies have you personally been part of?
 1. Fire
 2. Flood
 3. Explosion
 4. Other
- Were you personally prepared?
- How did you personally respond?
- What did you learn?

IA's Role in Emergency Preparedness and Response

IA's Role in Emergency Preparedness

- IA's Role in Emergency Preparedness
 - Assessment and Monitoring
 - Risks / Hazards
 - Posted Instructions
 - Policies, Procedures and Plans
 - Training Sessions and Drills



IA's Role in Emergency Response

- IA's Role in Emergency Response
 - Emergency Response Assessment
 - Emergency plan in action
 - Sheltering in place
 - Evacuating the premises
 - Post-Emergency Recovery Assessment
 - Cleanup and repair of the affected facility
 - Effectiveness of the emergency response plan
 - Updates to the policies, procedures and plans
 - Lessons learned



IA's Role in Emergency Response

- IA's Role in Emergency Response (often overlooked)
 - Contract Compliance
 - Invoice Review and Approval
 - Emergency Rates
 - Recovery Rates
 - Mob / Demob Costs
 - Equipment Rental Rates
 - Standby Time
 - Overtime / Double Time
 - Per Diems
 - Insurance Coverage / Claims
 - Force Majeure Clauses



Question #2

- What type of emergencies has your company been part of?
 1. Fire
 2. Flood
 3. Explosion
 4. Other
- Was your company prepared?
- Was IA prepared?
- How did the company respond?
- How did IA respond?
- What did the company / IA learn?

Case Study

Case Study – Plant Explosion

- Background
 - When an explosion occurred at a manufacturing facility, the company needed to quickly reduce the negative impact of this unfortunate event.
 - Because of the critical environment following this unplanned event, supplier contracts had been expedited too quickly to ensure fair and equitable terms.
- IA Project Scope
 - Operational response support
 - Third-party invoice review
 - Cost control / validation
 - Contract compliance
 - Insurance reimbursement support

Case Study – Plant Explosion - continued

■ Results

- IA embedded in the company's invoice review workflow – with reporting in place – in less than four days. IA quickly worked through the significant backlog, while remaining diligent to uncover any inconsistencies.
- Findings included:
 - Unfair contract terms and excessive rates
 - Grey areas that allowed overbilling
 - Ineligible per diem markups
 - Labor rate OT for less than 40-hour weeks
 - Duplicated state/federal taxes for labor rate OT buildup
 - Excessive equipment rental / lease rates

Case Study – Plant Explosion - continued

■ Results - continued

- An in-depth audit process and report package was prepared: per invoice
- Quality control process enabled the company to more easily recapture costs from insurers, and IA workpapers were designated validation to satisfy insurance reimbursement

■ ROI

- Real-time analysis of 1,953 invoices totaling \$171 million
- Gross savings: \$3 million, with net savings of \$2.29 million
- Total hard-dollar ROI: 345%
- Prior overbillings recovered: \$155,000
- Future overbillings prevented: \$914,000

Question #3

- What is the first item you will assess when you return to work?
 1. Risks / Hazards
 2. Posted Instructions
 3. Policies, Procedures and Plans
 4. Training Sessions and Drills
 5. Contract Compliance / Costs

Conclusion and Takeaways

- IA's Role in Emergency Preparedness
 - Assessment and Monitoring
 - Risks / Hazards
 - Posted Instructions
 - Policies, Procedures and Plans
 - Training Sessions and Drills
- IA's Role in Emergency Response
 - Assessment
 - Effectiveness of the emergency response plan
 - Updates to the policies, procedures and plans
 - Lessons learned
 - Contract Compliance

Questions & Answers





everything
to
gain

Thank you!

Paul Pettit

713.302.4202 or ppettit@renew.com