Complying With Dangerous Goods Transport Regs

Audit Can Reveal Gaps, Dangers and Remedies

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Almost every U.S. company, large or small, annually conducts the essential financial audit. But many executives may not be aware that an audit of another kind may be just as critical to their organizations' financial stability and provide optimum customer service and protect the well-being of the public. That audit? An evaluation of a firm's compliance and operational practices in the shipment of dangerous goods by air, land and sea.

Almost every industry involved in any type of manufacturing and distribution transports materials classified as hazardous, some of which may not seem dangerous on the surface. These include goods such as nail polish, perfumes, batteries, air bags, aerosols, paint, common chemicals like lubricants and adhesives, numerous electronics products and more. The number of different items deemed potentially dangerous is staggering. To illustrate, some 1.4 million dangerous goods shipments occur daily.

An audit of shipment procedures for such goods is vital. First, the financial repercussions from non-compliance could be devastating in the form of penalties and civil liability legal actions. Here's just one example. To control costs, a large chemical manufacturer purchased non-compliant labels which, as it turned out, featured improper color, dimensions and specifications. When one of their customers received more than 10,000 packages and recognized the improper labeling, it demanded the labeling deficiencies be corrected, costing the manufacturer $180,000.

Over the past five years, the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Federal Aviation Administration have issued nearly $50 million in penalties to shippers for failing to meet hazardous materials regulations.

Secondly, if a carrier determines your shipment does not comply, it will mandate compliance before delivery is made. This can significantly and negatively impact the firm's supply chain and greatly frustrate customers expecting to receive their shipments on time.

And, most importantly, improper packaging or labeling can lead to accidents and fatalities.

Conduct Audit Internally?

After a company recognizes the importance of auditing its dangerous good transport procedures, the next step is to determine how to best conduct the analysis. A number of firms decide they have the internal capabilities to perform the job, and some companies have sufficient expertise within their ranks. However, for many, there are issues that often pose major obstacles to internally produce a thorough, objective and effective evaluation. Among them:

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- The need to identify which division of the company is best suited to conduct the audit is often a challenge. Some companies may assign the project to its environmental, health and safety group (EH&S). But usually this department has many areas of responsibility, including the myriad of OSHA regulations to follow, and dangerous goods transport is not a primary or top-of-mind duty. Or, should it be assigned to logistics, warehousing and shipment personnel? But their focus is to move products from A to B to C as quickly and cost-effectively as possible. This group, therefore, must strive to balance that goal with adherence to shipment regulations.
- Dangerous goods regulations are extremely complex, quite specific to the type of materials transported and often updated or revised annually. Companies may not have personnel with in-depth knowledge of the various rules and accompanying nuances and/or do not want to incur the expense to have such experts on staff, particularly if such shipments are infrequent.
- Many companies may believe their current dangerous goods transport procedures are sufficient based on years of employing the same practices without experiencing any problems from enforcement agencies, carriers or customers. But with constant regulation changes, this engenders a false sense of security. It takes only one penalty, lawsuit or accident to change that mindset.

Assessment and Recommendations

Whether a company retains a consultant or relies on its own staff, it is critical to recognize that an audit cover two vital phases: the assessment of compliance levels across a number of key areas and a detailed summary of specific tactical recommendations to improve existing processes and to implement best practices.

An audit should address a wide range of compliance levels. We find it beneficial to utilize audit tools designed to replicate or "mimic" regulators to help identify operational gaps. Examples of key areas to assess include:

- Current compliance procedures and strategies;
- Availability of required regulatory documents in appropriate shipping and receiving locations;
- Packaging, labeling and documentation for outgoing shipments;
- Loading of outgoing trailers and trucks;
- Readiness (current and recent) for dangerous goods incidents and employee safety issues;
- Training plans and records;
- Receiving of incoming dangerous goods; and
- Plans for dangerous goods stored at third-party distribution locations.

Next, it is important to prioritize the compliance findings to determine which need to be addressed immediately. Audits conducted by Labelmaster, for example, categorize findings by severity from most severe to less. A Category A finding represents a potential hazard and safety risk and significant violation of regulatory requirements; failure to remediate may result in serious injury or death, and civil penalties. Category B classification reveals a potential violation of applicable sections of regulations from leading bodies (e.g., 49 CFR, ICAO or IMDG); failure to remediate may result in civil penalties. A finding that falls under Category C represents a potential failure to follow established or published corporate procedures. Failure to remedy may result in possible actions by the PHMSA for failing to follow documented and approved procedures. Lastly, Category D represents a potential failure to meet industry standards; failing to correct may result in inefficient work practices, duplication of efforts, or undue exposure of governmental oversight.

Comprehensive Recommendations Follow

Based on this thorough assessment, the audit report then details a plan of action. The recommendations may cover areas such as:

- Improvements of existing processes that have a high likelihood of leading to regulatory compliance;
- Identification of dangerous goods processes not currently formalized, documented or implemented consistently across the organization;
- Tactical steps to rectify gaps identified between existing situations and regulatory requirements and/or best practices;
- Identification of opportunities for cost savings and recommendations for reducing overall shipping costs;
- Identification of practices to reduce the likelihood of frustrated shipments and carrier rejections;
- Recommendations for development of dangerous goods policy documents and standard operating procedures.

These recommendations should suggest design tools and job aids to both facilitate compliance and standardize how compliance can be implemented at different locations of the company. A thorough report also can outline the kinds of employee training programs that should be established to address operational gaps identified during the assessment.

Once the well-defined procedures and programs are in place, it is important for companies to stay up-to-date on new rules and mandates that are constantly updated and revised by the regulatory agencies. This means ongoing education, a review of the most current publications that outline the complex compliance regulations, and using the materials specified for the packaging, labeling and transport of goods.

It also means considering such an audit annually as a standard best practice. Companies know they must annually audit the financial operation of the business. The same mindset should be fostered when evaluating dangerous goods transport operations. If not, consequences a company could encounter can be dire – and dangerous. ■

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