



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
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OFFICE OF
ENFORCEMENT AND
COMPLIANCE MONITORING

Advantages and Disadvantages of Environmental Auditing

Attached is a list of the advantages and disadvantages of environmental auditing. The first two sections are essentially the "traditional" advantages and disadvantages. The third section covers the advantages and disadvantages derived from auditing that was agreed to in settling enforcement actions. These reasons were taken from a draft report that was done by PP&E, Jas Singh's firm. I thought you might find this third section useful as it contains some profound advantages that many have not considered. It certainly may help convince corporate management to engage in auditing. Please feel free to contact me if you have any questions about this list.

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Advantages and Disadvantages of Environmental Auditing

I. Traditional Advantages of Environmental Auditing

A. Better Compliance

B. Fewer Surprises (better to know compliance status now than when it's too late).

1. Chemical Waste Management - \$900 million loss in stock price following closure of landfill.
2. Union Carbide - \$700 million loss in stock price following Bhopal.
3. Rollins \$70 million loss in stock price following closure of incinerator.

C. Fewer penalties and suits.

1. federal or state enforcement
2. private citizen enforcement
3. private damage suits

D. Better public image with the local community and regulators.

1. better chance of getting what you want in zoning or building permits.
2. more likely to obtain financial breaks from your state or local government
3. fare better with community notification requirements under SARA.
4. bounty of \$10,000 for criminal prosecutions under SARA.

E. ~~P~~otential Cost Savings.

F. ~~I~~ncreased Information Transfer.

G. Manage Regulatory Overload (259 sets of EPA Regs just under review, development or revision).

H. Bolster role of corporate Headquarters environmental management. Director of compliance certifies, reviews data, issues reports etc.).

II. Traditional Disadvantages

- A. Commitment of Resources to Run the Program.
- B. Temporary Disruptions of Plant Operations.
- C. Increased Ammunition for Regulators and Nongovernmental Litigants
- D. Increased Liability When You Fail to Respond to the Audit Recommendations.

III. Advantages of Environmental Auditing in Settlements

A. Benefits to Companies

1. Improvements in Environmental Management Systems in Corporations.

- a. env. policies - allows corporation to make changes in policy manuals, & training.
- b. organization & staffing - changes allow a corporation to better track wastes, prepare permit applications, communicate environmental policies programs and objectives to the facilities.
- c. staff management and training - not only achieved better compliance but greater awareness of regulatory requirements. Also helps bolster role of corporate headquarters env. management.
- d. env. planning - improved ability to anticipate and implement future env. requirements and respond quickly to env. hazards.

2. Business Benefits of Settlements

- a. raising capital in financial markets - demonstrate to potential investors that you are minimizing your environmental liabilities.
- b. improved public image - calm nervous public and demonstrates that you are a responsible corporate citizen.
- c. increased ability to divest properties - ability to assure prospective buyers of the absence of environmental liabilities.