

# Cost of Risk & Non-Compliance

FOCUS ON MANAGEMENT

Lessons Learned

By: Charles Daniels Bolthouse Farms

# Non-Compliance: Increases Risk & Operating Cost

*Over the last decade, less than one percent of 1.6 million graduates of accredited schools of business administration have been given any preparatory instruction relating to managing safety and health or risk management.*

*- C. Everett Markum, Safety Chair - West Virginia Univ.*

## Citations

- 53 serious items: 40 Directly Related To PSM
- \$256,650 proposed fine
- \$500K – spent to improve mechanical integrity
- \$100's of thousands in resource time as the inspection took weeks from start to finish

# Regulatory History is Important

## Previous OSHA PSM Inspections

- Wallace, NC was first on 1/96 by State OSHA
- Turlock, CA was second on 1/97 by State OSHA
- Kansas City, KS was third on 5/97 by Federal OSHA
  - Processed Meats Facility
  - Constructed 1979, an addition built in 1996
  - 225,000 square feet
  - 55,000 pound ammonia system
  - Four system operators

# Evolution of the Inspection Process

## ➤ Original Complaint Inspection 1/8/97

- ✓ Complaint inspection alleging that the ammonia piping and valves on the manufacturing floor of the plant are deteriorated and in very dangerous condition exposing employees to injury.

(One local inspector – Took a few pictures - Very brief inspection - No review of PSM - No interviews - No citations issued)

## ➤ Second Complaint Investigation 4/9/97 (*4 months Later*)

Evaporative units have valves that are deteriorating, stems that are 1/3 their original size, and have severe corrosion problems. Pipes in the engine room are schedule 40 rather than standard schedule 80. Pressure vessels are welded on by non-certified welders and pipes in the facility are not tested for corrosion.

(**Initial Inspection** - One inspector from Overland Park office - Minimal visits to inspect physical conditions – took some video and still pictures – Requests and receives numerous documents including: pipe inspection report, mechanical integrity program, process hazard analysis and status report, completed compliance audits, Interviews operators, interviews each operator for up to four hours)

**Subsequent Inspection** – Involved The Salt Lake City PSM Team (OSHA PSM Practice Leaders)

Four Inspectors This Time: Original Inspector - Assistant Regional Director(IH) - Two Salt Lake City Inspectors (ME & IH)

Request and receive numerous additional documents – “all Management of Change forms” – “all equipment manuals” – “all PSM incident investigation reports” – “all employee training records for operators” – “ancillary programs (LOTO, PPE, confined space, etc.)” – and a copy of the company’s annual report

Inspectors pair up to focus on specific elements – continue interviews with operators, group interview with management, several tours to view engine room, roof, and pipe runs

# Inspection Results

“Potential for Mega Fine and Negative Publicity”

<u>AREA OF CITATION</u>	<u># ITEMS CITED</u>
Employee Participation	2
Process Safety Information	3
Process Hazard Analysis	3
Operating Procedures	7
Training	2
Contractors	2
Pre-Startup Safety Reviews	4
Mechanical Integrity	7
Management Of Change	4
Incident Investigation	3
Compliance Audits	3
<b>Total PSM Citations</b>	<b>40</b>

# Inspection Results Cont'd

<u>AREA OF CITATION</u>	<u># ITEMS CITED</u>
<b>Related H&amp;S Programs</b>	
OSHAct General Duty - Section 5 (a)(1)	1
Emergency Action Plans - 1910.38	1
HAZWOPER - 1910.120	1
Personal Protective Equipment - 1910.132	1
Respiratory Protection - 1910.134	2
Control of Hazardous Energy - 1910.147	4
Employee Alarm Systems - 1910.165	1
<u>Electrical Safety - 1910.303, 304, &amp; 305</u>	<u>2</u>
<b>Total Related H&amp;S Programs</b>	<b>13</b>
<b>TOTAL ITEMS CITED</b>	<b>53</b>

# Corporate Settlement Agreement

- ✓ Full PSM implementation by 7/1/98 (*approx 1 year*)
- ✓ 3rd party audit on or before 7/1/99 (*approx 2 year*)
- ✓ Replace piping with wall thickness loss of 50% or greater
- ✓ Serve as a benchmark for industry
- ✓ Citation to be training tool
  - ASE
  - ConAgra
  - Industry Groups

## OSHA's Press Release

“... employers with ammonia refrigeration PSM related programs are being notified of OSHA's intent to hold them accountable for complying with the IIAR Bulletins.”