
Anticipating Your IPSA: 5 Early Actions

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SEC filings for Dodd-Frank Conflict Minerals (DFCM) include a Form SD, and, for most of the affected public issuers, a Conflict Minerals Report (CMR). The SEC provided for two transition years, when they need not conclude whether their products are “DRC Conflict Free” or “Not Found to be DRC Conflict Free”; they could report their status as “DRC Conflict Undeterminable.” Developments in litigation shortly before the 2013 calendar year filings meant that issuers were not required to use those terms; some did, but many companies opted to use more generic (if similar) language.

The SEC rule includes provisions for an Independent Private Sector Audit (IPSA). During the transition years, companies concluding “DRC Conflict Undeterminable” are not required to obtain an IPSA. For the 2013 reporting year, only four companies obtained and submitted an IPSA; each of them had concluded (and reported) that they manufactured or contracted to manufacture at least one product that was found to be DRC Conflict Free.

Companies are now compiling their CMRs for the 2014 reporting year [filings are due Monday, June 1, 2015]. Year Three is here. Experts disagree as to whether an IPSA will be required for all public issuers submitting a CMR for the 2015 reporting year. Almost everyone encourages companies to take reasonable steps to prepare for an IPSA, should one be required. Here are five tips for managing your conflict minerals program, to set yourself up for an easier IPSA, come early 2016.

1. **Write the Conflict Minerals Report as an IPSA Auditor’s Guide.** One IPSA objective is for the auditor to “express an opinion or conclusion whether the design of the issuer’s due diligence framework, as set forth in the CMR... is in conformity in all material respects with the criteria set forth in the ... recognized framework.” Consider section headings that match the five steps of the OECD Due Diligence framework. The other IPSA objective requires the auditor to “express an opinion or conclusion whether the issuer’s description of the due diligence measures it performed as set forth in the CMR, with respect to the period covered by the report, is consistent with the due diligence process that the issuer undertook.” Consider using a section heading “Steps Undertaken for Due Diligence” – and describe all your steps here, and only here. These practices will point the IPSA Auditor towards the sections that require their attention, and help avoid piquing their interest in content that is not relevant to the audit objectives.
2. **Revisit your business process flows and documents.** Your company probably developed business processes for Year One. Then, in Year Two (2014), things happened. Customer expectations forced other activities. Roles and responsibilities may have shifted. Data management practices evolved. Documents that serve as the basis for your program – a conflict



minerals policy, or supplier engagement letter – may have been fine in 2013. Original business processes and documents may already be outdated. Revisit these. Consider designating which of these matters are required by SEC and which (such as customer management) are not. This can help guide the IPSA Auditor towards applicable portions of your documents, and to improve your readiness for the IPSA.

3. **Generate records that match your process documents.** Once your process flows and documents are current, then follow them – and generate records to support this. Many processes state or imply that generation of records at specified times. Some are explicit, and some are implied. Suppose your company's business process specifies that you will obtain a list of applicable suppliers from Purchasing annually by August 31. This list, dated before August 31, will be a record. Your business process probably indicates that your conflict minerals team has periodic meetings. The IPSA Auditor will expect there to be records of these meetings.
4. **Create seamless transitions when using others to support your programs.** Many companies have outsourced data management to vendors. This may include some level of professional services, such as quality control review, or assistance with escalation procedures. There is a risk of key activities or controls falling between the cracks any time multiple entities are involved. Be sure you know who does what, and there is agreement by both parties, and there is documentation to support seamless work between the entities.
5. **Begin IPSA procurement soon.** IPSAs will need to occur between February and early May 2016. If your financial auditor is to perform the IPSA, there are procedures to authorize this – this takes time. Procurement of an IPSA auditor will require decisions on procurement criteria, including type of audit standards. The pool of auditors with IPSA or other relevant experience (conflict minerals, GAGAS audit standards) may be limited, and the best-suited auditors could book up. 3Q2015 is a good time to begin this procurement; 1Q2016 may be too late.

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