



Lowers & Associates (L&A) Courier Certification Program Questions & Answers

CERTIFICATION COST QUESTIONS

1. Can we get Certified in only one (Banking or Pharma), and what would the cost difference be?

Couriers can be certified in either Banking or Pharma individually; or both. The cost difference to be certified in both versus only one is an additional \$500 for the Desk Review & HQ Audit, and an additional \$220/terminal audited.

2. Why is the Certification cost the same for a company with 20 drivers as it is for a company with 500 drivers, when the larger company has more exposure and larger facilities?

The cost is not the same. While the Desk Review and HQ Audit require similar documentation regardless of company size, the larger company will be paying more due to a larger number of terminals that must be audited in order to meet the statistical sampling requirements for validity.

3. Will Certification costs come down as volume increases?

The honest answer is that we do not know. The costs to perform Certification activities were generated from actual time, labor, and resource commitments across multiple clients and are based on reality. L&A will review the effort level required to perform Certification activities annually, and will offer pricing adjustments should efficiencies be gained.



4. Can you provide specific costs for multiple Certification cycles, including companies with combined headquarters/terminal, small companies, mid-size companies, and large companies?

		Example Detail	Courier 1	Courier 2	Courier 3	Courier 4	Detail	
		Courier Size	Small	Local	Regional	National	Courier 1 has combined HQ/Terminal.	
		Total Terminals	1	20	80	700		
		Involved Terminals	1	20	50	500		
		Sampled Terminals	1	14	25	45		
		Certification Sought	Pharma	Both	Banking	Both		
Cycle	Sample Timeline		Certification Step	Courier 1	Courier 2	Courier 3	Courier 4	Detail
Certification Cycle 1	Start	Finish						
	10/23/2008	10/23/2008	Certification Course	\$0	\$0	\$0	\$0	Free Web download or Webinar.
	1/1/2009	2/1/2009	Self-Audit	\$0	\$0	\$0	\$0	All materials provided in Cert. Course
	2/1/2009	3/15/2009	Application & Desk Review	\$1,000	\$1,500	\$1,000	\$1,500	Appointed Courier Representative works through issues with you.
	4/1/2009	4/2/2009	Headquarters Audit	\$3,920	\$2,640	\$2,420	\$2,640	Reported "Involved Terminals" verified.
	4/15/2009	5/15/2009	Sampled Terminal Audits	\$0	\$36,960	\$60,500	\$118,800	Based upon statistical sample.
	5/20/2009	6/1/2009	Scoring & Results	\$0	\$0	\$0	\$0	Certification granted 6/1/09.
	6/1/2010	6/1/2010	Periodic Terminal Re-Audit #1	\$2,420	\$2,640	\$2,420	\$2,640	Approx. 1 year after Terminal Audits
	6/1/2011	6/1/2011	Periodic Terminal Re-Audit #2	\$2,420	\$2,640	\$2,420	\$2,640	Approx. 1 year after 1st Re-Audit.
		Certification Cycle 1 Total Cost:	\$9,760	\$46,380	\$68,760	\$128,220	1st Certification Cycle complete.	
Cert. Cycle 2	5/1/2012	5/2/2012	HQ Re-Certification	\$3,920	\$2,640	\$2,420	\$2,640	Re-Certify Headquarters.
	5/2/2012	5/15/2012	Sampled Terminal Re-Certification Audits	\$0	\$36,960	\$60,500	\$118,800	Re-Certify Terminals based upon refreshed statistical sampling.
	5/15/2012	5/30/2012	Scoring & Results	\$0	\$0	\$0	\$0	Re-Certification granted 6/1/12.
	6/1/2013	6/1/2013	Periodic Terminal Re-Audit #1	\$2,420	\$2,640	\$2,420	\$2,640	Approx. 1 year after Terminal Audits
	6/1/2014	6/1/2014	Periodic Terminal Re-Audit #2	\$2,420	\$2,640	\$2,420	\$2,640	Approx. 1 year after 1st Re-Audit.



			Certification Cycle 2 Total Cost:	\$8,760	\$44,880	\$67,760	\$126,720	2nd Certification Cycle completed.
Cert Cycle 3	5/1/2015	5/2/2015	HQ Re-Certification	\$3,920	\$2,640	\$2,420	\$2,640	Re-Certify Headquarters.
	5/2/2015	5/15/2015	Sampled Terminal Re-Certification Audits	\$0	\$36,960	\$60,500	\$118,800	Re-Certify Terminals based upon refreshed statistical sampling.
	5/15/2015	5/30/2015	Scoring & Results	\$0	\$0	\$0	\$0	Re-Certification granted 6/1/15.
	6/1/2016	6/1/2016	Periodic Terminal Re-Audit #1	\$2,420	\$2,640	\$2,420	\$2,640	Approx. 1 year after Terminal Audits
	6/1/2017	6/1/2017	Periodic Terminal Re-Audit #2	\$2,420	\$2,640	\$2,420	\$2,640	Approx. 1 year after 1st Re-Audit.
				Certification Cycle 3 Total Cost:	\$8,760	\$44,880	\$67,760	\$126,720

Note 1 - Involved Terminals are those terminals that are actually involved in the line of business (Pharma and/or Banking) that Certification is being sought.

Note 2 - Pricing subject to change.

Note 3 - Auditor travel & accommodation costs are built in to the HQ and Terminal Audit fees.

Pharma or Banking	Both	Step
\$1,000	\$1,500	Application & Desk Review
\$3,920	\$4,140	Single Facility Combined HQ/Terminal Audit
\$2,420	\$2,640	Stand alone HQ Audit/Terminal Audit/Terminal Re-Audit

These examples show that the cost differential for companies of different sizes is significant, and is also directly affected by the number of terminals involved in the contracted delivery of Pharma and/or Banking articles.



CERTIFICATION PROCESS QUESTIONS

5. What is the definition of a terminal?

A Terminal is a facility that a carrier uses to conduct business. There has to be a physical address with a management team. It can be 2 drivers or 500. It is not a meet point where a group of drivers meet a shuttle truck and transfer cargo.

6. What happens if you have one (1) location and get certified and afterwards you get new business (maybe as a result of certification) and add 10 new locations or more...what is the process?

Additional terminals added after initial Certification will be addressed through the random sampling process that starts the next Certification cycle. However, new terminals would be reviewable during the annual random audit for the current Certification cycle.

7. How are you going to handle companies not reporting all terminals in order to control costs?

The auditing staff at L&A has extensive experience in fraud examination and document reconstruction. This experience will come into play when performing the Headquarters Audit that precedes individual terminal audits. The statistical sampling of required terminals will be adjusted based upon the findings of the HQ Audit if necessary.

8. Can L&A Certification lists include # of locations reported/audited?

The number of terminals audited will be verified by the combination of the Courier Self-Audit and the results obtained by the HQ Audit; however, the number of locations for a given Courier company conducting work within a specific vertical is considered proprietary and will not be reported publicly.

9. If you are not currently doing Bank or Pharma work, but wish to be Certified, how does the process work?

Companies not currently doing Bank or Pharma work can still be Certified in those verticals based upon the policies, procedures, and processes that are in place and a demonstrated adherence to the Standards. This state of readiness signals a commitment to the highest security standards in the transportation industry. L&A is also considering adding a "General Certification" designation and will provide updates as they become available.



10. What is the process for sampling/auditing when you are certifying for Pharma (or Banking), but only have a portion of your business (and drivers) dedicated to that service?

The statistical sample would be chosen only from those terminals handling Pharma (or Banking) account(s). So, if you have 100 total terminals, but only 20 of those terminals are involved in Pharma (or Banking) activities, then the statistical sampling would be based upon 20 terminals and each of those terminals would be audited according to the appropriate standards for Pharma and/or Banking. Included in this process is a review of selected drivers' folders from each audited terminal that is conducting the line of business for which Certification is being sought.

11. What do we do if we did not do some of the necessary (per the Standards) documentation at the time of hire? For example, at the time the driver was hired, we did not previously get a MVR, but now we do; or, no documentation that the driver was trained and understands the security procedures.

The Auditor takes into account what the current practices are for the Courier Company going forward. We may uncover past practices that were insufficient, but will score based upon the current, demonstrated policies and procedures.

12. What happens if a Critical standard is changed or added after a Courier has been certified...how does that affect them during the time before re-Certification, including Periodic Audits?

Although it is highly recommended that new Standards (especially Critical Standards) be adopted and integrated immediately upon establishment, Certified companies will only be judged against those standards in place at the beginning of the current Certification cycle. When the next Certification cycle begins – with a HQ Audit and refreshed sampling of involved terminals - all current standards will be incorporated into the audit and scoring process.

13. How long is the Certification process? Can it be done over time?

The timing of the Certification process is largely controlled by the company being Certified. The Self-Audit, Application and Desk Review process can be completed in 45-90 days. The HQ Audit is two (2) days and the Terminal Audits are one (1) day each. Terminal Audits are scheduled according to your requirements...taking into consideration operational timing and the need to potentially spread them out over time for budgetary considerations.



14. What is the most important place to start?

The L&A Standards represent thousands of man-hours contributed by risk mitigation experts, Pharmaceutical and Banking customers, and Courier security teams. So, the best place to start is to begin immediately comparing your internal policies, processes, and procedures against the Standards; identifying areas in need of improvement, and preparing for the internal Self-Audit and Desk Review process.

PROCEDURAL QUESTIONS

15. If Pharma or Bank customers seal, why is the courier responsible for sealing?

L&A recognizes that there can be differences in operating procedures from Distributor to Distributor. If your customer requires that operating procedures differ from the L&A Standards, then the auditor would review the customer requirement and ensure that the Carrier was operating within that standard. L&A's goal is not to penalize Couriers for specific customer requirements, but instead to ensure that all feasible and proven measures are taken to protect both the customer and the Courier.

16. Does loading controlled items and bank items last possibly increase exposure for line & dock?

Loading Controlled Items last does not mean that they are loaded next to the door. In operations that have been reviewed to this point the drivers typically leave a space toward the interior of their vehicle to hold the Controlled Items. This limits exposure at the terminal – where the largest percentage of diversion occurs – while allowing for limited “bad guy” access within the vehicle.

17. What is the L&A's position on the delivery of medical marijuana? (Specifically in states like California, where the state says it is legal, but the feds still have trouble with it.)

L&A views the legal transport of medical marijuana the same as the transport of any other controlled substance.

18. Why isn't there a standard stating that the vehicle must be locked at all times, except when loading or unloading?



Pharma Terminal Standard 2.A.4 requires vehicle doors to be locked except for loading and unloading. Banking Terminal Standard 2.A.3 requires all cargo to be cabled, chained or secured in a container which is cabled to the vehicle.

RESOURCE QUESTIONS

19. Where can we go if we have questions while performing the self-audit?

L&A's goal is to help companies become more security conscious, protect people and property, and reduce the risks associated with the "weakest link" in the transportation chain. Therefore, the goal is to work with each company to help make certain that all of the necessary steps are taken to ensure success. A designated staff member at L&A will be appointed to work with each company involved in the Certification process. Any questions can be directed to the designated staff, and conversely, your company will be contacted with findings (and remedies) that could adversely affect your ability to become Certified.

20. Are there document templates or resources that allow us to create proper documentation through the modification of existing, compliant documentation instead starting from scratch and missing required information?

L&A does not have sample documentation as there are various state and federal laws that impact this documentation. The Standards are clear regarding required documentation, and can be used as a guide in creating compliant documents.

21. Legal requirements need review – umbrella insurance coverage levels (100/300 limit) should be vetted and reviewed for anti-trust issues.

The insurance levels were determined based on a review of contracts with Pharma distributors. No anti-trust concerns have been uncovered. Input from the industry is always valued on issues such as this, and will be considered for future updates of the L&A Standards.



INDEPENDENT CONTRACTOR QUESTIONS

22. Are you aware that one of the critical determining factors utilized by the various state agencies for differentiation between Independent Contractor and employee is whether or not training and orientation is provided?

The Standards refer to training for employees and pre-contract orientation for IC's. Some training/orientation must be provided to IC's to communicate the security requirements of each customer.

23. If my company is certified, are agents (other courier company) that I outsource to covered under my certification?

If you outsource work to other Courier companies that have terminals and drivers, those terminals need to be certified as well. When considering issues such as this, the spirit of Certification should be applied. In other words, if you have a contract with a Pharma shipper who requires that your delivery operations specific to their business be Certified, then it is incumbent upon you to make certain that ALL operational mechanisms involved in the execution of said contract are in compliance. This means that sub-contractor terminals and driver folders should also be included in the random sampling process for Terminal Audits.

24. Some standards can be seen as actions that exhibit control over IC's; this may be used in some states as guidance in DOL, W&H or Workers Comp Audits. If a courier company chooses to not adhere to one (1) or more of the standards due to history within a specific state because of this kind of scrutiny, will adjustments be made to account for that?

Auditors have traditionally reviewed actual practices and made judgments regarding how to apply the Standards to each specific practice. Companies are free to make business decisions to not comply with certain standards knowing this can affect their score...but, the goal will be to understand, document, and make intelligent judgments based upon the real-world circumstances.

25. Street audits should apply to employees as well as IC's and this critical area should not be watered down to lowest common denominator...2x/yr is well below typical practices and level for effectiveness...recommend bi-monthly or monthly.

Street Audits apply to both employees and IC's. L&A has set a minimum threshold for Street Audits at 2x/yr, but, more frequent Street Audits are encouraged by L&A and companies are always free to exceed the Standards when beneficial to increased security.



MARKETING QUESTIONS

26. What marketing campaigns are planned to bring more shippers to the Certification Program?

L&A is using the cooperation witnessed at the 2008 Executive Roundtable Series Pharma Supply Chain Panel as a launch pad to involve additional manufacturers, shippers, retailers, and dedicated supply chain security experts in the Standards development and Certification process. We are formalizing working groups that will contribute to the Standards as an evolving "living document," and developing specific marketing materials to target major supply chain companies for involvement in Standards development and endorsement/requirement of Certification.

27. Will L&A be an advocate in messaging to communicate that Certification in a specific vertical, such as Pharma, is also transferrable from a best practices standpoint to other lines of business?

L&A is in the process of revising all marketing materials (including our web site), and will most definitely communicate the commitment to security and excellence that any form of Certification indicates...and how such adherence to Standards transfers to other lines of business.

28. Where is Certification status posted?

The L&A web site (www.lowerrisk.com) is in the process of being updated, and very soon all Certified companies will be prominently listed. In addition, companies that have committed to Certification, and are in-process, will also be listed in order to demonstrate the positive direction of those organizations.