

**Title : TSMS Internal Audit Policy****Policy No: QM-2.1**

The purpose of this procedure is to verify the effectiveness of the Towing Safety Management System (TSMS) throughout the shoreside operations and the vessel fleet and determine if the TSMS is being implemented as planned.

This procedure applies to all shoreside operations addressed in the TSMS as well as the entire vessel fleet.

The Designated Person Ashore (DPA) shall be responsible for ensuring that the internal audit of the SMS is undertaken to check whether activities comply with the requirements of the integrated AWO Responsible Carrier Program (RCP), International Safety Management (ISM) Code (if applicable), and all applicable federal and state regulations. The DPA periodically reviews updates from maritime industry newsletters, industry and regulatory body safety committees, American Waterways Operators Association (AWO), Chamber of Shipping (CSA), the National Safety Council Waterborne Transportation Group, various spill response companies, ABS and the USCG.

The internal audit will also verify how these inputs to change are implemented and improve the TSMS.

All elements of the TSMS shall be included in the internal audit program. Internal audits shall be scheduled on the basis of status and importance of the activity. The maximum period allowed between internal audits of the TSMS not exceed twelve months.

The DPA shall appoint an auditor to carry out each audit. The auditor shall have relevant experience to the area being audited and be qualified (has attended an approved Internal Auditor Training Course) to carry out internal audits. The auditor shall be independent of the area being audited.

The auditor shall assess the activities under review using the TSMS as the guide, see Section QM-2.5 for TSMS Internal Audit Checklist and Guidelines. The auditor will raise "nonconformities" (NC) for any failure to comply with the TSMS or a regulatory requirement. The auditor will raise "opportunities for improvement" (OFI) for those items that if left unchecked could lead to a NC.

On completion of the intern audit, the auditor will prepare an internal audit report and forward to the DPA. The DPA reviews the report and forwards it to management for the appropriate corrective action.

The recommendations for procedure changes from the internal audit reports, regulatory agencies, and trade associations are proposed and evaluated in a number of feedback mechanisms such as the safety meeting reports/minutes, weekly Operations Call; Quarterly Management Meetings, and the annual Management Review Meeting.

Records and References to Internal Audit will be maintained by the DPA for a minimum period of 3 years.