

# Compliant Records Management The New Corporate Imperative

## EXECUTIVE SUMMARY

The costs and risks of complying with regulations such as Sarbanes-Oxley are estimated to continue to increase at an alarming pace. World-class organisations of all sizes will focus on optimising their processes and IT systems to gain “compliance efficiency”.

This white paper addresses these key questions:

- ? How can Compliant Records Management help your organisation achieve compliance efficiency?
- ? What is a Compliant Records Management Program and how does it differ from traditional approaches to records management?
- ? How do you design, execute and maintain a Compliant Records Management Program?
- ? What are the key principles that will determine the success of your program?
- ? What does a well-executed program look like?
- ? What are the tangible benefits from partnering with Iron Mountain to design and implement your program?

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### **GOOD CORPORATE GOVERNANCE AND COMPLIANCE: BUSINESS 101 IN THE 21<sup>ST</sup> CENTURY**

Achieving consistent compliance and good corporate governance is an integral part of doing business in the 21st century. But compliance in today's corporate climate is much more than adhering to laws and regulations as they pertain to one's core business. Due to the acceleration of penalties, fines, settlements and executive imprisonment, compliance is now defined as the overarching standard by which today's corporation holds itself accountable. Similarly, an organisation's Compliant Records Management Program is the vehicle by which compliance is defined, achieved and maintained.

The SEC has made it very clear that compliance with laws such as the Sarbanes-Oxley Act is not just a one-time event. In the words of former SEC chairman William Donaldson, a compliance approach needs to become a part of your company's DNA.

“... Simply complying with the rules is not enough. They should, as I have said before, make this approach part of their company's DNA. For companies that take this approach, most of the major concerns about compliance disappear.

Moreover, if companies view the new laws as opportunities - opportunities to improve internal controls, improve the performance of the board, and improve their public reporting - they will ultimately be better run, more transparent, and therefore more attractive to investors.”

While Sarbanes-Oxley is acutely impacting publicly traded companies, the underlying climate demanding good corporate governance is pervasive across today's corporate landscape. A Compliant Records Management Program is a must-have for any organisation facing compliance regulations, laws necessitating the preservation of corporate records, and managing the costs and risks associated with discovery requests for corporate information.

### **TODAY'S “BAND-AID” COMPLIANCE FIXES WON'T HOLD**

Now that the initial phase of Sarbanes-Oxley compliance (Section 404) is over for large public companies, they may mistakenly shift their focus to other strategic priorities. Companies should instead expect a gradual ratcheting up of control standards over the next few years. Manual “band-aid” fixes that were sufficient for initial compliance won't hold for 2006 and beyond. What was marginally acceptable for a 2004 audit will be unacceptable in 2006. And while most of the press coverage has focused on public companies, compliance will be equally important for non-profits and private companies that plan to go public in the future.

Organisations that continue to rely on traditional, manual processes will see their compliance efforts eating up a greater percentage of their operating budgets. They will fall behind competitors who implement processes and systems to achieve compliance at a lower cost and risk. World-class organisations of all sizes will focus on optimising their processes and IT systems to reduce the costs of compliance and to gain compliance efficiency.

How can your organisation achieve compliance efficiency? Jean Bua, Iron Mountain Vice President, Corporate Controller and Chief Accounting Officer recommends:

- ✓ Continue to automate manual processes
- ✓ Increase the sophistication of control processes and IT systems
- ✓ Improve the integrity and quality of transaction information
- ✓ Speed up the flow of information to meet “real-time” data demands
- ✓ Prepare for the necessary evil of ongoing compliance reporting

The goal of compliance efficiency necessitates a full analysis of an organisation's records, processes for managing records and an implementation plan resulting in a Compliant Records Management Program. The means by which a given organisation achieves compliance efficiency will greatly vary from one company to another. But the standards by which a Compliant Records Management Program is developed and maintained are well established.

## TRADITIONAL RECORDS MANAGEMENT PROGRAMS

Records management has always been viewed as a “cost centre” rather than a strategic initiative. But with the increased regulation of all public companies caused by the Sarbanes-Oxley Act, a new approach to records management has now moved this discipline into the strategic category.

Traditional records management is focused on records management operational efficiency, meaning the preservation, management and disposition of a company's official records in the most cost effective manner. A traditional Records Management Program will help move an organisation towards compliance efficiency by providing:

### Information Accuracy and Trustworthiness

A properly executed Records Management Program gives senior executives confidence in the integrity of the information they are certifying for compliance with Sarbanes-Oxley and other state and federal regulations. It also helps demonstrate that your company is not only meeting the letter of the law but the spirit of the law as well, with sound, consistent record keeping practices.

### Proactive Litigation Responsiveness

A Records Management Program puts into place the processes and systems that help your company respond more effectively to regulatory inquiries and discovery requests. It will create a proactive discovery environment that reduces legal exposure by providing your legal team counsel with the ability to analyse discovery information, not just gather it to react to a pending request.

### Better Control of Records Management Costs

A Records Management Program can help reduce the costs of compliance by reducing the amount of information that your company needs to retain. If there is less information to review, it can be retrieved faster, thus eliminating multiple searches for the same information. This is especially true in litigious situations that include a large volume of e-mail for discovery requests.

## COMPLIANT RECORDS MANAGEMENT PROGRAMS: THE BEST OF BOTH WORLDS

What is different about a Compliant Records Management Program vs. a traditional Records Management Program?

A Compliant Records Management Program combines the traditional operational efficiency approach with a risk-based compliance approach. The compliance approach focuses on identifying and assessing information management risks and establishing the appropriate business processes to manage those risks. By combining the two approaches, you gain the operational efficiency of better information access and lower storage costs, plus greater litigation responsiveness and compliance risk reduction.

## THE SIX STAGES OF A COMPLIANT RECORDS MANAGEMENT PROGRAM

How do you design, execute and maintain a Compliant Records Management Program?

Based on Iron Mountain's experience designing and implementing records management programs for some of the world's leading organisations, we recommend a six-stage approach:

1. Organise
2. Assess
3. Develop
4. Implement
5. Manage
6. Audit

All six stages are designed to promote consistency - the central theme and success factor. They are provided here as a practical approach to Compliant Records Management.



### STAGE ONE - GET ORGANISED

The best place to start is to organise for success. Full implementation of a Compliant Records Management Program requires the following:

- ✓ Scope Definition
- ✓ Organisational Commitment
- ✓ Allocation of Staff and Responsibilities
- ✓ Appropriate High Level Budget

#### Determine Program Scope

By first making a high-level assessment of the existing program's status you can determine the implementation requirements of the desired program. Optimally, the final records program should convey the following characteristics:

- ✓ Inclusive of the corporate headquarters and all business units regardless of geographic location
- ✓ Inclusive of both hard copy and electronic records
- ✓ Alignment with business culture and process
- ✓ Mandate compliance with laws, regulations, disposition liability and business continuity requirements

Successful implementation of a Compliant Records Management Program will require both a high quality work product and organisational change. In many cases, individuals and departments will have to modify their business practices in order to be compliant with the final program. The degree to which the program promotes clearly defined goals and objectives alongside reasonable change management requirements is often the single most influential ingredient for success. Consequently, organisational commitment at every level is imperative.

#### Gain Commitment at All Levels of the Organisation

For the program to be effective, your company has to make a significant organisational commitment at three levels:

**Governance Level:** The early creation of an executive steering committee comprised of senior management across all departments is instrumental to the success and implementation of a Compliant Records Management Program. The steering committee will set program direction, priorities and thus should have representation from IT, Legal, Finance, Compliance, Risk Management, and others as appropriate. Executive level commitment sends a strong signal that the company is serious about records management, making it much easier for those driving the program at the implementation and administrative levels.

**Implementation Level:** To drive the program through implementation, you'll need a corporate records manager as well as designated managers in each business unit. Because the business units have a very large role in program implementation and enforcement, cross-functional task groups and business unit support is critical.

**Administration Level:** There must be a working knowledge of responsible records management principles at the "doer" levels within an organisation. Those that handle records and information first hand should be aware of the policies and procedures governing that information.

**Allocate Staff and Responsibility**

The development, implementation and administration of the Compliant Records Management Program will require both subject matter experts and operational administrators. While some of these resources can be procured from vendors, full adoption will necessitate dedicated staff resources.

It is important to take into consideration your company's business culture and processes when identifying candidates for these roles. The development of an effective program is highly dependent on the degree to which requirements and data gathering efforts result in a workable business practice. As such, competencies in records management and internal workflows should be considered essential.

**High Level Budget Appropriation**

The financial requirements of your program should be taken into account early in the organisational phase so that suitable resources are available to see the program through development, implementation and into administration.

**STAGE TWO - ASSESS**

After determining the program's scope, identifying staffing responsibilities and allocating appropriate budgets, the next step is to evaluate the current Records Management Program, identify the most substantial gaps and create a master plan to address and close these gaps.

**Identify your records and where they are**

Inventory each type of record and record keeping system within your organisation. A records inventory is a complete and accurate listing of the locations and contents of your organisation's records - whether paper or electronic. Until you know what you have, it is impossible to establish any type of records program.

**Examine existing Policies and Procedures**

Evaluate your existing records management policies and procedures to determine relevance and identify the biggest gaps that put your organisation at risk. Important aspects of this effort include determining if they cover all lines of business and providing realistic guidance according to the current business environment. Furthermore, these policies and procedures must be evaluated in concert with other corporate and departmental guidelines.

**Analyse your retention and access requirements**

You will then want to analyse your legal retention and access requirements to determine the appropriate archiving solutions. For example, how fast and how precise are your access requirements for key applications? Can the system handle the retention, record preservation, disposition and timely discovery production requirements? Answers to these types of questions help guide the definition of related technology requirements as well as provide valuable input to the overall program.

**Evaluate your existing records management capabilities**

Evaluate how much of your existing processes and IT systems can be leveraged in the implementation phase. Are you maximising your current records management or content management system? Can your e-mail systems be configured to auto-delete e-mails that are not classified within a set period of time, for example?

**Build the "master plan"**

After you have completed the assessment, you can then build a high-level records management master plan. The master plan should include your organisation's strategic objectives, program standards, priorities and long term goals.

### STAGE THREE - DEVELOP KEY RECORDS MANAGEMENT COMPONENTS AND METRICS

The foundation for a legally credible, Compliant Records Management Program is characterised by the following assets and development processes:

- ✓ Records Retention Schedule
- ✓ Records Classification Scheme
- ✓ Legal Retention Requirements
- ✓ Accessible Policies & Procedures
- ✓ Measurable Audit Metrics

#### Records Retention Schedule

A Records Retention Schedule is a document that an organisation uses to ensure that records are kept only as long as legally and operationally required, and that obsolete records are disposed of in a systematic and controlled manner.

#### Records Classification Scheme

A record classification scheme is a grouping of records by business function, record class, and record type as a way of dealing more practically with high volumes of records. Record classification schemes provide a basis for making correct decisions about records.

#### Legal Retention Requirements

Conducting legal research is essential to determining what the retention period is for each record class. Legal research on record classes often requires the assistance of legal counsel or external experts. There are at least three types of legal requirements that must be considered:

1. Federal
2. State
3. Local
4. International (if applicable)

Retention periods should be assigned to all record classes based, first and foremost on legal retention requirements, secondly, risk considerations, and finally operational needs.

After completing these tasks, you should have one universal Records Retention Schedule that captures all of the records - regardless of media - that are created or received by your organisation.

#### Policies and Procedures

Your organisation should create company-wide policies and procedures. Documented policies and procedures demonstrate your organisation's commitment to meeting compliance standards and provide clear direction to employees on their records management roles and responsibilities. Policies and procedures should provide governing advice for the creation, management, access, retention, and disposal of all records.

Key things to keep in mind regarding the development of policies and procedures:

- ✓ Provide guidance on what is a record, types of records (e.g. transitory, official, etc.), and what to do when you're not sure
- ✓ Address all records regardless of media type, including e-mail, instant messages and other electronic records
- ✓ Designate and define roles and oversight responsibilities
- ✓ Keep it simple, concise and avoid legalese
- ✓ Tailor your policies and procedures for specific applications
- ✓ Document explicit directions for the suspension of records destruction (i.e. holds) in the event of legal actions against the company

- ✓ Develop disposal procedures that demonstrate authorisation, adherence to confidentiality and security requirements
- ✓ Insure that disposal procedures include the official record as well as copies of such records

#### **Audit metrics**

Audit metrics must be defined so you can measure the effectiveness of your program and identify the top areas that need improvement. Before embarking on the implementation of the program, consider auditing the existing program for a baseline comparison.

At a minimum, your audit metrics should include:

- ✓ Destruction timeliness: were records destroyed in a timely manner?
- ✓ Training completion: have new and existing employees been trained?
- ✓ Inventory classification accuracy: are sampled records classified correctly?
- ✓ Business unit participation: does adoption or participation vary by business unit?
- ✓ Suspension of Records: how many records are on hold and how long?
- ✓ Suspension Communications: how long does communication of suspension holds take from start to finish?
- ✓ Number of Records Stored: is this proportionally increasing with business growth?
- ✓ Retention Codes: what percentage of records have applied retention codes?

#### **STAGE FOUR - IMPLEMENT**

Effective implementation of the program is a critical component of the success of a Compliant Records Management Program. Upon external scrutiny, the program will be judged on the quality of the implementation, not the design. You are better off consistently implementing an imperfect program well than failing to execute a technically perfect program.

Iron Mountain has developed the following implementation guidelines for success. These guidelines distinguish properly deployed programs from those that never achieve operation and compliance effectiveness:

- ✓ Phased Implementation
- ✓ Focused Training
- ✓ System/Technology Support

#### **Take a phased approach**

We recommend first implementing a core program followed by the implementation of programs for secondary applications, lines of business and low risk records. The particular areas you attack first should be the ones that address your biggest risks or offer the most visible benefits. It is important to distinguish that a phased approach doesn't advocate only addressing a portion of the business. Rather, the program should be developed across the enterprise but implemented in a risk-prioritised manner.

#### **Design and rollout training by audience**

It's imperative that employees understand and embrace their role in maintaining compliance. Like any other corporate program, your implementation needs to be rolled out as a formal program with the training tailored to specific audiences within your organisation. Leverage your internal communication vehicles (e.g. Intranet) to provide compelling Web-based training complemented with live training where appropriate.

A trained and operationally efficient workforce characterises the difference between an effective program and one that never achieves its desired goals. Any program that necessitates sweeping operational change management or that isn't fully deployed is doomed to failure. Driving the program down to individual departments is critical to achieving both operational and compliance efficiency.

**Implement technology to assist with program management and measurement**

The last component of the Implementation phase is deploying the appropriate IT systems for managing, measuring & enforcing your program. As with any other IT system implementation:

- ✓ Define your functional and technical requirements
- ✓ Evaluate existing technology investments and alternatives
- ✓ Select, install and configure technology solution
- ✓ Train end users on how to use the technology

**STAGE FIVE - MANAGE AND ENFORCE**

The benefits of the investment in a Compliant Records Management Program will be short-lived if you don't put in place methods to manage and enforce user adoption. Ensure your program stays up to date with the latest laws and regulations and that employees are continually reminded of their roles. It is important to:

**Manage Security, Access and Integrity of Data**

It is essential to have a proper authorisation process to ensure the confidentiality and integrity of your records.

**Enforce Classification and Destruction Review Via Reports and Safeguards**

Create and periodically review reports to monitor and measure:

- ✓ Employee participation and usage
- ✓ Records inventory health and consistency
- ✓ Retention management processes
- ✓ Destruction eligibility and final destruction

Develop an annual formal audit of the records management system, record classification scheme, and centralised records index to validate that the structure is consistent, accurate, and reflects any changes in the business.

**Maintain training, communications and certification programs**

Regularly communicate program updates to employees via existing company communication mediums such as news letters and/or Intranet site. Create a certification program that requires employees to sign-off that they understood the training and accept their records management roles and responsibilities.

**Update retention schedule, policies and procedures**

Plan on a yearly re-examination of the retention schedule, policies and procedures to ensure they reflect the latest laws and regulations.

**Plan and budget for program maintenance, enforcement, audit and enhancement**

Program maintenance, enforcement and auditing won't happen consistently if you don't plan and budget for them.

**STAGE SIX - AUDIT**

For your Compliant Records Management Program to remain compliant, you must have clear accountability. To truly evaluate program performance, risk management and cost management, there must be an established audit process. Does your program have "Compliance Buy-In" at all levels throughout the organisation? Accountability necessitates regular audits on the following actions:

**Incorporate into your internal audit function**

Auditing of your records management program should be incorporated into your standard internal audit process.

**Benchmark against your audit metrics**

Regular benchmarking of performance against audit metrics will identify the gaps in your program that need to be addressed.

**Set up regular reporting schedules**

Use a portfolio of reports to monitor compliance performance: management, budget, and usage reports, for example.

**Monitor training program**

Solicit feedback and set training metrics in place to be certain that your training program is hitting the mark.

**Recommend improvements and get approval for corrective actions**

Your records management steering committee is the best way to communicate improvements and gain commitment for corrective actions.

**COMPLIANT RECORDS MANAGEMENT PROGRAM: GUIDING PRINCIPLES**

The preceding six phases illustrate Iron Mountain's recommended path to Compliant Records Management. During each phase, the following underlying principles should always be kept in mind to ensure your program's success.

**A. Make Records Management a program.**

To be successful, Compliant Records Management should be viewed as an ongoing program, not a one-time project. The mistake some companies make is that they spend significant resources designing and implementing policies and processes, but they do not invest the time and money to continually measure, enforce, and improve the program.

Companies that take this approach will quickly negate most of their original investment because employees will not be knowledgeable and therefore, will not use the program. It will also create obstacles because the program will not be able to keep pace with the changes in regulations and technologies that affect records management.

A Compliant Records Management Program should be treated like any other corporate-wide program. You should identify the hallmarks of other successful programs in your organisation and mirror them. Program development and maintenance should include the following components:

- ✓ Senior Executive Support and Sponsorship
- ✓ Specific Program Goals and Individual Accountability
- ✓ Commitment to the Right Resources and Expertise
- ✓ Training, Follow Up and Reinforcement
- ✓ Continuous Program Improvement

**B. Make it easy.**

Your Records Management Program should be easily understood and readily available for quick access. Program components and their value to daily business operations should be communicated regularly. If you leave room for ambiguity, employees may do the wrong thing. If you make it too complicated, employees will ignore it.

**C. Keep it consistent.**

Consistency is the most important principle that should drive all of your processes and decisions. More than any other characteristic, consistency is the key to implementing and maintaining a successful Compliant Records Management Program. Your program should be designed and implemented consistently across all:

- ✓ Record types (e.g. hardcopy, e-mail, instant message)
- ✓ Business units (e.g. division, department)
- ✓ Geographies

A consistent program significantly reduces your company's compliance risks and legal exposure.

**COMPLIANT RECORDS MANAGEMENT: THE DESTINATION**

What are the tangible benefits from an investment in a Compliant Records Management Program? If consistently implemented, enforced and refreshed, your Compliant Records Management Program will:

**Demonstrate:**

- ✓ Compliance with specific regulations, in all geographies
- ✓ Good faith efforts
- ✓ Consistent policies, procedures and practices
- ✓ Management accountability
- ✓ Employee adoption

**Ensure:**

- ✓ Authenticity of official records
- ✓ Lowest storage Total Cost of Ownership
- ✓ Responsiveness to regulatory, litigation and operational requirements
- ✓ Proactive management of discovery costs and risks

**A PARTNER YOU CAN TRUST**

The benefits of a Compliant Records Management Program are very clear. Your choice of what company to partner with in designing, implementing and maintaining your program should be clear as well.

***Iron Mountain is the only partner you can trust to design and implement a comprehensive, consistent and compliant records management program.***

No other company has the breadth and depth of experience, expertise, and services that Iron Mountain can provide to achieve Compliant Records Management. Since 1951, Iron Mountain has been the partner that thousands of companies trust to store, manage, and protect records, media, and electronic data in any format for any length of time. Our Consulting Services team has designed and implemented enterprise-wide records retention solutions for the world's leading organisations. We can help you in all six stages of Compliant Records Management.

Our methodology is designed to optimise all aspects of an organisation's records management operations and often results in costs savings that pay for the initial program investment. By optimising the program to retain valid records and dispose of unnecessary records, cost savings in storage alone can pay for the core program many times over. A self-funding Compliant Records Management Program developed with Iron Mountain will result in real, tangible benefits for your company:

- ✓ An expert partner in records management and systems
- ✓ Clearly documented and easily accessible policies and procedures
- ✓ A legally credible program with consistent retention schedules, policies, procedures & certification programs
- ✓ The ability to retrieve records - consistently and efficiently - for regulatory, legal or operational needs
- ✓ Synchronisation of program policies across records management and IT
- ✓ Compliance efficiency (compliance in the most cost effective manner)

**CONCLUSION**

The need for a Compliant Records Management Program is demonstrated daily in all industries. The escalating fines to corporations cited for poor corporate record keeping are a testament to the fact that compliant records management is no longer optional. Mediocre plans and processes do not constitute a compliant records management program. By following the practical path outlined in this paper and partnering with Iron Mountain, you can drive your existing records management practices from sub-standard to stellar, from cobbled to consistent, from company-threatening to compliant.

For more information on how to get started on your Compliant Records Management Program, visit our web site at [www.ironmtn.com.au](http://www.ironmtn.com.au)

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