



Challenges in Records Management and Retention for U.S. Domestic and International Organizations:

Dealing with the sheer volume of regulations and frequent technology changes makes records retention and disposition an ongoing battle

In this paper you will learn:

- *Why you need to develop a comprehensive records retention schedule (RRS)*
 - *The key components of a successful RRS*
 - *The unique challenges for international companies*
- *How developing a Records Retention program factoring in Risk can provide ROI*



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The Challenge

How do we achieve compliance while meeting business objectives in an era of shrinking budgets, often compounded by overloaded resources and increasing cyber threats? This is the question on every senior manager's mind. As the regulatory landscape becomes increasingly complex, corporations continue their expansion into the global marketplace, and data analytic opportunities also expand. Records retention and destruction is often a low priority for organizations until it is too late. Should costly litigation or disaster strike, managers quickly find out if their current mechanisms are solid or inadequate.

The amount of regulations can be overwhelming, and technological changes impacting the way we store and retrieve our records make the target dynamic. Thus, it's a challenge for the records manager to develop and maintain a records retention program that is compliant, consistent and cost-effective.

There are more than 14,000 federal, state and industry laws, standards and regulations that dictate how long to keep your paper and electronic records.

records and global regulatory requirements.

Deciding which records to keep is not an information technology (IT) function. Rather, it is a business function affecting the legal, regulatory, compliance and financial future of the company. Comprehensive programs encompass electronic

In this report, we will provide a foundation for setting up and maintaining a compliant records retention and disposition program that also provides for efficiencies.

Why Create a Program?

Mitigating Data Risk

Privacy risk is a growing concern for today's data-driven companies. According to the 2016 data breach report from Ponemon Institute, the average cost of a data breach of just one released record is \$158, or approximately \$4 million total per breach. The Ponemon Institute also predicted the likelihood of a data breach of 10,000 records or more at 24% of U.S. organizations in that category. In more than 45 states, the cost of lost privacy data includes paying to notify all the users, the appropriate governmental agencies and even setting up toll-free numbers to field questions from individuals whose information was leaked. The hidden cost of maintaining unnecessary records and information continues to build.

Reports of large-scale data breaches are now commonplace and the price tag for each breach keeps getting higher. Yahoo recently estimated the cost of the September 2016 data breach that affected over 1 billion users to be \$350 million. Initial estimates of the 2017 Equifax breach that compromised the personal information of early 40% of the U.S. population is expected to equal the cost of the Yahoo breach and has already cost the



company \$2 billion in market share. Clearly, the cost of a data breach extends far beyond cleanup. Other costs such as market share and customer churn show that the collateral damage of a breach can be catastrophic to an organization.

Indeed the news is frightening and only seems to be getting worse. As a records and information management (“RIM”) professional, you may say, “I have no control of over network security; data breaches are an IT problem.” Not so fast. RIM professionals play a major role in information security. In fact, robust RIM and Information Governance policies, as well as routine information monitoring and audit activities, can help contain the costs and impact of a data breach.

Mitigating Litigation Risk

Information risk, however, extends far beyond data breaches. In a "Litigation Trends Survey" by Fulbright & Jaworski, an international law firm, “only 19% of respondents described themselves as ‘well prepared’ to handle a difficult e-discovery matter in a contested civil or regulatory matter. Not one said they were ‘completely prepared.’” If this is any indication of litigation readiness, there are countless organizations at risk for non-compliance and excessive e-discovery costs.

An amendment to the "Federal Rules of Civil Procedure" in 2006 placed an additional burden on companies because these procedures were broadened to cover electronic records. Under the amended rules, lawyers of both parties must meet early in the litigation process to determine what types of records are required. A 2015 amendment reduced the time organizations have to produce all agreed-upon required records (in a “reasonably usable” form) from 120 days to 90 days. after the agreement. Companies may also be required to provide technical support to ensure that the data is ‘useful.’

Another key 2015 amendment, Rule 37(e), states that an organization may be subject to spoliation sanctions “if electronically stored information that should have been preserved in the anticipation or conduct of litigation is lost because a party failed to take reasonable steps to preserve it, and it cannot be restored or replaced through additional discovery.” This amendment directly addresses the potential penalties for not implementing a clearly defined RIM policy and related procedures, most notably the litigation hold. Has Rule 37(e) had an impact on spoliation findings? Just ask Plantronics, who was slapped with a \$3 million spoliation sanction in its 2016 case against GN Netcom.

Litigation readiness is more important than ever. The penalties for non-compliance can be enormous. Will you be prepared today should you need to locate critical records? Would your processes hold up in court?

Gaining Efficiencies

While it takes an initial investment of time, resources and budget to implement a consistent and compliant records retention and disposition program, companies find that their ROI is quickly achieved through multiple mechanisms for savings:

- ▶ **Search and retrieval savings:** Significantly reduce the cost of records search and retrieval for daily business operations and discovery. Information workers typically waste 20-30% of their time searching for information, and costs can quickly accrue for identifying and retrieving relevant information during litigation.
- ▶ **Storage savings:** Cadence Group has found that companies reduce storage needs by 30 to 50% by regularly eliminating records they do not need to keep.
- ▶ **Equipment and real estate cost savings:** By limiting the use of onsite paper filing to active records, you make better use of prime office space and assets.
- ▶ **Business continuity:** Protect vital records for business continuity in the event of a disaster.
- ▶ **Consistency in records handling:** With clear protocols for records retention and disposition, you minimize any exposure related to inconsistent, reckless, or personally motivated disposal of records.
- ▶ **Protection of intellectual property and operational knowledge assets:** Company records include information assets that contain the collective knowledge of the company. Clear procedures secure and protect those assets.
- ▶ **Deliberate implementation strategy:** After creating a records and information management policy it is critical to define efficient operational methods and effective risk mitigation strategies as you move forward with implementation.

The cost of waiting to develop a records retention program can ruin a company's financial health. The sooner you start, the sooner you will gain peace of mind with a program that is compliant, consistent and cost effective.

Key Components of a Comprehensive Program

While every company has unique challenges, there are some core components to every program. Best practices and industry standards indicate that your program should include at a minimum the following elements:

- ▶ **Senior management support.** In order for any program to be successful, the support of senior management is crucial. This includes a clear expectation from the C-Suite as to where responsibility lies and their agreement to support the initiative with human capital and financial resources.
- ▶ **A designated champion.** The most successful programs are driven by a sponsor who is empowered to bring about change and allocate resources as needed.
- ▶ **A well-defined scope of project.** The sponsor and team need to start by defining the scope of the project, determining the resources needed, and setting company-wide policies that are enforced. Oversight includes data produced or retained in



any format, including those created on paper, in electronic media, scanned images, and sound and video recordings.

- ▶ **General Counsel support.** Program definitions should also include clear instruction on when the disposition process should be suspended, commonly known as disposal suspension or “legal hold,” due to potential or anticipated investigation, litigation or audit.
- ▶ **Policies that align with business practices.** Schedules, file plans and workflows should be developed with input from each business unit or department to maximize efficiencies and minimize disruption. It is critical that the business process include steps to categorize information and manage the lifecycle.

A Media-Neutral Approach

For the program to be fully compliant, records created in all media formats must be considered. This means paper records in file cabinets or stored in boxes at commercial records centers, spreadsheets, documents created by word processors, presentation materials, and audio-visual records, as well as records stored in databases, shared repositories, or on portable data storage devices.

Many organizations opt for the “save all e-mails” approach. This practice makes them subject to increased discovery costs during litigation or audit.

Often, employees think that e-mail is a “record.” It is important to understand that it is the information contained within the message that determines whether the e-mail is a record. Without some artificial intelligence determining the “record” value of the communication, only the author or recipient of the e-mail can know whether the contents of the communication constitute record value.

Likewise, structured data housed in company databases are often “records.” Employee records maintained in human resources databases, accounting records in large accounting databases, and sales contacts inside customer relationship management databases are also considered records and need to be managed according to retention schedule requirements. Many software applications today do not have the capability to purge classified data that is past retention; however, in order for a retention and disposition program to be fully compliant, this feature must be present and utilized.

Gather Information and Assess Current State

The first step in creating a records retention schedule is to determine which records each department or business unit maintains. A combination of survey, interview and/or inventory methods can be used. The amount of detail required in the process will depend on the structure of the schedule. A department-specific schedule or a condensed “functional” schedule may be utilized by your organization. Industry standards recommend a “functional” schedule with more broadly defined records categories. Records retention can be managed at a higher level and inherited to the file level. A file plan can then be created to provide additional filing guidance. A condensed functional schedule reduces administrative costs and the risks associated with inconsistency. For example, within a detailed schedule vendor contracts are a separate category from purchasing agreements; whereas in a functional schedule, these examples of contracts and agreements are treated equally and require no further detail.

Scheduling for Compliance

After completing the information gathering and assessment of gaps by departments, the records manager needs to analyze and research the listings of all records categories. Each department determines how long the records are needed for business purposes, while the records manager conducts legal research to determine all laws and regulations that pertain

to the particular record series or category. The final step is to reconcile the legal requirements against the business requirements for each record and marshal the results towards a simplified records retention schedule that is easier to use and less expensive to maintain over time. Because of the over 14,000 laws that have recordkeeping requirements, records managers often outsource this piece to consultants or law firms that specialize in this detailed research.

Launching the Program

Once the records retention schedule has been finalized, training and rollout can begin. All employees need to be trained in how to read, understand and apply the retention schedule to all records, both physical and electronic.

Successful implementations will include components like:

- ▶ A well-defined communication plan
- ▶ Written policies and procedures housed electronically and accessible to all team members
- ▶ Business process analysis and the development of operational file plans for physical records, electronic documents and email
- ▶ Organization and clean-up – physical and electronic information
- ▶ Training with multiple touch points such as:
 - Live web-casts and classroom sessions
 - Computer Based Training
- ▶ Expert Support
 - RIM Helpdesk
 - Office level or one-on-one implementation support
 - Online help and FAR

Ensuring Compliance

Regularly-timed reviews of the records retention schedule and policy for relevancy will also ensure that the schedule and program remain viable. The records manager works with each department periodically to systematically review the schedule for additions or replacements of record categories, as well as removal of obsolete categories. Legal research should be conducted regularly to update record keeping requirements.

The records manager also conducts periodic inspections of offices to ensure the company's policy regarding records retention and disposition is being followed consistently and thoroughly. This inspection includes a written review of findings from shared network drives and collaborative workspaces, document management repositories, e-mail accounts, desk drawers, file cabinets and application systems. Records

management leadership and company culture impact whether these reviews are received as a threat, or a planning and information management exercise.

Unique challenges for international organizations

If your company operates globally, your business already deals with multiple unique challenges. This is also true with records retention and disposition. The lines are not clear when it comes to defining responsibility. Each foreign country has their own compliance guidelines that should be considered along with U.S. requirements, and these can vary greatly. For example, India, China and Japan have very complex requirements, and the European Union regulations must be considered in addition to sometimes more stringent regulations in the individual countries. Also, the length of time you must maintain records can easily range from 10-30 years. Litigation risks and protocols need to be considered, as well as special media requirements, cross border issues and data protection laws that may conflict with U.S. regulations.

Barriers to Developing a Global RIM Program

Whether creating a new program or revamping the one currently in place, there are several factors that should be examined in an international program:

- ▶ Language barriers

Language is the first issue that comes to mind, and with good reason. Language barriers affect the basic premise of communication and can add significant cost to your project. Consider costs associated with translation for all aspects of training and communication, both oral and written. If you operate in remote or third-world countries, the ability to read English may be a consideration. Along with that, nomenclature can cause significant issues and confusion in executing a plan effectively. Common terms used in your industry here may not translate abroad, and vice versa. You will need to assure that your translation services are local or vetted for optimal results.

- ▶ Training and Communication Program

No plan will work unless onsite staff are properly trained and are able to execute it properly. Training is critical, but presents several challenges. In addition the language concerns mentioned above, teams should consider time zones, connectivity with the Internet, local calendars and customs. Computer based training in conjunction with ongoing RIM support services may be the best solution in some countries. Culture is a major factor to consider when developing the communication program.

- ▶ Travel and inventory costs

The Internet and various tools can provide access for information sharing. However, depending on your project strategy, you may have teams on the ground. This can add significant cost.

Risk Decisions

Researching international compliance requirements can be difficult, time-consuming and ultimately costly. Working with third-party records and information management consultants and your corporate legal counsel can help each organization determine their threshold is for exposure and define a cost/benefit/risk strategy that defines priorities and considers budgetary constraints.

Senior management can then decide how aggressive plans can be in concert with an overall business plan. Risk can be ascertained for certain categories of records and within specific countries of operation.

Project Strategy

Once these questions have been addressed, there are several ways to approach a uniquely-global strategy to developing a Records Management Program. In all cases, it is critical that your strategy aligns with overall business objectives. Comprehensive programs address:

- ▶ Long and short term planning objectives
- ▶ How departments/offices can operate in the existing technical environment
- ▶ Risk mitigation and Cost reduction strategy
- ▶ Cost versus benefit
- ▶ Legal research and global compliance
- ▶ Differences in U.S. versus international business models
- ▶ Deployment strategy that considers priorities
 - Risk mitigation priorities
 - Cost constraint/ROI
 - Cultural barriers/enablers to implementation
 - Operationalization and sustainability

The Checkpoint Systems Story

Checkpoint sought a way to reduce overall costs and risks associated with storing unnecessary inactive records. Cadence Group did the legal research and developed a program to meet records management laws and regulations in the U.S. and 25 other countries. The result: a compliant global policy and reduced costs associated with storing unnecessary records.

Compliance while meeting business objectives

While every organization needs to determine its own risk tolerance, failure to develop and maintain a well-structured records retention and disposition program can have significant, costly effects. A well designed and implemented program provides protection from fines and exposure to litigation, and enhances business efficiencies on multiple levels.

Programs should be structured to meet your specific business requirements and aligned with strategic direction. Often, organizations utilize consultants who specialize in



developing and executing these kinds of programs. Expertise can be gleaned in the areas of:

- ▶ Assessments
- ▶ Developing RIM Programs and Implementing Tools
- ▶ Legal Research into Records Retention and Privacy Law
- ▶ Merge/Simplify Records Retention Schedules
- ▶ Cleanup of Inactive Records
- ▶ Operational Integration of RIM Policy and Procedures
- ▶ RIM Help Desk
- ▶ Managed Services - Onsite Records and Virtual Information Center
- ▶ Review and Audit Programs
- ▶ Annual Program Reviews

About Cadence Group

For over 25 years, the Cadence Group has been helping companies like the Centers for Disease Control (CDC), Checkpoint Systems and Industrial Development International implement and maintain state-of-the-art Records and Information Management programs. Cadence Group maintains headquarters in Atlanta with offices in Washington, D.C., and is a certified women-owned small business. Cadence Group serves a broad range of industries to provide staffing, consulting and managed services.

To learn more, visit www.cadence-group.com, or contact us at info@cadence-group.com or 404-874-0544.

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Appendix A: Components of a Comprehensive RIM Program

Records retention is a vital part of your records management program. However, there is more to records and information management (RIM) than just keeping your records for a specified number of years and then disposing of them. Setting up a comprehensive RIM program typically requires the following actions:

- ▶ Establish/review organizational policies, procedures and best practices.
- ▶ Identify persons responsible and accountable for managing records.
- ▶ Assess current processes against best practices and develop a gap analysis of discrepancies.
- ▶ Assess onsite and offsite storage media and costs and identify areas for improvement.
- ▶ Develop records management project plan to remedy gaps.
- ▶ Develop or review records requirements with the intent of making retention schedules apply to all forms of media (paper, electronic, film, etc.).
- ▶ Update the Records Retention Schedule(s) and complete legal research and update the retention requirements in your schedule.
- ▶ Develop file plans to integrate records best practices and business processes flows throughout the organization.
- ▶ Organize and cleanup active and inactive physical records and unstructured electronic content.
- ▶ Evaluate software tools.
- ▶ Implement the program and execute comprehensive communication and training plans.
- ▶ Perform regular records program compliance audits throughout the organization.
- ▶ Schedule periodic cleanups of physical and electronic records.

Appendix B: Laws and Regulations Regarding Records Retention

There are more than 14,000 federal, state and industry laws, standards and regulations that dictate how long to keep your paper and electronic records. In addition, there are constant changes and additions, and it's difficult to stay current. Records managers often outsource this business responsibility to records consultants or law firms that specialize in this type of research. Also, software is available to help manage the records retention schedule and legal citations. Below is a partial list of key regulations and agencies for records retention and disposition.

Examples: Federal Laws and Regulations

- ▶ Federal Register (44 U.S.C. Chapter 15)
- ▶ Records Management NARA/GSA (44 U.S.C. Chapter 29)
- ▶ Records Management/Federal Agencies (44 U.S.C. Chapter 31)
- ▶ Disposal of Records (44 U.S.C. Chapter 33)
- ▶ NARA (44 U.S.C. Chapter 21)
- ▶ The Federal Records Act of 1950, Public Law(P.L.) 754, Chapter 849
- ▶ The Paperwork Reduction Act, P.L. 96-511
- ▶ The Paperwork Reduction Reauthorization Act, P.L. 99-500
- ▶ The Code of Federal Regulations (CFR)
- ▶ U.S.C., Chapter 33, Title 44
- ▶ Employee Retirement Income Security Act of 1974 (ERISA)
- ▶ Equal Pay Act
- ▶ Lilly Ledbetter Fair Pay Act of 2009 (update to Equal Pay Act)
- ▶ Family Educational Rights and Privacy Act (FERPA)
- ▶ Fair Labor Standards Act (FLSA)
- ▶ Fair and Accurate Credit Transaction Act (FACTA)
- ▶ Fair Credit Reporting Act (amended July 21, 2010)
- ▶ Federal Electronic Signatures in Global and National Commerce Act (E-SIGN)
- ▶ Federal Insurance Contribution Act (FICA)
- ▶ Federal Rule of Civil Procedure 26(b)(2)(B)
- ▶ Federal Unemployment Tax Act (FUTA)
- ▶ General Agreement on Tariffs and Trade (GATT 1994)
- ▶ World Trade Organization (WTO)
- ▶ Gramm-Leach Bliley Act (GLBA)
- ▶ Health Insurance Portability and Accountability Act (HIPAA)
- ▶ Internal Revenue Service Revenue Procedure 98-25, Section 5.01(1)

- ▶ North American Free Trade Agreement (NAFTA)
- ▶ Occupational Safety and Health Act (OSHA)
- ▶ Sarbanes-Oxley Act (SOX)
- ▶ SEC Rule 17a-4
- ▶ Uniform Electronic Transaction Act (UETA)
- ▶ U.S.A. Patriot Act (set to expire May 29, 2011)

Examples of International Standards and Regulations

- ▶ European Commission Directive on Data Protection – Safe Harbor
- ▶ ISO 15489-1
- ▶ Japanese Financial Instruments and Exchange Law (J-SOX)
- ▶ Multilateral Instrument (MI) 52-111 and related MI 51 and other MI 52 series rules issued by the Ontario Securities Commission Institute of Chartered Accounts

Federal Agencies

- ▶ U.S. Department of Defense (DOD)
- ▶ U.S. Department of Labor (DOL)
- ▶ Environmental Protection Agency (EPA)
- ▶ Federal Aviation Administration (FAA)
- ▶ Federal Communications Commission (FCC)
- ▶ Federal Drug Administration (FDA)
- ▶ Federal Trade Commission (FTC)
- ▶ U.S. Department of Health and Human Services (HHS)
- ▶ Internal Revenue Service (IRS)
- ▶ Federal Energy Regulatory Commission (FERC)
- ▶ Nuclear Regulatory Commission (NRC)
- ▶ National Archives and Records Administration (NARA) - General Record Schedules