The Generally Accepted Recordkeeping Principles
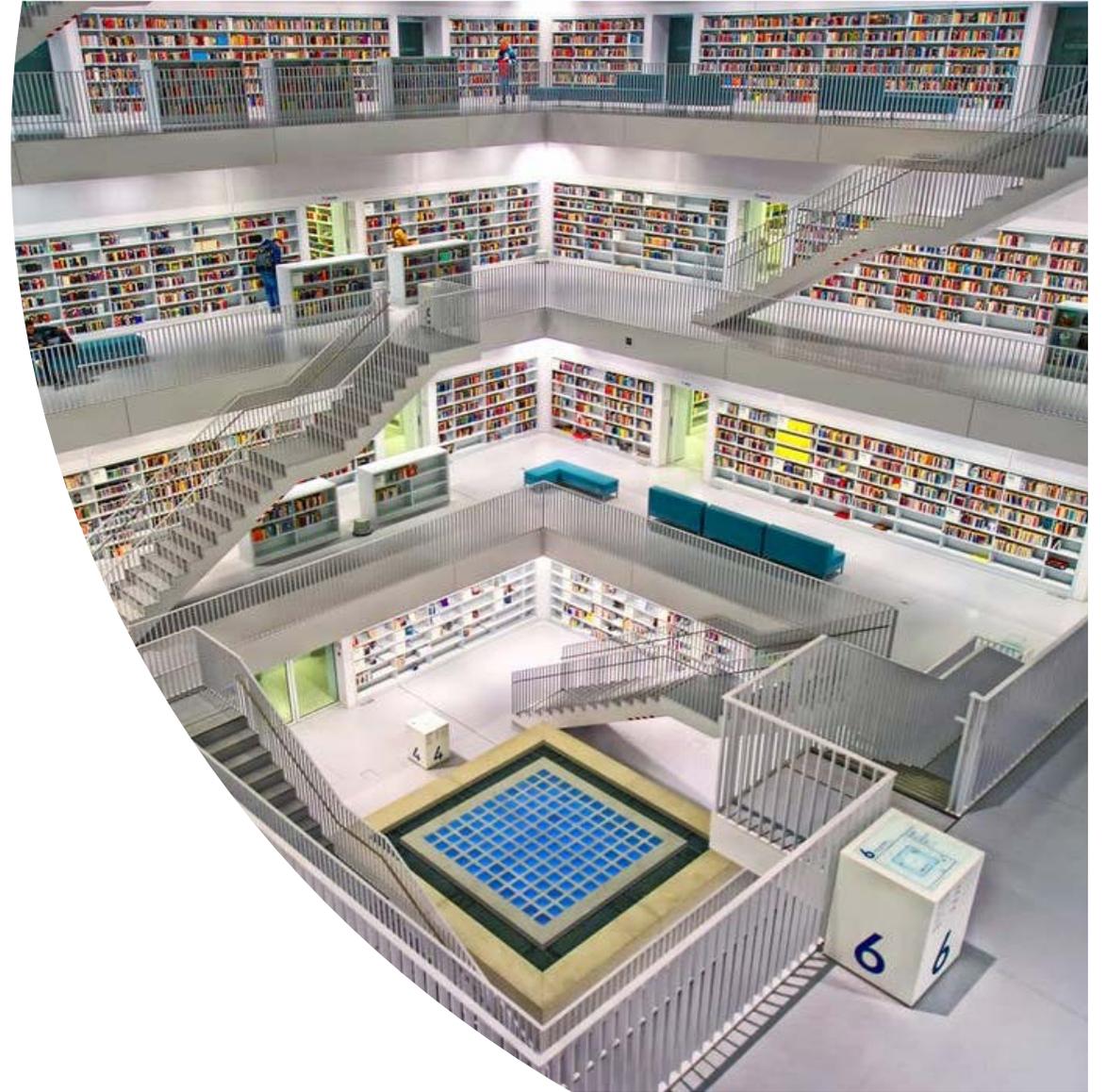
Their Application to RIM Programs and Retention

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What's GARP?

Generally Accepted Recordkeeping Principles – an exposition of:

- Accepted principles of management
- Good practice in the field

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G.A.R.P. Principles

- Principle of Accountability
- Principle of Integrity
- Principle of Protection
- Principle of Compliance
- Principle of Availability
- Principle of Retention
- Principle of Disposition
- Principle of Transparency

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Why G.A.R.P.?

The problem:

- Lots of records and data
- No transparency, integrity and accountability
- No commonly accepted standard of judgment
- Some examples:

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Bernie Madoff

- Lots of records of his alleged transactions
- Lots of records of volumes etc., in the markets he claimed to trade in
- No link between the two
- No coordinated examination of them

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AIG

- Trillions of dollars in credit default swap bets
- Much betting completely speculative
- Heavily leveraged
- Bets all on one side of the table
- No coordinated or thorough analysis of exposure

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AIG

Byzantine transactions:

- No one but the people who made them know how to unwind them
- May not be able to unwind them as suppliers and purchasers tied knots as well
- Retention bonuses for the culprits become necessary
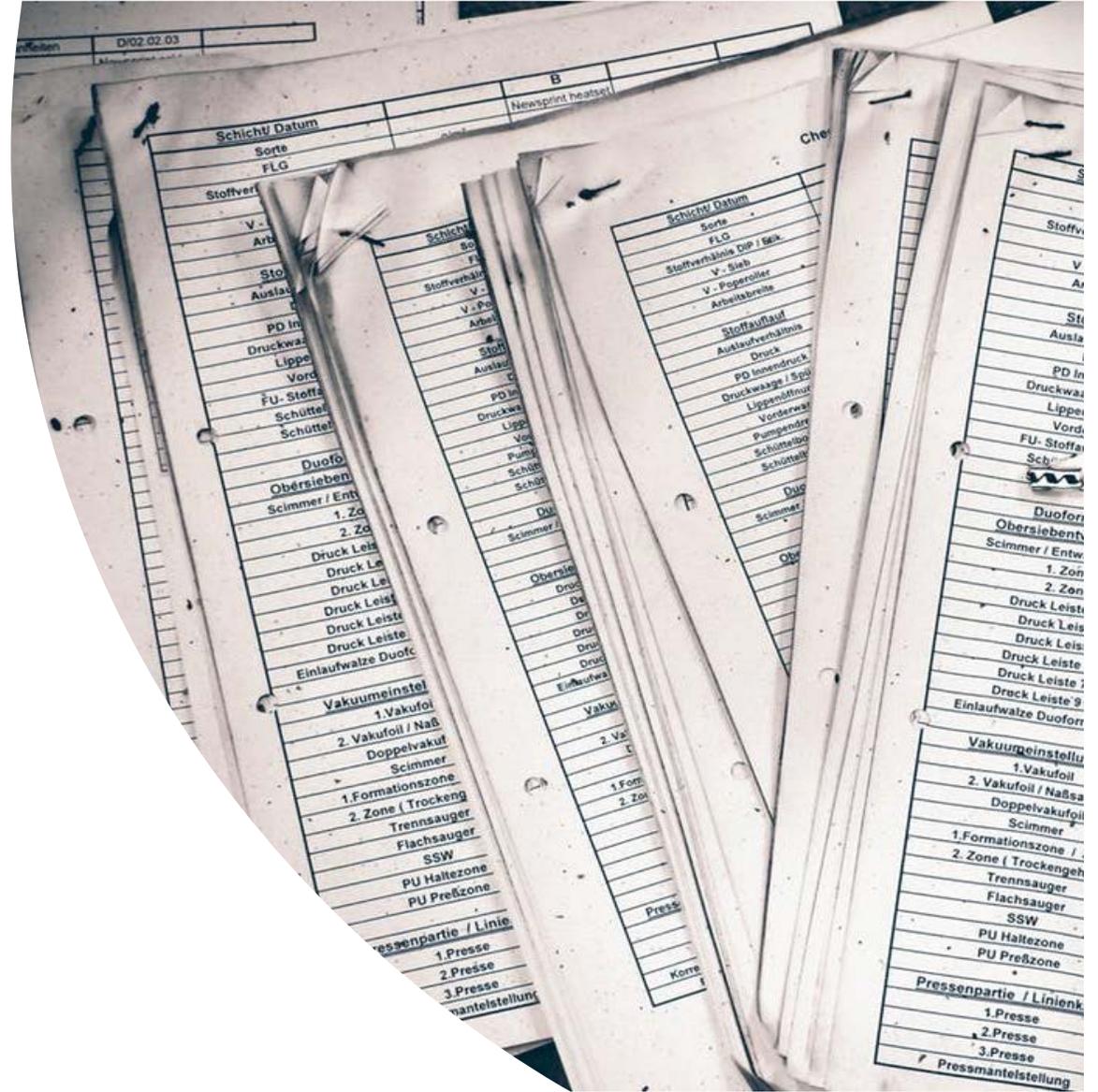
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Bureau of Indian Affairs

- Decades of poor recordkeeping
- Billions of dollars in unaccounted for trust money

The Bottom Line

- Lots of records
- Lots of records failures
- Lots of problems due to those failures

The Underlying Issues

- Records systems judged on quantity not quality
- No objective method for judging quality and effectiveness
- Self-serving and un-objective "standards"

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Why Does THAT Matter?

- In the past, standards were often developed on an ad hoc, self-serving basis

- You may have a good program, but still be challenged for "not complying with standards."

- You had no standard against which to measure your own progress

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The Matter of Expert Witnesses

- Frequently, no qualifications at all required
- An "expert" witness could be found to testify virtually any way about a matter
- They often invented their own standards

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The Solution: Objective Standards of Judgment

- Records systems judged by standards
- Standards reflect the effectiveness of the system
- The standards reflect generally accepted practice

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How Does GARP Help Matters?

Good practice is defined by RIM professionals; NOT by:

- Lawyers
- Judges
- Bureaucrats
- Pundits

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The Goal of GARP

Standards that are:

- Objective
- Reasonable
- Reality-based
- Flexible enough to fit varying circumstances

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GARP:

- Meets challenges
  - GARP-compliant = good practice
- Measures progress
  - GARP milestones = acceptable progress
- Promotes executive-level interest and support

The Double-Edged Sword

- GARP and things like it are being adopted now
- They can be used against you as well as by you
- All court cases have a loser

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Case Study: PG&E

- Natural gas explosion – ultimately traced to substandard pipes and welds

- California P.U.C. investigated, and issued a report:
    - Bad recordkeeping
    - Missing records
    - Poor records P&Ps

- What was the standard by which they judged?
    - GARP

What Does That Mean?

- For PG&E, GARP is a mandatory part of the landscape, forever
- For everyone else, a major event has been judged using GARP
- It's now citable authority when judging serious records problems
- It will be used again

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What Will That do for RIM Programs?

- GARP will become a compliance matter
- RIM and GARP auditing will become part of the internal audit cycle

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GARP and Auditors

- Auditors are interested in auditing records
- Pre-GARP, they had know knowledge of how to do it
- Pre-GARP, they had no standards to audit against

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How to Apply GARP

- GARP is a set of principles
- Maturity Model, etc., expound on those principles
- Any can be audited against
  - Alone, or
  - In combination with other standards:
    - Law/legal requirements
    - ISO/ANSI
    - Industry-specific standards
    - Internal policies and procedures
    - Client/contractual requirements
    - Consent decrees/judgments/settlements

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Scope, Resources and Goals

- How broad/narrow are our objectives?

- What resources are available for the audit?

- What is our goal?

Basic Components of an Audit

Are we saying the right things?

- P&P's, guidance documents, etc.

Are we saying them clearly?

- Do people really know what it is they are supposed to do?

Do we have an institutional framework that supports RIM?

What are people actually doing?

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Question 1 on the Audit:

Do we even have basic RIM policies and procedures?

- Retention schedule
- Basic lifecycle P&P's
- Email policy
- Information security policy
- Suitable implementing procedures for the above

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Judging the Adequacy of P&P's

- Do they address key basic components of the subject matter they purport to deal with?
- Are they adequately comprehensive given the nature and size of our organization?
- Do they address relevant authority?
- Are they simple enough to actually be useful?
- How current are they? When were each of them last reviewed?
- Do they give legally and ethically correct guidance?

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Auditing Performance

- P&P's, authority, tell us what to do . . . are we doing it?
- How to find out:
  - Self-assessment
  - Interviews, site visits and meetings
  - Sampling and testing
    - Manual – e.g., take the retention schedule and compare it to the share drive and file cabinets
    - Automated – run reports on systems and repositories

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Grading Results

- There should be an objective standard for grading
  - pass/fail, 1-5, etc. based upon objective scoring criteria
- Be reasonable – virtually no one will be 100%, but no one should get a free pass either

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Generally Accepted Recordkeeping Principles

5 Levels
- 1 - Sub-standard
- 2 - In development
- 3 - Essential
- 4 - Proactive
- 5 - Transformational

- You may not need to be 4 or 5, or at least not in all areas of your organization

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Remediation/Action Plans

- Improving things takes resources:
    - Time
    - Money
    - Effort
    - Focus
    - Opportunity cost
- All of these are limited resources

Remediation/Action Plans

- Do personnel understand the need/value of change?

- Where will the resources come from?

- What's a reasonable time frame?

- Do personnel have the competence to make the changes needed?
    - If not, how will they get it?

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Audits, Remediation and Resources

- Don't set the bar at a level you can't meet
- How high you can go depends on the resources available
  - You can't do things that are outside your
    - Budget
    - Expertise
    - Timeline
- How high you want to go depends on:
  - Your risk/legal landscape
  - How much of your resources you're willing to commit
  - Your organizational culture

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Where does that Leave Us?

- GARP is a useful tool, but not an easy button
- It must be used:
  - Intelligently
  - Mindful of resources
  - In combination with other standards, tools, techniques
- If so used:
  - It gives useful grades/feedback
  - It provides a roadmap
  - It provides surety/risk mitigation

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