

RECORD RETENTION - WHAT, WHERE, AND HOW LONG?

RECORDS RETENTION IS A CRUCIAL ELEMENT OF A BUSINESS' OVERALL RECORDS MANAGEMENT SYSTEM.

A 'RECORD' IS ANY EVIDENCE OF A PAST EVENT OR PROCESS AND CAN BE EITHER IN ELECTRONIC OR HARDCOPY (PAPER) FORM. IT INCLUDES VIRTUALLY EVERYTHING THAT PASSES THROUGH AN ORGANIZATION'S DOORS. RECORDS GENERALLY FALL INTO FOUR CATEGORIES: THOSE REGARDING CRUCIAL EVENTS; THOSE USED TO ASSESS OPERATIONS; THOSE SECURING PROPERTY; AND THOSE USED IN COMPLIANCE WITH GOVERNMENT REGULATIONS.

Among the significant reasons for employing a Records Management Strategy are: improving productivity, cutting costs, and complying with legislative, regulatory, and internal policy requirements. Record Retention refers to the storage of records which are not being immediately utilized as part of a business process (or are no longer considered 'active' files) but which may need to be accessed or referenced at any given time in the future.

Various guidelines exist as to how long certain records either should be kept or must be kept. The Internal Revenue Service (IRS) has identified the time periods for retention of various business documents as cited in the IRS Regulation codified as 26 CFR 12.6001-1. Among the records which must be retained are cancelled checks, receipts, payroll accounting, and all other records deemed 'material in the administration of the tax laws', although the term 'material' has not been precisely defined. The IRS also offers recommendations for document management and maintenance.

The American Institute of Certified Public Accountants (AICPA) also provides guidelines for its professional members which are available to the public at large on their website.

Because the failure to retain significant business records in either electronic or paper form has given rise to million dollar lawsuits worldwide, businesses today are redoubling their efforts to incorporate a sound record retention policy as part of their overall records management policy.

Part of formulating a sound records retention policy is setting an end date when the heretofore stored records may be destroyed. In the case of records which have reached their '3 year' or '7 year' required retention period, determining that date is rather simple; however, if a record is the subject of known upcoming or even foreseeable litigation, then regardless of the mandatory storage requirement, it may be practical and beneficial to make sure such records are not destroyed at the end of their pre-determined storage cycle. And of course some records are noted by the IRS and the AICPA as qualifying for 'permanent' retention!

'Duplicates' or non-record 'convenience copies' of records should be destroyed when they cease to be useful and should never be kept longer than the official record copy. Transitory records (records of temporary usefulness) can be destroyed once they have served their purpose, unless they fall into one of the IRS or AICPA required or suggested categories. Business incorporation documents have a permanent retention period but receipts for tax-deductible purchases by an individual taxpayer usually have a three-year retention period (and can often be safely discarded after that point).

While historically records were kept in paper form only and therefore storage space considerations played a part in determining optional storage of records, today records storage is generally a combination of electronic storage coupled with some measure of paper storage. Thus the storage space concerns have been greatly reduced.

The most common means of reducing paper storage is to have the paper original scanned into electronic media format so that the paper originals may be discarded.

A crucial element of any record retention system is of course its ability to index the records for ease of location and access. For this purpose there exist numerous records management computer programs which almost all businesses of any significant size or activity utilize on a regular basis.

Long-term storage of paper records poses a particular problem due to the vulnerability of such records (and storage sites) to environmental factors. The more sophisticated and professional hard-copy storage facilities incorporate hi-tech controls for not only monitoring and adjusting temperature and moisture, but of course also fire monitoring and chemical or gas fire extinguishing methods so as to reduce the likelihood of document damage in the event of an adverse environmental event.

Despite the fact that records retention can be a complex and expensive undertaking for any enterprise, it is today both a legal as well as business-strategic necessity which must be a part of any robust records management system.