

ABOUT US
PROFESSIONAL DEVELOPMENT
LIBRARY
ADVOCACY
LEGAL RESOURCES
BEST PRACTICES
FOR RESEARCH SPONSORS

DOCUMENT RETENTION AND DESTRUCTION

(based on National Center for Nonprofit Associations policy)

NPC shall retain records for the period of their immediate or current use, unless longer retention is necessary for historical reference or to comply with contractual or legal requirements. Records and documents outlined in this policy includes paper, electronic files (including e-mail) and voicemail records regardless of where the document is stored, including network servers, desktop or laptop computers and handheld computers and other wireless devices with text messaging capabilities.

In accordance with 18 U.S.C. Section 1519 and the Sarbanes Oxley Act, an NPC shall not knowingly destroy a document with the intent to obstruct or influence an "investigation or proper administration of any matter within the jurisdiction of any department agency of the United States . . . or in relation to or contemplation of such matter or case." If an official investigation is underway or even suspected, document purging must stop in order to avoid criminal obstruction.

In order to eliminate accidental or innocent destruction, NPC has the following document retention requirements: (Insert policy customized for NPC).

The following table provides sample minimum requirements.

NPCs are encouraged to investigate individual state requirements and consult their accountants for guidance (NPCs serving multi-state/jurisdictional VAMCs must investigate all corresponding requirements).

Type of Document	Minimum Best Practice Requirement
Accounts receivable & payable ledgers & schedules	7 years
Affirmative Action Plan* - (EO 11246, Vietnam Era Veterans Readjustment Act and the Rehabilitation Act of 1973)	Updated annually then 1 year after expiration of plan
Articles of Incorporation, charter, bylaws, minutes and other incorporation records	Permanently
Audit reports, Financial Statements (year end): general/private ledgers, trial balance, journals	Permanently
Bank Reconciliation	3 years
Bank statements, deposit records, electronic fund transfer documents, & cancelled checks	3 years
Chart of accounts	Permanently
Checks (for important payments & purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years

Contracts (still in effect)	Permanently
Correspondence (general)	3 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation schedules	Permanently
Donations	7 years
EEOC reports	Permanently
Employee demographic info & compensation records* (Davis-Bacon Act, Service Contract Act & Walsh-Healy Public Contracts Act)	3 years
Employment applications* (depending on the # of employees, employers must retain applications & other personnel records relating to hires, rehires, tests, promotions, transfers, demotions, selection for training, layoff, recall, termination or discharge) (Civil Rights Act of 1964, Title VII, ADA, ADEA)	3 year from making the record or taking the personnel action
Expense Analyses/expense distribution schedules	7 years
Garnishments	7 years
Grants (un-funded)	1 year
Grants (funded)	7 years after closure
I-9's*	3 years after date of hire or 1 year after termination
Insurance Policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Invoices (to customers, from vendors)	7 years
Inventory records	7 years
Loan documents and notes	Permanently
OSHA logs* (Records related to medical exams – 30 years after termination)	5 years
Patents and related papers	Permanently
Payroll records & summaries including records related to employee's leave* (Equal Pay Act, FLSA)	7 years
Personnel files (terminated employees) (Title VII, ADA, ADEA)	7 years after termination

Polygraph test results and records* (Employee Polygraph Protection Act)	3 years
Purchase orders	7 years
Retirement and pension records including Summary Plan Descriptions* (ERISA)	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	Permanently
Withholding tax statements* (FICA, FUTA, Federal Income)	7 years
Workers compensation documentation	10 years after 1 st closure

* Federal requirements for organization with government contracts or subcontracts.

Items to discuss when developing a records retention policy:

Why does a nonprofit need a records retention policy and schedule?

1. Nonprofits are required by various state and federal laws and regulations to retain specific records for varying amounts of time.
2. There are costs associated with keeping records.

For example:

- Cost of additional file cabinets or off-site storage rental.
- Additional staff time locating information in overflowing file cabinets, and handling inactive files on a day-to-day basis.
- Any records the nonprofit still possesses can be subpoenaed or audited. (Errors can be “cleansed” as records are systematically purged. **NB:** Make sure any records relating to any ongoing legal dispute or lawsuit are not purged. Purging of documents with the intent to destroy proof of wrongdoing, even documents scheduled to be purged, is illegal.

3. There are costs associated with not keeping records.

For example

- Cost of staff time redoing something that should have been retained
- Risk of fines for not complying with laws and regulations.

4. A very obvious one: Nonprofits need records for daily operations.

However, most records have a limited useful life.

5. Defense in legal disputes. The nonprofit may need records to prove its position in court.

6. Proof the nonprofit is in compliance with various laws and regulations.

Nonprofits can be audited by:

- Internal Revenue Service
- Inspector General
- Department of Labor
- Various State Entities

An audit by any of these will require the nonprofit to produce records for review.

How does a nonprofit figure out the appropriate records retention policy and schedule?

Things to Think About:

- What records are currently in storage?
- What records are currently in the nonprofits daily operating space?
- What are the space restraints?
- How old are the various records?
- What is the usefulness of existing records?

For example:

- The file on the search for a fax machine last year that was not purchased - Probably of no use.
- Last Year's A/P files - Useful for a certain amount of time.
- Board Minutes - Of historical significance.
- What records have permanent historical value for the nonprofit?
- What electronic records exist? How can the nonprofit capture records that need to be retained?
- What records need to be available on a day-to-day basis?
- How will the records be disposed of without compromising security and confidentiality?
- What federal laws and regulations apply to the nonprofit records?
- What state laws regarding records apply to the nonprofit? Remember; often state laws are more stringent than federal law.
- Who will have authority over this policy?

- Who will be responsible for compliance with the policy?

Steps in a Record Retention Program

1. Take an inventory of records.
2. Review the types and value of current records.
 - Administrative value - Use in the day-to-day operations.
 - Legal value - Records that must be maintained to comply with or show compliance with laws and regulations.
 - Historical value - Records that show the history of the nonprofit, such as the bylaws.
3. Review the applicable federal and state laws and regulations for each type of records.
4. Develop a records retention policy and/or schedule.
5. Apply the new schedule to the current nonprofit records.
6. Continue to apply the retention schedule to archive and dispose of records at least annually.
7. Review records retention policy/schedule periodically for compliance with new or revised laws and regulations.

Helpful Hints

- Some records that may be purged may be filed with records that need to be retained. You may want to retain the whole file; in this case the benefit of purging the records may not outweigh the time it takes to do the purge.
- When storing boxes put a "destroy after" date on the box so the records need not be reviewed each time.
- Some records are so important that originals or copies should be kept offsite. What records would the nonprofit need to keep running after an emergency? What records are irreplaceable?
- Putting a date on the label of an inactive file can make purging simple.
- Have a Purge Day. Set aside a day for the whole office to review, organize, toss and archive files.

A Note on Clinical Research Agreements

In negotiating CRAs for the nonprofit remember records retention cost the nonprofit time and money. Also, many sponsors include language that is vague as to the actual length of time study records need to be held.

Some suggested language to add to a CRA:

Notwithstanding the foregoing, beginning five (5) years after the completion or termination of the Project, Institution may notify Sponsor of its desire to transfer the data to Sponsor, at Sponsor's expense, for retention by Sponsor. Following such notice, Institution shall transfer such data to Sponsor in a manner to be mutually agreed.

OR

Notwithstanding the foregoing, beginning five years after completion or termination of the project, Institution may notify Sponsor of its desire to transfer the data to Sponsor, at Sponsor's expense, for retention by Sponsor. Alternatively, if records are to be retained for longer than 5 years after termination or completion, if any additional storage costs, such costs will be borne by the Sponsor.

Example: [Seattle Records Retention Schedule](#)

Example: [Records Retention Worksheet](#)

Helpful Links

This is a quick sample of some of the resources out on the web. There is more; for example, most universities have a records retention policy published on the web.

<http://www.washington.edu/admin/recmgmt/uw.gs7.html> University of Washington's very extensive records retention policy for grants and contracts.

http://grants.nih.gov/grants/policy/nihgps_2001/part_ii_a_7.htm NIH Grants Policy Statement (03/01) Part II: Terms and Conditions of NIH Grant Awards Subpart A: General -- Part 7 of 7. This section covers among other things record retention for NIH Grants.

<http://www.securityarchives.com/guide.htm#CONTRACT%20ADMINISTRATION>

http://www.bankersbox.com/retention/Record_Retention.doc Both of these websites have suggested records retention guidelines. Remember these sites are hosted by records management companies, which may influence the recommendations.

<http://www.wmdco.com/general/recordretention.html> Guidelines developed by Watkins, Meegan, Drury & Company, L.L.C. (WMD&Co.), a certified public accounting firm.

<http://www.g-web.net/howard/record.html> Guidelines developed by DeLoach, Mann, & Poarch P.C. another certified public accounting firm.

<http://www.delawarenonprofit.org/FinMgmtFaq2.html> Guidelines for minimum length of records retention put together by the Delaware Association of Nonprofit Agencies. There is a lot of good information on this site regarding a variety of issues for nonprofits.

<http://www.lawvantage.com/19800001.shtml> More federal law and retention recommendations from Lawvantage a site for downloading complex agreements, standard contracts and other legal documents, developed for lawyers.

http://www.shrm.org/hrresources/whitepapers_published/CMS_000270.asp Federal law record retention requirements for employers on the Society for Human Resource Management website. You must be a member to get to this information.

<http://www.aiim.org/documents/wp/RecordsManagementRed.pdf> White paper on the importance of records management.

http://www.irch.com/recreq_info_frame.htm
Information Requirements Clearinghouse
A company which specializes in records retention and legal requirements for records and information management programs. You can buy a book on records retention requirements for federal and state laws at this site.

<http://www.langancpa.com/resources/Record%20Retention.doc>
Records retention schedule prepared by Langan Associates, P.C.

<http://www.vscpa.com> For the Virginia Society of CPA's record retention schedule, please type "records retention" in the "search" box in the upper right hand corner on the screen.

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