

VI. Record Retention Policy

If possible, every firm should have a record retention policy and legal counsel to review this policy to make sure that all legal areas are covered. The policy should spell out what records should be kept and for how long.

***Practitioner's Alert:** Data sources to consider protecting include voicemail messages, faxes, e-mails, instant messages, document images, electronic working papers, and paper documents. If a firm does not have a policy that is comprehensive enough to cover all these areas, it is time to update its record retention policy.*

Recommended Record Holding Period			
Records	How long to retain	Records	How long to retain
1. Firm records			
Accounting records			
Annual general ledger detail	7 yrs	Current clients	7 yrs
Annual financial reports	7 yrs	Former clients	7 yrs
Bank statements and canceled checks	7 yrs	Audit reports	
Depreciation schedule	7 yrs	Current clients	7 yrs
Employee expense reports	7 yrs	Former clients	7 yrs
Equipment records and invoices	5 yrs (after disposition)	Bookkeeping and payroll files	7 yrs
Monthly financial reports	7 yrs	Compiled or reviewed monthly and quarterly financial statements	7 yrs
Payroll files and related reports	7 yrs	Forecasts and projections	7 yrs
Vendors' invoices and paid bills	7 yrs	Litigation support files	3 yrs
Form W-2 or 1099	7 yrs	Pencil drafts	
Administrative records			
Accident reports and claims (after an accident or settlement)	7 yrs (after)	Financial statement reports	Destroy immediately
CPE records	7 yrs (after term)	Tax returns	Destroy immediately
Client newsletters and alerts	7 yrs	Permanent files	
Corporate documents, agreements, annual reports, minutes, bylaws	Permanent	Current clients	Permanent
Firm publications and promotional brochures	7 yrs	Former clients	7 yrs
Insurance documents and policies	7 yrs (after term)	Reports with government agencies	
Leases and contracts	7 yrs (after term)	Current clients	7 yrs
Personnel files (post-employment)	Permanent	Former clients	7 yrs
Retirement plans [Sec. 401(k) plan information]	Permanent	Special reports	7 yrs
Tax returns	7 yrs	Tax returns	
Worksheets and related backup documents for tax returns	7 yrs	Current clients	3 yrs
Time and charges			
Client billing statements	7 yrs	Former clients	3 yrs
Employee time sheets	7 yrs	IRS audit files	
Direct charges sheets	7 yrs	Current clients	7 yrs
Accounts receivable reports	7 yrs	Former clients	7 yrs
Work in progress reports	7 yrs	Workpaper files	
Tax exemption documents, including application for exemptions		Current clients (audit)	7 yrs
Shareholder documents, agreements and contracts		Compilation and review	7 yrs
		Tax	7 yrs
		Estate and gift tax	Permanent
		Special reports	7 yrs
		Forecasts and projections	7 yrs
		Valuations	7 yrs
		Audit and review backup	7 yrs
		Former clients (audit)	7 yrs
		Compilation and review	7 yrs
		Tax	7 yrs
		Special reports	7 yrs
		Forecasts and projections	7 yrs
		Valuations	7 yrs
		Audit and review backup	7 yrs
2. Client records			
Annual financial statements			