

EXAMPLE RECORD RETENTION POLICY

Effective Date: This Policy shall be effective immediately, commencing on this [DATE].

Purpose: This record retention policy aligns the firm's dual goals of retaining records that materially support professional reports or advice while maintaining a satisfactory level of client service against the considerable expense of storing and retrieving documents.

Definitions:

- “Engagement Records” are all records that are relevant to and materially support the firm's professional opinions, advice, or work product, including work papers, reports, or documents transmitted by the firm, and records or documents received by the firm that are material to the execution of our client engagements. For existing clients, Engagement Records that are included in permanent files are retained and updated annually and, as a result, are not subject to the retention period. Engagement Records do not include administrative records, such as billing records. Engagement Records also include electronic files in the possession of the firm's personnel that are relevant to the firm's professional opinions, advice, or work product.
- “Electronic files” include email transmissions, client files, or email messages contained on a professional's computer hard drive, and client files maintained on network file servers.
- “Client Records” are documents in the firm's possession, which ordinarily should be kept and maintained by the client. Examples include asset basis information, closing or reclassification entries, depreciation and amortization schedules, etc. A Client Record does not include any work paper developed or produced by the firm or prepared by client personnel at the firm's request.

Applicability: This policy applies to Engagement Records and Client Records obtained, developed, produced, or relied upon in connection with:

- compilation, review, audit, prospective financial presentation, and other agreed-upon procedures, special reports, or attestation engagements;
- preparation or filing of tax returns, or the service of tax planning, tax advice, or tax representation;
- Engagement Records obtained or developed in connection with consulting services engagements, and any other engagement records arising out of all professional services or work product.

Records Retention Period - Engagement Records for all professional services shall be retained for a period of seven years from the year end of client engagement, or the date of the firm's last engaged services performed for such client. If any ambiguity exists regarding the date for implementation of retention, such ambiguity shall be resolved in favor of a longer retention period. See **Exhibit A** for a summary of retention periods related to Engagement Records.

[Note: Exhibit A should include a detailed list, including examples, of the firm's individual retention periods for specific records.]

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Exception - A longer retention may be implemented in specific circumstances to the extent required by any applicable law, regulation, or engagement contract. It is expected that instances of required retention beyond seven years will be infrequent and unusual.

To the extent that the Engagement Records are relevant to any pending tax examination, civil litigation, or regulatory proceeding, the applicable retention period shall be extended for a period of time reasonably necessary to facilitate disposition of the examination, litigation or proceeding, including any applicable appeals period.

The [*designate title of individual: i.e. Manager in Charge (MIC)*], or his designee, shall dispose of Engagement Records in the method specified below after the expiration of the initial retention period. (See “Method of Disposal of Client or Engagement Records”).

Requests from clients that Engagement Records be retained for a period longer than the specified period must first be pre-approved in writing by the firm’s [*designate title of individual: i.e. Presiding Member*]. Under certain circumstances, the firm’s legal counsel may direct the MIC to retain Engagement Records for an extended, designated period of time. Knowledge of any pending litigation proceeding or examination should be shared with the MIC who will then consult legal counsel as necessary.

Client Records Retention – Preferably, Client Records, either an original, or if appropriate, a copy, should be returned to the client at the end of the engagement. To the extent Client Records have not been returned to the client, Client Records shall be retained for a period of seven years.

However, Client Records need not be retained if at the end of the engagement (or termination date) a written and signed representation is obtained from the client indicating that such records are no longer needed by the client. Attention will be exercised to assure that Client Records which are returned to or copied for a client or consultant do not include descriptions of the firm’s procedures or professional conclusions.

Successor Auditor or Accountant – Review of firm work papers will normally not be allowed until all fees for rendered professional services have been paid. Additionally, we must receive the following before review will be allowed by another auditor or accountant: (a) notification that the successor has been appointed by our former client, (b) written authorization by our former client, and (c) a written letter of acknowledgment by the successor auditor.

In the absence of unusual circumstances, certain work papers such as those related to matters of continuing significance, will be available for review by the successor auditor or accountant in the firm’s office. Firm work papers will remain under firm control at all times.

“Continuing significance” includes work papers such as: the analysis of accounts, report grouping support, internal control structure understanding documentation, summary of proposed audit adjustments, information regarding key audit issues, tax work papers pertinent to accurate completion of subsequent year tax returns, such as LIFO inventory computations, tax only depreciation computations and carry forward schedules relative to accounting method and period revisions.

Continuing significance does not include the following, which will not be made available to a successor auditor without advice from legal counsel to the contrary: the risk assessment and

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overall audit plan, audit program sheets, tax research notes or memorandum, or administrative materials such as billing or time records.

The firm will make a separate copy for firm files of any document which has been copied and transmitted to the successor auditor or accountant. This is to avoid problems and issues relating to the exact nature and extent of documents given to a successor.

Successor Consultant - A successor consultant shall not be permitted to review or copy Engagement Records on consulting engagements except on the advice of legal counsel.

Method of Disposal of Client Records or Engagement Records - Client Records or Engagement Records that are not required to be retained should be disposed of in a manner that assures the confidentiality of the information contained therein. This typically entails the shredding of the materials while under firm control.

Retention of Firm Administrative Records – The firm must maintain certain administrative records for purposes required by law and internal operational purposes. A schedule of records and the related retention periods is identified in **Exhibit A**. Under no circumstances should any administrative record not identified in **Exhibit A** be maintained for more than seven (7) years unless approved by the Presiding Member or Executive Director.

Policy Exceptions - Exceptions to this policy shall be pre-approved by the firm's legal counsel.

These sample engagement letters, checklists, and practice and consent forms are for illustrative purposes only. We recommend you use these letters and forms only after you have consulted with your attorney. Since your practice may be different than those described in the sample letters and forms, we recommend that you modify them to suit your individual practice needs. Use of these sample letters and forms is not intended to constitute a binding contract, does not constitute legal advice, and does not satisfy your obligation to do thorough research. © Gilsbar Specialty Insurance Services, L.L.C. and Date.