

Implementing a Records Retention Program

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Record retention is an important issue for businesses of all sizes. Paperwork, both virtual and physical, is a daily part of operations and is generated at a breakneck pace. There is only so much space to be had in a business, so clearing out the unnecessary data keeps room available in both the filing cabinets and hard drives. Electronic storage space is as precious as physical, despite the fact that hard drives keep getting larger. Constantly buying new hard drives is an unnecessary expense, so clear out those old files.

Keep in mind that some of the records need to be retained for various reasons and purposes, some can be destroyed after a certain amount of time and others can be destroyed. The key to creating and implementing a record retention program is knowing what needs to stay, what needs to go and when. Once that is determined, it is a matter of clearly communicating to personnel what they need to be doing with the records they generate.

Appoint an Individual to Oversee the Project

In the case of a small business, this may be the owner or a secretary. The smaller business is going to have a simpler time of organizing and implementing, but it still has to be done in a consistent manner. The goal is to eliminate piles of paper lying around without throwing out documents that are essential for operations.

A larger operation needs to select an individual for the job and give them formal support. That person needs to have the autonomy to do their job without having to worry about someone else looking over their shoulder during the process. He also needs to be able to have reasonable freedom when it comes to implementing the record retention program as all departments need to be coordinated on when to clear out or keep documents.

Inventory and Audit What Records Need to be Retained

The first step is determining exactly what paperwork is generated on a daily, monthly and annual basis. An inventory of each department brings into focus the kind of information that it produces. Knowing how much volume and what type of records are created simplifies the next process of the program, which is auditing all of the information.

There are some records that need to be kept permanently, others for a certain amount of time, and the rest can be destroyed as space is needed. This is true for both electronic and paper records. Certain records contain important legal documentation such as the incorporation records. Other records have historical data that is core to the operation, and so on. These documents are the heart of the business so put them aside in a secure location, far away from the rest of the records.



The rest of the documents need to be weighted in terms of their importance. Take the following principles into consideration when auditing records:

- Do the records have information for legal purposes, such as reporting to the federal, state and local authorities?
- Does the paperwork have any further value after its original purpose is exhausted? The information may come in handy in the case of an audit, whether it is an internal one or by the IRS.
- Are there any consequences that would arise from not having the document available? Again, consider if it has information that would be valuable in an adverse situation such as an audit or lawsuit.
- Is the information a copy? If the data is a copy of an existing file, there is no loss if it is destroyed. There are central files available to make a fresh copy on demand.

Categorizing Records for the Program

All of the information produced by the business falls into a category of some sort. Some categories have laws regarding how long the paperwork has to be retained for, so check with local and federal laws to ensure that the retention policies are in compliance. Some of the more common types of record categories are:

- Business paperwork. This includes articles of incorporation, corporate bylaws, records of stocks and bonds, all contracts, legal paperwork and board meeting minutes.
- Financial records. Financial paperwork has a much broader definition as in anything that has

to do with money handling is considered a financial record.

- Personnel information. Anything that has to do with employees personal information, benefits, attendance and more fall into this category.
- Insurance documents. Paperwork relating to insurance policies such as accidents, fire inspections, claims and more go into insurance.

Create and define categories for all other records that are important to the organization. Make sure the definitions are clear so as to eliminate confusion as to where records go.

Creating a Schedule for Retention and Destruction of Records

As mentioned before, some records are kept permanently, others need to be kept for a period of time and the rest can be destroyed at will. A schedule made of timetables is the best method to provide direction to employees. For example: Create a table with the type of record at the top, then two columns underneath. In the left column, enter the specific record type. In the right column, enter the amount of time that the record has to be retained for. Someone who is looking at cancelled checks can then cross-reference the sheet to see how long they have to be kept for. The suggested period of time is four years, so if the checks are older than four years, they can go into the document shredding bin. Having a schedule saves time and money for all involved.

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Record Storage, Retrieval and Destruction

As records age, they tend to not be needed immediately for reference. The person in charge of record retention generally has two choices for storage and retrieval. One is to scan all documents into PDF files, which creates the need for electronic storage in the form of servers and hard drives. The other is to hire storage companies that take the records off-site and stores the material in secure, climate-controlled environments.



The issue that arises from either form of retention is accessibility. An individual who needs to retrieve a record has to be able to easily find what they seek. For electronic storage, a database of everything that is on the hard drives is necessary. A similar database is needed for physical storage so the individual can go to the storage, find the right box and pull the records without spending more time than is necessary. Create an authorization form for the destruction of records before anything is destroyed. It keeps the person in charge of record retention informed of what is being disposed of, and also catches errors before the records are gone forever. There is a right and a wrong way to dispose of records. The wrong way is to throw all of the paper into the trash without a second thought.

Thieves gladly go through dumpsters to find sensitive information. It is also not unknown for thieves to piece together shredded documents on the hunt for information to steal. Always make sure that sensitive information is disposed of properly, whether it be a service that burns shredded documents or an on-site shredder that turns paper into fine pieces.

Disseminating the Records Retention Program

After senior management is aware and informed, it is time to disseminate everything to the employee base. The most efficient way to get this done is to publish a manual that outlines the policies and procedures for record retention. Employees then refer to the manual whenever they have a question about what they should do with records whether they are tasked with clearing out a file cabinet or deleting files from hard drives. If there is any confusion, the employee can then go to the department head or records manager to clarify the disposition of the document.

Regular Review of Record Retention Policies

Set a schedule to review the policies at regular intervals. The length of time for intervals is up to the person in charge, but checking in frequently after implementing the program is beneficial. People who are having issues are corrected in the early stages. Problems with the overall program are easily fixed at this point as well. Once everyone involved is comfortable with procedures, reviews can become more infrequent.

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