



By Anne M. Sheehan, CPA

Anne M. Sheehan is a principal with Goldklang Group CPAs PC and has been with the firm since 1991. She is actively involved in the audits of many of the largest and most complex common-interest realty associations in the Washington metro area.

Records Retention Policy

Have you ever watched an episode of “Hoarders” on the A&E Network? This documentary show spotlights individuals who are more than just your ordinary pack rats. Hoarders compulsively obtain and keep belongings. They have immense difficulty throwing anything away and their homes become so cluttered that they are uninhabitable. Does this remind you of your association’s office, storage room or basement? Does your association keep every piece of paper because you think you might need it in the future? If your answers are “Yes,” you might need a records retention policy.

Remember the Enron and Arthur Anderson debacle over records that were shredded, even while Enron was under in-

vestigation by Congress, the Securities and Exchange Commission and the Department of Justice? The Sarbanes-Oxley Act was enacted in 2002 as a reaction to a number of major corporate and accounting scandals, including Enron. The Sarbanes-Oxley Act applies to publicly traded companies, except for two provisions of the act, which apply to all entities because they are amendments to the federal criminal code. The law makes it a crime to alter, cover up, falsify or destroy any document, or persuade someone else to do so, to prevent its use in an official proceeding such as a federal investigation or bankruptcy proceeding. The law also makes it a crime to punish whistleblowers in any manner.

So, if your association wants to avoid being a hoarder or breaking federal criminal laws, you should develop a written records retention policy. A reasonable records policy can help to protect the association from claims that documents were intentionally destroyed in anticipation of legal proceedings. Plus, the records retention policy gives clear guidance to management, employees and the board.

The policy should address the following:

- What records should be maintained?
- How long these records should be maintained?
- Will the records be maintained electronically or will hard, paper copies be kept?
- If the records are maintained electronically, where will backup copies be maintained?
- Where will the records be maintained?
- When and how should the records be destroyed?


Input on the policy should be obtained from the association’s management, attorney and auditor. A suggested retention schedule for association financial records is listed in *A Guide for Association Practitioners, The Board Treasurer: Roles and Responsibilities in Community Associations*, by Howard A. Goldklang.

- Permanently: Audit reports, federal and state income tax returns, personal; property tax returns, minute books, deeds and other property records, budgets;
- Seven Years: Bank statements, deposit tickets, canceled checks, general ledgers, cash receipts, cash disbursements journals, payroll records;
- Three to Five Years: Contracts—no longer active, insurance policies—no longer active, vendor invoices;
- Three Years: Bank reconciliations.

The association should include other, nonfinancial documents in the policy, such as current governing documents, correspondence regarding legal matters, architectural applications and any decisions made by the association, newsletters, notices or letters to the members, reserve studies and election records. Advice on how long to maintain these documents should be obtained from the association’s attorney.

Another resource for developing the policy can be found at www.blueavocado.org/content/model-document-retention-policy-nonprofits. This policy is designed for nonprofit organizations, but would also work for community associations.

With ever-increasing advances in technology, more and more information can be easily stored in an electronic format. In addition, equipment to scan documents into electronic format is becoming less expensive and is very easy to use. The association should carefully consider what documents will be maintained in an electronic format. For example, the association might want to keep all “permanent” documents in hard, paper copies, with backups in electronic format. The association should also keep a backup copy of the electronic version of the documents in a separate location.

Once your association’s records retention policy is up and running, then you can rest assured that the producers of A&E Network’s “Hoarders” won’t be knocking at your door. 

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