

Records Retention & Destruction Policy

Metro Metro & Associates

Purpose

Metro Metro & Associates (hereafter referred to as “MMA”) has developed this records retention and destruction policy to provide written guidance for the retention and destruction of workpapers developed or obtained by the firm since its existence. The purposes of the policy is to comply with regulatory requirements of the state board of accountancy, to maintain evidence of work performed, to provide background for future engagements, to provide practical guidance to firm employees and clients regarding maintenance of workpapers for IRS purposes, and finally, to provide clear direction to clients and employees about which records should be maintained by the firm at the conclusion of an engagement, which should be returned to clients, and which should be disposed of. The policy also provides instruction on how long records will be maintained, how and where they will be maintained, and how they will be disposed of.

A copy of this policy is provided to all new clients at the completion of the first engagement, to all existing clients at the inception of the policy, to all employees, and to any existing client upon request.

Definitions

Client Records

A client’s records are any accounting or other records belonging to the client that were provided to MMA by or on behalf of the client. Examples of client records include, but are not limited to: original W-2 forms, tax depreciation schedules, accounting records (for example, a general ledger, a trial balance, or an account analysis prepared by the client), debt agreements, bank and broker statements, purchase and sales contracts and other legal documents, cancelled checks, and client provided computer disks, CDs, or tape backups.

MMA’s Records

MMA’s records include the firm’s original work papers, records of staff and client communications regarding the engagement, correspondence with clients and third parties pertaining to the engagement, copies or work product provided to the client, and copies of client documents. These records may exist in electronic form such as emails, spreadsheets, image files, and databases, or in physical form such as letters, faxes, pictures, sounds or other form.

MMA’s work papers including, but not limited to analyses and schedules prepared by the client at the request of MMA, are MMA’s property rather than the client’s, absent a contractual agreement to the contrary.

Examples of MMA records include financial reports and statements, copies of debt or stock agreements, correspondence from any source regarding the client (including electronic or fax communication), checklists, research information, and consultation memorandums.

What Records MMA Will Maintain and the Client’s Right to Copies

MMA will maintain files, whether physically or electronically, with MMA’s records. All original client records used during an engagement will be returned to the client at the completion of the pertinent engagement.

It is the obligation of the client to maintain their original documents, and MMA does not assume any responsibility to maintain them. If an engagement is terminated prior to completion, MMA is required to return only client records.

In a completed engagement, MMA will provide to the client, upon request, and upon complete payment of our standard fees, those workpapers containing information that is not reflected in the client's books and records, with the result that the client's financial information is incomplete. This would include adjusting, closing, combining, or consolidating journal entries, information normally contained in books of original entry and general ledgers or subsidiary ledgers, and tax and depreciation carry-forward information.

Once MMA has complied with the first request, MMA need not comply with any subsequent requests to again provide such information.

On joint tax returns, both spouses are considered clients of the firm and have equal right to the information contained in MMA's records

With the exception of compliance with legal summons, subpoenas or Federal or state laws or regulations, no copies of MMA's records will be provided to third parties without the client's written approval.

How MMA Will Maintain the Records

Physical and/or electronic copies of MMA's records will be maintained on site at MMA's firm for the period of time discussed in the retention period table provided below.

On-site physical records are maintained in a separate file room at MMA's office.

Off-site physical records are maintained in a secure locked storage facility, which is electronically and physically monitored for security.

Electronic records are maintained on a network file server. The file server is electronically backed up daily, and the backup tapes removed to a secure off-site location weekly. The network server is protected by an automatic shutdown uninterruptible power supply, which also provides electronic surge and spike protection.

For security purposes, MMA locks all exterior doors and applicable interior doors when the office is not staffed.

MMA has contracted with an external security company for fire and break-in monitoring and immediate reporting to the authorities and to the managing partner of the firm upon occurrence of a fire or break-in.

MMA maintains an insurance policy to reimburse the cost of restoring files.

The managing partner of the firm is responsible for the administration of the records retention policy. As part of MMA's quality control system, the managing partner's designate (see below) will annually monitor compliance with the records retention policy by reviewing selected files for compliance with the policy.

In What Format Must the Records Be Kept?

All records should be kept in a manner that ensures the complete access to the IRS for so long as they are material. While this is typically accomplished through the maintenance of hard copies, records may be kept in an electronic format if certain requirements are satisfied.

The general requirements for an electronic storage system of taxpayer records are provided in section 4.01 of Rev. Proc. 97-22. A Summary of these requirements is as follows:

In essence the computer system must:

1. be accurate and reliable
2. insure integrity and provide reasonable controls to prevent alterations
3. be inspected periodically
4. reproduce a legible hardcopy or computer monitor view that is at least as legible as the original paper version
5. be indexed
6. have an audit trail from original entry to the tax return
7. at the time of an exam, audit, evaluation, etc. by the IRS, resources must be provided to the IRS for retrieval of information.

Changes in Audit Documentation after Issuance of the Report

Audit documentation will include an index to the audit workpapers which identifies the components of the workpapers. The workpapers will include the date the document or workpaper was completed by the preparer and any reviewer, including their identity. Audit documentation will also include the report date and the date of issue of the report.

Changes include any addition, removal, deletion, substitution, or editing of audit documentation, including, but not limited to, physical or electronic additions to any audit documentation file or pre-existing audit documentation, occurring after the date of issuance of the audit report which is supported in whole or in part by the audit documentation.

During a 60 day period after the issuance of the audit report, documents may be added to the file for assemblage and documentation of work performed. This policy does not authorize the deferral of any audit procedure required to be performed prior to the date of the report

During a 60 day period discussed above, any changes in audit documentation shall provide the identity of the person(s) making the change, identity of the person(s) approving the change, the date of the change, and the reason for the change if the reason is other than the assembling of previously issued documents. The documentation which is changed shall contain sufficient detail to enable a reviewer with relevant knowledge and experience, having no previous connection with the audit engagement, to understand the nature, timing, reason for, and extent of the change.

Expected or pending litigation or regulatory inquiry

Upon becoming aware of any litigation, regulatory inquiry, criminal investigation or lawsuit regarding the client, the firm, or the firm's services, MMA will suspend the records destruction section of this policy regarding the affected client(s), even if a subpoena has not been issued. Any related engagement working papers and files will not be disposed until the matter is resolved.

MMA will consult with MMA's legal counsel before responding to any inquiries in this situation.

How Long Records Will Be Maintained by MMA

File Description	Total Retention Period Years from Report Date
Audit-Annual Workpapers	7
Audit-Carry-forward Workpapers	7
Audit-Copy of Reports Issued	7
Audit-Files for Correspondence	7
Compilation & Review-Annual Workpapers	7
Compilation & Review-Carry-forward Workpapers	7
Compilation & Review-Copy of Reports Issued	7
Compilation & Review-Correspondence	7
Tax-Annual Return	6
Tax-Annual Workpapers	6
Tax-Carry-forward Workpapers	6
Payroll-Registers	6
Payroll Tax Returns	6
Consulting Reports	6
Consulting Workpapers	6

Total Retention Period Years: Records will be destroyed after the number of years indicated from the report date.

How Will Records Be Determined to be Beyond the Retention Period and Consequently Destroyed

Every year between July 1 and September 30, the managing partner will designate one of the firm's employees with the responsibility for reviewing files for compliance with the records retention and destruction policy. The purpose of the review will be threefold; first, to determine if the firm is complying with the records retention policy; second, to determine which client files have fallen outside of the retention period and therefore should be destroyed; third, to authorize disposal of the records.

Physical files selected for destruction will be separated and placed in a clearly marked "File Disposal Area" in a secure area of the office prior to destruction.

Physical files selected for destruction will be shredded using a commercial, bonded shredding service under our physical review.

Electronic files selected for destruction will be deleted using a commercial, multiple-pass software program designed for such a purpose.