Template File-Retention Policy

The following is a template file-retention policy you may use as a guide as you adopt your own policy. However, it is important to consult with a local attorney and/or your state society to decide whether and to what extent this sample policy should be modified to be consistent with federal and local statutes and regulations that bear on your practice. It is also important that the policy the firm adopts is clearly documented, implemented and overseen in a centralized fashion, and consistently followed firm-wide. For purposes of this template, it is assumed that the statutory limitation period applicable to claims of malpractice against accountants is not more than four years.

1. Original client records are scanned/photocopied and returned to client at end of engagement or sooner, and a written receipt is obtained from client for returned records.

2. Review notes are purged at conclusion of engagement or sooner.

3. Communications between firm and others (i.e., clients, third parties), especially by email, are restricted to highest levels of engagement team (e.g., partners, managers), or by others only under close supervision by highest levels of engagement team. Contemporaneously with sending or receipt of each email, sender or recipient will determine whether message is important to engagement (i.e., whether it pertains to substance or procedure of firm's services), and will copy each important email to an electronic folder in firm's engagement file (do not wait for end of engagement to move copies of important emails).

4. Emails remaining in firm's general email system are purged automatically after defined number of days (e.g., 90, 120 days).

5. Important paper documents bearing original signatures (e.g., executed engagement letters, management representation letters, lawyers' letters) are scanned/copied, but also retained in original paper form as part of firm's overall policy.

6. Existing client files (paper or electronic, including permanent files) are not subject to purging.

7. Once a client becomes a former client, all past files (paper and electronic) relative to that client are kept intact for seven years after termination of client relationship, then purged, except that permanent files are retained indefinitely.

8. **Exception**—Once a claim is asserted against firm, or a potential claim against firm arises (and firm has properly reported matter to its professional liability insurer) all files relative to that client are removed from general retention/destruction track outlined above, and retained under guidance of firm's insurer and its appointed defense counsel. In order for this exception to be implemented effectively, firm must have centralized system for identifying and reporting claims and potential claims, and must integrate that system with file-retention function.

9. **Exception**—Once firm becomes aware that existing or former client is involved in litigation or is under investigation by a governmental body, all files relative to that client are removed from general retention/destruction track outlined above, and retained until firm obtains clear evidence that litigation, investigation, or other proceeding has reached its absolute conclusion, at which point the files could be returned to general retention/destruction track. In order for this exception to be implemented effectively, firm must have centralized system for identifying and reporting litigation and investigations concerning clients, and must integrate that system with file-retention function.

Under this sample policy, your engagement files will be on hand for a period of seven years from the date of termination of your client relationships. The risk of a claim arising out of a client relationship beyond that period of time, although not non-existent, is remote, and the benefits of purging files at that point would likely outweigh the risks of doing so.