

## Record Retention & Destruction Policy

Bradley Kirschner PC recognizes that the firm's engagement and administrative files are critical assets. As such, the firm has established this formal written policy for record retention and destruction in accordance with applicable state and federal laws. Compliance with this policy is mandatory for all employees.

### Engagement Files

Engagement files are defined, for purposes of this policy, as all records related to the engagement, including workpapers and other documents that form the basis of the services rendered by the firm, such as, all documentation reflecting the procedures applied, evidence obtained, and conclusions reached in the compilation engagement. In order to adequately address the needs of the firm and meet the current regulatory requirements established by the profession and the regulatory agencies, this policy will address separately the document retention requirements for engagement files by the categories indicated below.

### Compilation Services

Bradley Kirschner PC will retain all records related to the compilation (including electronic records) for a period of seven years from the conclusion of the compilation that meet the following *two criteria*:

*1. The records have been created, sent or received in connection with the compilation.*

#### And

*2. The records contain conclusions, opinions, analyses, financial data related to the compilation, or significant information that is inconsistent with the final conclusions, opinions or analyses (e.g. significant differences in professional judgment or differences of opinion on issues that are material to the financial statements or to the final conclusions).*

Records for purposes of this sub-section include workpapers and other documents that form the basis of the financial statement engagement; and memoranda, correspondence, communications, and other documents and records that meet both of the criteria stated above.

It is the firm's position that all documents (whether hardcopy or electronic) that do not meet the **criteria 1. and 2.** above would not be considered substantive in nature and thus would not have to be retained in accordance with this policy. The Firm, however, acknowledges the following exception to this rule:

- All significant information that is inconsistent with the final conclusions, opinions or analyses (e.g. significant differences in professional judgment or differences of opinion on issues that are material to the financial statements or to the final conclusions) must be considered substantive in nature and appropriately retained in accordance with this policy.

Although this list is not meant to be all inclusive, the following are examples of those items that generally would not meet the criteria for retention and should be destroyed at the completion of the engagement:

- Superseded drafts of memoranda, financial statements or regulatory filings
- Notes on superseded drafts of memoranda, financial statements or regulatory filings that reflect incomplete or preliminary thinking
- Duplicates of documents
- Copies of client records (Unless the client records contain evidence of audit or other procedures applied by the Firm.)
- Review notes
- To do lists (which have been completed)
- Documents that contain typographical errors or other minor errors that result from the normal business/learning process or from preliminary views based on incomplete information or data
- Voice-mail messages. (It is the firm's policy that all significant voice-mail messages that would record or support the Firm's professional services should be documented as a memo to file and retained in accordance with the terms of this policy.)

***However, if any of the documents listed above DO include information that contains conclusions, opinions, analyses, financial data related to the audit, review or compilation; or significant information that is inconsistent with the final conclusions, opinions or analyses; they will be subject to the retention periods for such information in accordance with the terms of this policy.***

Questions arising in connection with applying the rules set forth in this section should be referred immediately to the Firm's Principal.

#### Other Services (Includes Tax & Consulting Services)

Bradley Kirschner PC will retain sufficient records(whether hardcopy or electronic) to reflect services performed by and substantive information provided to the Firm for the engagement for seven years after it completes such services. Records, for the purposes of this subsection, mean final workpapers and any other documents, including correspondence and copies of client records, that are necessary for a reasonable person to understand the services performed by and substantive information provided to Bradley Kirschner PC for the engagement but do not include the Firm's billing records.

#### **Administrative Files**

It is the firm's policy that all administrative files will be maintained for no less than seven years, or longer if they serve a useful purpose as determined by the Firm's Principal.

## **Physical Security**

It is company protocol to protect all hardcopy files, electronic files, computer hardware, software, data and documentation from misuse, theft, unauthorized access, and environmental hazards. As such, the firm has adopted procedures for information maintained in both hardcopy form and electronic form to ensure physical security.

### **Hardcopy Form**

- The firm will store all of its on-site hardcopy client workpaper files in file cabinets. Files cabinets are stored in a separate file room and are restricted to those employees authorized to have such access. The Firm's Principal has the responsibility for managing the access control of the file room..
- The Firm's Principal will have the responsibility for establishing filing procedures to ensure that files can be easily located and retrieved as necessary.

### **Electronic Form**

- The firm has established back-up procedures on electronic files to minimize the risk that data may be destroyed, modified, or disclosed without authorization. These procedures include, but are not limited to, the following:
  - The Firm's Principal will be responsible for ensuring that all data files will be backed up at the end of each working weekday to a portable hard drive that will be stored offsite at the residence of the Firm's Principal. The backup hard drives will be stored in a bank safe-deposit box when the office is closed for vacation or other extended absences
  - The Firm's Principal will be responsible for ensuring also that all software applications used in creating the work or in archiving or storing the files are retained or available (including all updated or superseded applications) so that the electronic files can continue to be accessed for the retention periods stated in this policy.
- Access controls have been established to maintain the confidentiality and integrity of data stored on the firm's computer systems. Access shall be restricted to only those actions that are appropriate to each employee's specific job duties. The Firm's Principal, or his delegate, will have the responsibility for the administration of access controls and will ensure that all additions, deletions and/or changes are processed appropriately upon written request from the firm administrator, applicable supervisor and/or partner. Employees will have individual access codes and passwords to the firm's computer network systems. These systems are accessible at all times by the firm and the Firm's Principal will maintain a complete list of access codes and passwords in a secured place. Employees are prohibited from the unauthorized use of the access codes and passwords belonging to other employees.

## **Confidentiality**

All of the documents and records relating to clients are the property and proprietary interest of Bradley Kirschner PC, to the extent it is consistent with applicable laws. All original documents are the property of the client and should be returned to the client upon request. The firms documents and records relating to clients are confidential and may not be disclosed without express written permission from the client or unless required by law. All employees of the firm must ensure that privacy will be maintained for client information. *In consideration of the firm's size and complexity, the nature and scope of the professional services we render to our clients, and the sensitivity of the information we collect, the firm has determined that compliance with*

*this policy appears to satisfy the current regulatory requirements under the Federal Trade Commission Safeguards Rule ([www.ftc.gov/privacy/glbact](http://www.ftc.gov/privacy/glbact)).*

### **Destruction of Records**

The Firm's Principal has the responsibility for ensuring compliance with this policy for the destruction of records, files and electronic data. It is the firm's policy that all engagement letters issued on or after the effective date of this policy should contain language regarding the firm's applicable record retention period. Refer to Exhibit A for sample language.

The firm will conduct on an annual basis an inventory of all records, files and electronic data subject to destruction based on the retention periods outlined in Exhibit B attached. Document destruction services are performed by an outside document destruction company under the supervision of the Firm's Principal..

*Under no circumstances will any records, files or electronic data be destroyed, regardless of the retention periods identified in this policy, if there is any pending regulatory investigation, disciplinary action, legal action, or if the firm has knowledge of the intent by a regulatory agency to launch an inquiry or knowledge of a potential legal claim.*

**Employees should notify their immediate supervisor or any member of management upon learning of violations of this policy. Employees who violate this policy will be subject to disciplinary action, up to and including termination of employment.**

**Policy updated and revised January 5, 2011**

**Exhibit A**  
**Sample Engagement Letter Language Re: Record Retention**

The firm generally retains for seven years, in paper or electronic form, the final work product generated for its clients. After the retention period, the documents are destroyed. The firm does not keep any original client records—they will be returned you at the completion of the engagement. It is your responsibility to retain and protect your records for possible future use, including potential examination by the taxing authorities.

**Exhibit B**  
**Record Retention Periods—Engagement Files**

	<i>Retention Period</i>	
	<u><i>Current Client</i></u>	<u><i>Former Client</i></u>
Billing Files	7 years	7 years
Correspondence Files	7 years	7 years
Compilation Statements & Reports	7 years	7 years
Tax Returns	7 years	7 years
Special Reports	7 years	7 years
<b>Workpaper Files:</b>		
▪ Compilation Workpapers	7 years	7 years
▪ Tax Return Workpapers	7 years	7 years
▪ All Other Services	7 years	7 years
▪ Permanent/Carry-Forward Files	Permanently	7 years