

RECORD RETENTION AND DESTRUCTION POLICY SUGGESTIONS

The reporting and disclosure requirements for labor unions, their officers and employees, and surety companies are covered by the Labor-Management Reporting and Disclosure Act (LMRDA) of 1959. The LMRDA is enforced by the U.S. Department of Labor, Office of Labor-Management Standards (OLMS). The LMRDA requires that the records used to file reports with the OLMS must be maintained for a minimum of five (5) years after a report is filed. These records must provide in sufficient detail the necessary basic information and date to verify, explain, and clarify the reports filed with OLMS. Generally, these records are those used in the normal course of doing union business. See Appendix I for more detail.

The Internal Revenue Service requires that records used to file tax returns and other filings with the IRS must be maintained for a minimum of seven (7) years after filing. These records, too, must provide in sufficient detail the necessary basic information and data to verify, explain and clarify what is filed with the IRS.

It is also important to note that the IRS permits taxpayers to store certain tax documents electronically. Although these IRS rules are aimed primarily at businesses and sole proprietors, they presumably apply to individuals as well. These rules permit taxpayers to convert paper documents to electronic images and maintain only the electronic files. The paper documents can then be destroyed. Certain requirements must be met to take advantage of an electronic storage system. Appendix II provides a basic discussion of IRS requirements for maintaining tax records electronically, but you should contact your accountant for specific details.

Sample record retention periods are presented in Appendix III. (Please note that the time frames specified in Appendix III should only be used as a guide.) For the vast majority of documents and records, the retention period is seven years after the matter is fully resolved or no longer relevant to operations. Original paper records may be disposed of any time after they are transferred to an electronic recordkeeping system that complies with the requirements of your policy and applicable regulations.

You should also strongly consider establishing and permanently maintaining a document destruction log.

Appendix I - LMRDA Record Retention Requirements

(Source: <http://www.dol.gov/olms/regs/compliance/RecordkeepingFactSheet.pdf>)

What are the LMRDA recordkeeping requirements relating to reports?

Unions must maintain financial records and other related records that clarify or verify any report filed with the Office of Labor-Management Standards (OLMS).

Who is responsible for maintaining these records?

The president and treasurer, or the corresponding principal officers, must ensure that unions maintain adequate records.

How long do I have to keep these records?

Records must be retained for 5 years after a report is filed.

What kinds of records do I have to keep?

Because of the wide diversity of recordkeeping systems used by international and national unions and their affiliates, it is not possible for OLMS to precisely define what records must be maintained by every union. Generally, you should retain all types of records used in the normal course of doing business. Examples of records you should retain include receipts and disbursement journals, cancelled checks and check stubs, bank statements, dues collection receipts, employer checkoff statements, per capita tax reports, vendor invoices, payroll records, etc. Most unions do retain such records but often fail to keep other records that help explain or clarify financial transactions. Here are some examples of other records you should keep:

- Credit card statements and itemized receipts for each credit card charge
- Member ledger cards for former members
- Union copies of bank deposit slips
- Bank debit and credit memos
- Vouchers for union expenditures
- Internal union financial reports and statements
- Minutes of all membership and executive board meetings
- Accountants' working papers used to prepare financial statements and reports filed with OLMS
- Fixed assets inventory

If you are not sure, keep the record or seek advice from your nearest OLMS field office.

Must I retain electronic documents?

Yes. You must retain any electronic documents, including recordkeeping software, used to complete, read, and file the report.

Must I only retain the records that my union chooses to create, or is my union required to create certain records?

A union must create and retain adequate backup records that will verify the reports filed with OLMS. Likewise, a union must obtain adequate backup records such as receipts and vouchers from parties with whom the union engages in financial transactions.

What records relating to elections of union officers must be retained?

All election records, including membership and eligibility lists, copies of nomination and election notices, voting instructions, all return envelopes, marked, challenged, and unused ballots, and tally sheets must be preserved for 1 year by the election official designated in the constitution and bylaws or, if none is designated, by the union secretary.

Appendix II - Requirements for Maintaining Tax Records Electronically

Most businesses are subject to the IRS computer record retention rules. Many of these requirements are detailed in Rev. Proc. 98-25 and Rev. Proc. 97-22.

In a general sense, Rev. Proc. 98-25 provides:

- Computerized records must provide sufficient information to support and verify entries made on the taxpayer's returns and to determine the correct tax liability.
- Computerized records must contain sufficient transaction-level detail that the information and the source documents underlying the computerized records can be identified.
- All computerized records must be made available to the IRS upon request and must be capable of being processed. In addition, the taxpayer must provide the IRS with the resources to enable it to process the computerized records.
- Taxpayers using the computer-to-computer exchange of information (Electronic Data Interchange or EDI) must retain the records that alone, or in combination with any other records, contain all the information that the IRS requires of hardcopy books and records.
- The taxpayer must promptly notify the IRS if any computerized records are lost, stolen, destroyed, otherwise no longer capable of being processed, or found to be incomplete or materially inaccurate.

Furthermore, Rev. Proc. 97-22, which applies to income tax records of taxpayers who are required to maintain books of account or records, generally requires that an electronic storage system for tax records must:

- ensure an accurate and complete transfer of the hard copy or computerized books and records to an electronic storage medium;
- index, store, preserve, retrieve, and reproduce the electronically stored books and records;
- include reasonable controls to ensure the integrity, accuracy, and reliability of the electronic storage system and to prevent and detect the unauthorized creation of, addition to, alteration of, deletion of, or deterioration of the electronically stored books and records;
- include an inspection and quality assurance program evidenced by regular evaluations of the electronic storage system, including periodic checks of electronically stored books and records;
- include a retrieval system that has an indexing system;
- exhibit a high degree of legibility and readability when displayed on a video display terminal and when reproduced in hard copy; and
- provide support for the taxpayer's books and records.

Again, it is important to consult with your accountant before implementing an electronic storage system for tax records—particularly since each state may have its own guidelines for storing and processing tax records and supporting information in an electronic format.

Appendix III - Sample Records Retention Periods

ACCOUNTING RECORDS

Auditors' report/Annual financial statements	Permanently
Bank statements and deposit slips	7 Years
Cancelled checks:	
Fixed assets.....	Permanently
Taxes (payroll related).....	7 years
Taxes (income)	Permanently
General	7 years
Payroll.....	7 years
Cash disbursements journal	Permanently
Cash receipts journal	Permanently
Chart of accounts.....	Permanently
Deeds, mortgages, bills of sale	Permanently
Electronic payment records	7 years
Employee expense reports	7 years
Fixed asset records (invoices, cancelled checks, depreciation schedules)	Permanently
Freight bills and bills of lading	7 years
General journal	Permanently
General ledger	Permanently
Invoices: sales to customers/credit memos	7 years
Payroll journal.....	Permanently
Purchases.....	7 years
Purchase journal	Permanently
Purchase orders	7 years
Sales or work orders	7 years
Subsidiary ledgers (accounts receivable, accounts payable, equipment).....	7 years
Time cards and daily time reports	7 years
Training manuals.....	Permanently
Trial balance - year end.....	Permanently

LEGAL DOCUMENTS

Articles of Incorporation and Bylaws.....	Permanently
Buy-sell agreements	Permanently
Contracts and leases (still in effect)	Permanently
Contracts and leases (expired)	7 years
Employment agreements	7 years
Legal correspondence	Permanently
Minutes.....	Permanently
Partnership agreements	Permanently
Stock certificates and ledgers	Permanently
Litigation files.....	7 years after appeals process ends
Settlement agreements	7 years after resolution
IRS/DOL Correspondence	Permanently

PERSONNEL RECORDS

Employment application (from date of termination)	2 years
Employment eligibility verification (1-9 Form) (from date of termination)	3 years
Help wanted ads and job opening notices	2 years
Personnel files (from date of termination)	4 years
Records of job injuries causing loss of work	5 years
Safety: chemical and toxic exposure records	30 years
Union agreements and individual employee contracts (from date of termination)	3 years

TAX RECORDS

IRS or FTB adjustments	Permanently
Payroll tax returns	7 years
Property basis records	Permanently
Sales and use tax returns.....	Permanently
Tax returns and cancelled checks for tax payments.....	Permanently

MISCELLANEOUS RECORDS

Trial Committee records	7 years after member pays fine
Consultant contracts.....	7 years after expiration/termination
Contracts	7 years after expiration/termination
Insurance claim records	7 years after expiration/termination
Election of officer records (including unused ballots)..	1 year assuming no pending protest