



June 18, 2009

Memorandum

To: Federal Agency Financial Management/Accounting Directors

From: Wendy M. Payne
FASAB Executive Director
AAPC Chairperson

Subject: Questionnaire Pertaining to the Record Retention Timeframes for
General PP&E Assets

The Accounting and Auditing Policy Committee (AAPC) is a permanent committee established by the Federal Accounting Standards Advisory Board. The mission of the AAPC is to assist the Federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues within the framework of existing authoritative literature.

In January 2008, the AAPC established the General Property, Plant, & Equipment (G-PP&E) Task Force to assist in developing implementation guidance for G-PP&E. The task force includes federal agency representatives who are experienced with G-PP&E implementation issues and those who have G-PP&E implementation best practices to share with the federal community. The task force is led by two AAPC members, Donjette L. Gilmore, Department of Defense, and Daniel Fletcher, Department of Interior. The task force's Records Retention subgroup chaired by John Lynskey, National Science Foundation, is seeking standardized record retention guidance.

The subgroup was tasked with looking into the issue of record retention timeframes and methods for retainment that support G-PP&E reported in agencies' general purpose financial statements. This issue had multiple aspects that the subgroup considered (i.e., permanent G-PP&E records, transactional G-PP&E records, and hard copy vs. electronic records). The subgroup approached the task by performing extensive research on record retention practices and requirements and by looking into any guidance related to the subject in federal government, private sector accounting, and other standards. In particular, the subgroup researched National Archives and Records Administration (NARA)'s record retention regulations and guidance applicable to federal agencies and visited with NARA's record retention specialist.

The task force proposes that its recommendations on record retention timeframes be implemented through an official request from the AAPC to NARA. The AAPC's request would include clarifying and modifying current record retention periods set out in NARA's General Records Schedule (GRS) 3 to address agency's permanent and transactional G-PP&E records.

The AAPC is seeking feedback on the subgroup's proposed edits to NARA's GRS 3 as noted in the appendix of the attached discussion paper.

Please consider the following questions as you read through the discussion paper.

1. Do you currently follow NARA's GRS 3 record retention periods for your G-PP&E record retention needs? If not, what record retention requirements do you follow (e.g., a NARA-approved alternative schedule)?
2. Are you satisfied with your current G-PP&E record retention requirements and are those requirements consistently applied? Please provide the rationale for your answer.
3. Would it be helpful to have standardized and consistently applied record retention requirements across the federal government? Do you agree or disagree that G-PP&E record retention requirements should be standardized and consistently applied across the federal government? Please provide the rationale for your answer.
4. Do you agree or disagree with the proposed changes to NARA's GRS 3 record retention requirements? Please provide the rationale for your answer.
5. If you have other comments related to this issue please provide us with your feedback.

We are requesting that your written feedback be forwarded by July 13, 2009 to FASAB Project Director, Monica Valentine, at ValentineM@fasab.gov. Also any questions related to this request should be directed to Ms. Valentine via email or telephone at 202.512.7362.

Record Retention Timeframes for General PP&E Assets

Executive Summary

Background of Issue

1. The task force was tasked with looking into the issue of record retention timeframes and methods (hardcopy vs. electronic) for document retainment that support General Property Plant & Equipment (G-PP&E) reported in agencies' general purpose financial statements. This issue had multiple aspects that the task force considered: permanent G-PP&E records, transactional G-PP&E records, and hard copy vs. electronic records. The task force approached the task by doing extensive research on record retention practices and requirements and by looking into any guidance related to the subject in federal government and private sector accounting and other standards. In particular, the task force researched National Archives and Records Administration (NARA)'s record retention regulations and guidance applicable to federal agencies and visited with NARA's record retention specialist.

Objectives of Guidance

2. Federal agencies, working together with NARA, establish retention periods for different schedules of records to serve various needs, such as maintaining relevant documentation for a sufficient period of time to protect the government's rights with respect to certain transactions or events, to support effective internal controls over a period of time, and to support assertions made, explicitly and implicitly, in annual financial statements.¹ The task force focused on the latter need. Although this guide's use is not for audit purposes, the task force decided to use the five management financial statement assertions outlined in the audit guidance (SAS 31) as its foundation to develop its guidance. That is, management of federal reporting entities make "assertions regarding the recognition, measurement, presentation, and disclosure of information in the financial statements and related disclosures."² The five financial statement assertions include: (1) the existence or occurrence of assets or liabilities of the entity at a given date or recording of transactions over a given period of time; (2) the completeness of transactions and accounts; (3) the rights to assets and obligations incident to liabilities are properly represented; (4) the valuation and allocation of asset, liability, equity, revenue, and expense components are appropriately

¹ See 44 U.S.C. §§ 3101, 3303 (disposition schedules to reflect the "administrative, legal, research, or other value" of a record to the agency) and 3303a; GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999); *GAO Policies and Procedures Manual for Guidance of Federal Agencies*, Title 8, *Records Management* (Washington, D.C.: February 1991).

² GAO/PCIE *Financial Audit Manual*, GAO-08-585G, § 235.02 (July 2008); see AU § 326.14.

1 included; and (5) the financial statements present and disclose particular components
2 properly.³ In the context of GPP&E, these assertions relate to specific qualitative and
3 quantitative characteristics of a specific category of asset, such as the actual or potential
4 uses of the asset, its useful life, and its acquisition cost.⁴ Further, management of federal
5 reporting entities should exercise sound judgment when deciding what evidence (in addition
6 to an entity's accounting records) is sufficient to support the assets reported in their financial
7 statements. Accordingly, management of federal reporting entities must identify and
8 document the types of GPP&E records to maintain and their retention periods to meet
9 management's various needs.

10 How would this proposal improve Federal financial reporting?

- 11
- 12 3. The proposed guidance in this document does not alter existing accounting standards for
13 GPP&E. Instead, this proposal would clarify the record retention issue associated with the
14 current financial reporting standards for GPP&E.

15 **Description of Issue**

- 16 4. Currently there are varying ways on how long and the types of records federal agencies
17 retain that support assertions related to GPP&E. This is due to the "gray area" that currently
18 exists in federal accounting pronouncements, NARA, and agency guidance. The task
19 force's research also showed there is no clear accounting guidance on record retention.
20 This proposal would align retention of GPP&E records in NARA with Federal Acquisition
21 Regulation (FAR) guidance. There is existing guidance (NARA's GRS 4 and GRS 20) on
22 the disposal of certain GPP&E and electronic records. The task force does not propose
23 further guidance on the disposal of GPP&E and electronic records. The task force's
24 objective is to provide consistency in the record retention guidance and practices for federal
25 agencies.

26 **Scope**

- 27 5. The task force's research and proposal are limited to record retention guidance and
28 practices for the G-PP&E category. The recommended changes are separated into real
29 property and non-real property to conform to existing written NARA guidance. The task
30 force researched record retention guidance and practices in the federal government and the
31 private sector and in accounting standards at a high level. The research focus was only at

⁴ SFFAS 6, Par. 22-45; *see* SFFAC 5, Par. 18-25.

1 the GPP&E level. The research did not look into, at the sub-GPP&E level, the uniqueness
2 and differences of equipment, capitalized software, capitalized leases, construction-in-
3 progress (CIP), etc.

- 4
- 5 6. The task force's proposal is not intended as guidance for the audit/oversight community.
6 This report was not meant to address the sufficiency of evidence to be able to draw
7 conclusions, measure the validity of evidence, or infringe on the judgment of the oversight
8 community. It is intended for agency management as general governmental guidance to
9 assist with the consistency across government with GPP&E record retention.

10 **Benefits and Costs**

- 11
- 12 7. The concept of record retention is a key element in developing substantive evidence for
13 supporting balances on financial statements. Agencies need to have sufficient substantive
14 evidence which can take many documentation forms, and in some cases has led to
15 confusion in the community. Those charged with oversight of agencies [(Government
16 Accountability Office – (GAO), and Offices of Inspector General – (OIG), and Independent
17 Public Accountants – (IPA)] need to obtain sufficient evidence to be able to draw reasonable
18 conclusions on which to base their reports. Most of the work in forming an opinion on the
19 financial statements consists of obtaining and evaluating evidential matter concerning
20 management's assertions in the financial statements. The measure of the validity of such
21 evidence for oversight purposes lies in judgment. Factors impacting substantive evidence
22 include: documentation for legacy assets; support for management's assertions; and
23 standards on record retention.
- 24
- 25 8. Entities are frequently unable to support legacy asset values with adequate supporting
26 documentation. In many cases, legacy assets may be very old and their source
27 documentation to support the valuation of these assets may no longer exist. Source
28 documentation may exist, but it may be in poor condition, not searchable, or a victim of
29 agency's poor record management practices. Sometimes there is lack of sufficient agency
30 guidance detailing the specific documentation requirements by class of asset and alternative
31 solutions need to be derived. Alternative documentation solutions include options based on
32 the level of existing documentation along with an agreement and understanding by all
33 oversight entities.
- 34

1 9. The objective of the task force's proposal on record retention timeframes is to assist
2 agencies with record retention timeframes for current and old records from a cost/benefit
3 aspect. This proposal does not encourage any material costs to agencies associated with
4 modifying the record retention timeframes and these recommendations should be
5 implemented at the discretion of the agency.
6

7 **Recommendations**

8 10. The task force proposes the retention of Federal reporting entities' GPP&E records
9 consistent with the following principles:

- 10 • Records supporting the existence of a GPP&E asset; records supporting the federal
11 reporting entity's rights, such as ownership; records supporting the completeness of a
12 call of GPP&E; records supporting the overall valuation of GPP&E, depreciation, and
13 book value (whether actual or estimated historical cost); records supporting financial
14 statement classification, description, and disclosure, such as the use(s) and useful life of
15 the GPP&E should be retained until:

- 16 ○ Permanent type records should be retained until:

- 17 • 10 years after the disposal of the asset for real property;
- 18 • The later of 6 years 3 months after final payment or disposal of the
19 asset for non-real property;

20 Examples of permanent record types of documents include, deed/title,
21 appraisals, architectural designs and plans, occupancy permits, condemnation,
22 filings, official correspondence with governments, and total cost spreadsheets.

- 23 ○ Transactional type records for real and non-real property should be retained until:

- 24 • The later of 6 years 3 months after final payment or disposal of the
25 asset.

26 Examples of transactional GPP&E records include, contracts, invoices, and
27 payment documents. Such routine procurement files normally are subject to
28 section 3 of this GRS or other GRS, as applicable, but the agency may determine
29 that it is necessary to also retain any such record (high dollar, large scope) under
30 that section to serve one or more of the purposes stated above.
31

32 12. Federal reporting entities could apply these record retention periods to their unique systems
33 of records, including electronic records. For example, one or more of each of the assertion
34 categories above could be supported with a combination of common records.
35

1 13. By law, federal agencies are required to develop record retention schedules for all of their
2 records not covered by the NARA general records schedules (GRS).⁵ GRS are schedules
3 that prescribe retention periods for records of a specified form or character common to
4 several or all agencies. NARA reviews all agency specific records schedules and they can
5 not be implemented until NARA has approved them. Once approved by NARA, retention
6 periods in the schedules are mandatory and authorize the systematic removal of unneeded
7 records from federal offices.

8
9 14. The record retention schedule revisions proposed by the task force applies to both hardcopy
10 and electronic records. However, the task force recognizes the capabilities to keep
11 electronic records is becoming more common and less costly and suggests where
12 applicable, electronic GPP&E records (financial system downloads of transactional
13 information, etc.) should be retained for the GPP&E records retention periods. If the method
14 for reading the format of old electronic records is no longer available, agencies should
15 modify the records to a current readable format, if possible.

16 **Proposed NARA Changes**

17 15. The task force proposes that its recommendations on record retention timeframes be
18 implemented through an official request from the Accounting and Auditing Policy Committee
19 to the National Archives and Records Administration (NARA). The AAPC's request would
20 include clarifying and modifying current NARA's record retention periods set out in NARA's
21 GRS 3 to address agency's old permanent and transactional GPP&E records.

22
23 16. Currently NARA's GRS 3 provides record retention guidance for real property files and
24 routine procurement files. The task force proposes that the following GRS 3 section of the
25 real property files be modified:

26 "Title papers documenting the acquisition of real property (by purchase, condemnation,
27 donation, exchange, or otherwise), excluding records relating to property acquired prior to
28 January 1, 1921. (a) Records relating to property acquired after December 31, 1920, other
29 abstract or certificate of title. Dispose 10 years after unconditional sale or release by the
30 Government of conditions, restrictions, mortgages or other liens. (b)..."

31

⁵ U.S. Code Title 44, Chapter 33 and NARA [Introduction to General Records Schedules](#)

1 17. For routine procurement files section of the GRS 3, the task force proposes the following
2 section to be modified:

3 “Contract, requisition, purchase order, lease, and bond and survey records, including
4 correspondence and related papers pertaining to award, administration, receipt, inspection and
5 payment...(a) Transactions that exceed the simplified acquisition threshold and all construction
6 contracts exceeding \$2,000. Destroy 6 years and 3 months after final payment. (b)
7 Transactions at or below the simplified acquisition threshold and all construction contracts at or
8 below \$2,000. Destroy 3 years after final payment.”

9
10 Task force’s Proposed Changes to GRS 3

11 18. The task force proposes that the GRS 3 section of the real property files be re-titled as
12 *general PP&E files* and the real property section modified as follows: *Real property records*
13 *that support existence, ownership, overall valuation and classification (e.g., such as*
14 *deed/title, appraisals, architectural designs and plans, occupancy permits, condemnation,*
15 *filings, official correspondence with governments, and total cost spreadsheets or*
16 *downloads), excluding records relating to property acquired prior to January 1, 1921. (a)*
17 *Records relating to property acquired after December 31, 1920, other abstract or certificate*
18 *of title. Dispose 10 years after unconditional sale or release by the Government of*
19 *conditions, restrictions, mortgages or other liens. (b)...” A new sections would be added for*
20 *non-real property as follows: Non- real property records that support existence, ownership,*
21 *overall valuation and classification (e.g., such as deed/title, appraisals, architectural designs*
22 *and plans, occupancy permits, condemnation, filings, official correspondence with*
23 *governments, and total cost spreadsheets or downloads), excluding records relating to*
24 *property acquired prior to January 1, 1921. (a) Records relating to property acquired after*
25 *December 31, 1920, other abstract or certificate of title. Dispose on the later of 6 years 3*
26 *months after final payment or when asset is removed from an agency’s books for disposal.*
27 *(b). Abstract or certificate of title Transfer to purchaser after unconditional sale or release by*
28 *the Government conditions, restrictions, mortgages, or other liens.*

29 19. A new section would be added at the end of the section to address transactional records as
30 follows: *Other examples include GPP&E records of a transactional nature, such as*
31 *contracts, invoices, and payment documents. Such routine procurement files normally are*
32 *subject to section 3 of this GRS or other GRS, as applicable, but the agency may determine*
33 *that it is necessary to also retain any such record (high dollar, large scope) under that*
34 *section to serve one or more of the purposes stated above.*

1 20. For the routine procurement files section of the GRS 3, the task force proposes no changes
2 as the new reference above is intended to clarify its applicability to GPP&E records
3 “Contract, requisition, purchase order, lease, and bond and survey records, including
4 correspondence and related papers pertaining to award, administration, receipt, inspection
5 and payment...(a) Transactions that exceed the simplified acquisition threshold and all
6 construction contracts exceeding \$2,000. Destroy 6 years and 3 months after final payment.
7 (b) Transactions at or below the simplified acquisition threshold and all construction
8 contracts at or below \$2,000. Destroy 3 years after final payment.”

DRAFT

1 **Appendix A: Examples of Existing Records Retention Guidance**

2 NARA Guidance

3 21. The National Archives and Records Administration Act of 1984 amended the records
4 management statutes to divide records management oversight responsibilities between the
5 National Archives and Records Administration (NARA) and the General Services
6 Administration (GSA). Under the Act, NARA is responsible for adequacy of documentation
7 and records disposition ([44 U.S.C. 2904\(a\)](#)), and GSA is responsible for economy and
8 efficiency in records management ([44 U.S.C. 2904\(b\)](#)). Federal agency records
9 management programs must comply with regulations promulgated by both NARA (36 CFR
10 Part 1228) and GSA.

11
12 22. GRS 3 - Procurement, Supply and Grant Records: Routine procurement files include
13 contract, requisition, purchase order, lease, and bond and surety records, including
14 correspondence and related papers pertaining to award, administration, receipt, inspection
15 and payment. For procurement or purchase organization copy, and related papers, destroy
16 6 years and 3 months after final payment if transactions that exceed the Federal Acquisition
17 Regulation (FAR)'s simplified acquisition threshold and all construction contracts exceeding
18 \$2,000. Destroy 3 years after final payment if transactions are at or below the simplified
19 acquisition threshold and all construction contracts at or below \$2,000.

20
21 23. GRS 4 – Property Disposal Record: These records pertain to the sale by agencies of real
22 and personal property surplus to the needs of the Government. The act creating the General
23 Services Administration (GSA) transferred to the new agency the functions of the former
24 War Assets Administration relating to property disposition. This schedule is not applicable to
25 transaction or policy files created by the GSA and predecessor agencies, to records in the
26 Department of the Interior relating to the public domain, and to records relating to overseas
27 property under Department of State control. Any surplus property transaction files dated
28 prior to the establishment of the former Procurement Division of the Department of Treasury
29 in 1933 must be offered to the National Archives and Records Administration (NARA) for
30 appraisal before applying these disposition instructions.

31
32 24. GRS 20 - Electronic Records: This schedule provides disposal authorization for certain
33 electronic records and for specified paper, microform, or other hard copy records that are
34 integrally related to the electronic records. This schedule applies to electronic records

1 created or received by Federal agencies including those managed for agencies by
2 contractors.

3
4 Federal Acquisition Regulation (FAR)

5 25. The Federal Acquisition Regulation requires that historical data be available for contracts for
6 6 years and 3 months after final payment.

7
8 United States Marine Corps Real Property Document Retention Checklist

9 26. U.S. Marine Corps (USMC) identifies three critical components of a real property document
10 retention policy which it believes need to be “asserted” as a pre-requisite to proceeding with
11 a cost efficient audit of real property line item of its balance sheet. The three critical
12 components are as follows: (1) Create a list of approved required documents that are
13 necessary and sufficient to support a financial audit; (2) Establish retention thresholds for
14 the required documents; and (3) Create a checklist based on a list of approved required
15 documents and established record retention thresholds, and provide that checklist to
16 USMC’s component entities so they can use the checklist to support the USMC in an audit
17 of its real property line item. When the three critical components are completed and
18 asserted they will provide necessary and sufficient documentation and associated retention
19 requirements for availability of future documents.

20
21 27. Currently there is no Department of Defense (DoD) policy on record retention requirements
22 with regard to real property documents in supporting a financial audit.⁶ Broad guidance is
23 available in the DoD Financial Management Regulation (FMR), Real Property Inventory
24 Requirements (RPIR), and Construction in Progress Requirements (CIPR) documents, but
25 these are not sufficient to define an actionable document retention policy in supporting a
26 cost efficient financial audit.

27
28 28. USMC policy objectives are to achieve an unqualified financial audit opinion, while
29 minimizing the costs and resources necessary for achieving compliance. The USMC hired
30 consultants to help define a minimum set of documentation that is necessary, and that is
31 collectively sufficient to satisfy the five management assertions required in financial audit,
32 including an associated document retention policy. A useful chart was created that
33 categorizes GPP&E records by the management assertion that they help satisfy.

⁶ DoD Regulation 7000.14-R, “DOD Financial Management Regulation,” volume 1, chapter 9, “Financial Records Retention,” August 2000, states that all financial records, both paper and electronic, documenting the acquisition of DoD PP&E shall be maintained for at least the minimum period specified in the applicable GRS issued by NARA.

1
2 29. The USMC project analysis, that is being reviewed internally, covers two general areas: (1)
3 estimating the historical cost of properties where actual documentation is not available,
4 performed by a contractor; and (2) defining the minimum documentation required to support
5 each attribute, as well as minimum retention periods for each type of document. The value
6 of item (2) is that it goes beyond the previous information in current guidance.

7
8 30. The USMC goal in this effort is to get the necessary support, through FASAB and inter-
9 agency workgroups, to define these necessary and sufficient levels of documentation
10 including requirements for document availability. For example, relying on the contractor
11 analysis, the USMC observes the SECNAV Manual 5210.1 as the current authority for
12 Department of the Navy (DON) records schedules. While the NARA issues a General
13 Records Schedule (GRS) for common records across federal agencies, U.S. Code Title 44,
14 Chapter 33 also authorizes federal agencies to establish individual agency records
15 schedules by submitting them to NARA for approval. The SECNAV Manual 5210.1
16 represents the DON's records disposition schedule that has been approved by NARA, and
17 is therefore the Navy/USMC's governing authority for document retention periods. It has a
18 very useful chart that sets retention periods by record group, such as permanent retention of
19 instruments of real property ownership where records are transferred to NARA when
20 property has been removed from DON accounts (e.g., deed/title, DD Form 1354), retention
21 of contracting records (e.g., construction contracts, invoices) for 6 years and 3 months, and
22 retention of documentation of official acquisition authorization/actions (e.g., condemnation
23 filings, official correspondence) for 10 years. Until joint Navy/USMC review of SECNAV M-
24 5210.1 is complete, USMC will set document availability requirements based on whether or
25 not a real property asset is fully depreciated.

26
27 Memorandum of Agreement between the DoD OIG and the U.S. Army Corps of Engineers

28 31. This Memorandum of Agreement (MOA) is an example of defining the adequacy of evidence
29 supporting beginning balances and consideration of alternative documentation and
30 auditability of such documentation. The purpose of this MOA is to develop alternative
31 methods to support the acquisition and capitalized improvements for real and personal
32 property, and was signed Jun 9, 2004 by the DoD OIG and U.S. Army Corps of Engineers
33 (USACE) in coordination with GAO. This MOA allowed for use of other internal
34 documentation to support values of older assets (e.g., engineer estimates and legacy
35 system conversion spreadsheets).

1 OMB Guidance

2
3 32. Office of Management and Budget (OMB) has not issued any policy or other guidance on
4 records retention by federal entities. With regard to federal entity financial statements, OMB
5 only goes so far in OMB Circular No. A-136, Section II.2.10, to recognize that the financial
6 statements are "prepared from books and records of the entity." In guidance issued by OMB
7 on electronic recordkeeping by agencies (OMB Circular No. A-130, Appendix II, and OMB
8 Memorandum No. 00-15), OMB acknowledges the role of NARA in setting record retention
9 periods and related records management guidance. OMB further complements the records
10 management guidance promulgated by NARA with its guidance to federal agencies on
11 internal control, which reiterates Government Accountability Office (GAO)'s internal control
12 standards for documentation and data accessibility (OMB Circular No. A-123, Section II.C).

13
14 33. However, OMB prescribes some records retention requirements for parties that do business
15 with federal agencies. For example, educational institutions, hospitals, and non-profit
16 organizations that receive federal awards (e.g., grants) must retain records as prescribed by
17 the "Common Rule" in OMB Circular A-110 (2 C.F.R. section 215.53), typically 3 years.
18 Likewise, those organizations that receive federal awards and undergo an audit under OMB
19 Circular A-133 must retain a copy of their financial statements, related schedules, and the
20 audit report for 3 years, and their auditors must retain a copy of their work papers for 3
21 years, unless a longer period is directed. (In addition to OMB, other agencies often
22 prescribe certain record retention requirements for parties that do business with the
23 government, such as federal contractors under Federal Acquisition Regulation (FAR)
24 Subpart 4.7, 48 C.F.R. Subpart 4.7.)

25
26 GAO, Audit, and Regulatory Requirements

27
28 34. Pursuant to the Budget and Accounting Act of 1921 and later statutes, GAO promulgated
29 accounting and related recordkeeping requirements for agencies relating to the accounts of
30 accountable officers (such as disbursing officers) and the related schedules, vouchers, and
31 other supporting documentation, such as contracts. GAO issued this guidance because
32 they audited each of these accounts and each of the transactions related to the accounts.
33 In 1950, the requirement for GAO to audit each account was eliminated, but GAO retained
34 the authority to periodically audit them. Therefore, GAO continued to prescribe the
35 accounting and recordkeeping requirements. In addition, until 1996, GAO promulgated
36 recordkeeping requirements related to claims by and against the government because GAO

1 settled most claims. See 44 U.S.C. Section 3309. (In 1996, the claims settlement function
2 was transferred from GAO to various executive branch agencies.)

3
4 35. GAO's accounting and recordkeeping authorities are concurrent with NARA's authorities to
5 promulgate and approve records disposition schedules. (GSA also issues records
6 management program guidance to agencies, but not disposition schedules.) See 41 C.F.R.
7 Section 102-193.20. Guidance contained in Title 8 of GAO's *Policies and Procedures*
8 *Manual for Guidance of Federal Agencies*, which was last issued to federal agencies in
9 1991, summarizes GAO's authority and GAO's relationship to NARA's records disposition
10 schedules. As explained in this guidance, GAO relies primarily on NARA's General Records
11 Schedules for record retention periods. In cases where agencies want to deviate from these
12 schedules, they need GAO approval. See 36 C.F.R. Section 1228.22(f). GAO does not
13 separately publish schedules or record retention periods.

14
15 Securities and Exchange Commission Retention Requirements on Records Relevant to Audits
16 and Reviews

17 36. Effective March 3, 2003, Securities and Exchange Commission (SEC) adopted rules
18 requiring accounting firms to retain for seven years certain records relevant to their audits
19 and reviews of issuers' financial statements.⁷ Records to be retained include an accounting
20 firm's work papers and certain other documents that contain conclusions, opinions,
21 analyses, or financial data related to the audit or review. Compliance with this rule is
22 required for audits and reviews completed on or after October 31, 2003. As mandated by
23 section 802 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act" or "the Act"), SEC
24 amended Regulation S-X to require accountants who audit or review an issuer's financial
25 statements to retain certain records relevant to that audit or review. These records include
26 work papers and other documents that form the basis of the audit or review, and
27 memoranda, correspondence, communications, other documents, and records (including
28 electronic records), which are created, sent or received in connection with the audit or
29 review, and contain conclusions, opinions, analyses, or financial data related to the audit or
30 review. To coordinate with forthcoming auditing standards concerning the retention of audit
31 documentation, the rule requires that these records be retained for seven years after the
32 auditor concludes the audit or review of the financial statements, rather than the proposed
33 period of five years from the end of the fiscal period in which an audit or review was
34 concluded. As proposed, the rule addresses the retention of records related to the audits

⁷ SEC Final Rule on Retention of Records Relevant to Audits and Reviews (Effective March 3, 2003)

1 and reviews of not only issuers' financial statements, but also the financial statements of
2 registered investment companies.

3
4 37. Section 802 of the Sarbanes-Oxley Act is intended to address the destruction or fabrication
5 of evidence and the preservation of "financial and audit records." SEC directed under that
6 section to promulgate rules related to the retention of records relevant to the audits and
7 reviews of financial statements that issuers file with the Commission. Neither section 802
8 nor the final rule exempts auditors of foreign issuers' financial statements.

9
10 38. The availability of documents under this rule will assist in the oversight and quality of audits
11 of an issuer's financial statements. Increased retention of identified records also may
12 provide critical evidence of financial reporting impropriety or deficiencies in the audit
13 process.

14 15 Internal Revenue Service Record Retention Requirements for Business Property

16 39. Internal Revenue Service (IRS) record retention on business property requires keeping
17 records relating to property until the period of limitations expires for the year in which
18 business disposes of the property in a taxable disposition.⁸ These records must be kept to
19 figure any depreciation, amortization, or depletion deduction, and to figure the basis for
20 computing gain or loss when a business sells or otherwise disposes of the property.

21 22 AICPA Record Retention Guidance

23 40. The task force researched applicable AICPA and related auditing standards for information
24 related to audit documentation and audit evidence. The auditing standards provided no
25 specific guidance for record retention guidance.

26 27 International Financial Reporting Standards Record Retention Guidance

28 41. The task force researched International Financial Reporting Standards (IFRS) that the
29 International Accounting Standards Board (IASB) and its predecessor organizations issued,
30 and the task force did not find any IFRSs for retaining records supporting general, property,
31 plant, and equipment on the financial statements. The term IFRSs refers to the new
32 numbered series of pronouncements that the IASB is issuing, as distinct from the
33 International Accounting Standards (IASs) issued by its predecessor. More broadly, IFRSs
34 refer to the entire body of IASB pronouncements, including: Standards (IFRSs) and

⁸ IRS Publication 583 Starting a Business and Keeping Records (Revised January 2007)

1 interpretations (IFRICs) approved by the IASB and its International Financial Reporting
2 Interpretations Committee (IFRIC); and Standards (IASs) and interpretations (SICs)
3 approved by the predecessor IASC and its Standard Interpretations Committee (SIC). The
4 IASB and IFRIC have issued, respectively, 8 IFRSs and 16 IFRICs. The IASC and SIC
5 issued 41 IASs and 33 SICs (20 superseded). Two IFRSs relate to GPP&E: IAS 16,
6 "Property, Plant and Equipment," as amended May 22, 2008, and IAS 36, "Impairment of
7 Assets, as amended May 22, 2008.

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1
2 **Proposed New Sections of NARA GRS 3**
3 **(New Section in Italics)**
4

5 **1. Real and Non-Real Property Files (*General Property, Plant, & Equipment*).** [See
6 note after item 1b.]

7 *Real property records that support existence, ownership, overall valuation and classification*
8 *(e.g., such as deed/title Title papers documenting the acquisition of real property -- by purchase,*
9 *condemnation, donation, exchange, or otherwise, appraisals, architectural designs and plans,*
10 *occupancy permits, condemnation, filings, official correspondence with governments, and total*
11 *cost spreadsheets or downloads), excluding records relating to property acquired prior to*
12 *January 1, 1921.*

13 a. Records relating to property acquired after December 31, 1920, other than abstract or
14 certificate of title.

15 Dispose 10 years after unconditional sale or release by the Government of conditions,
16 restrictions, mortgages or other liens.

17 b. Abstract or certificate of title.

18 Transfer to purchaser after unconditional sale or release by the Government of conditions,
19 restrictions, mortgages, or other liens.

20 *Non- real property records that support existence, ownership, overall valuation and*
21 *classification (e.g., such as deed/title, appraisals, architectural designs and plans, occupancy*
22 *permits, condemnation, filings, official correspondence with governments, and total cost*
23 *spreadsheets or downloads), excluding records relating to property acquired prior to January 1,*
24 *1921.*

25 a. *Records relating to property acquired after December 31, 1920, other abstract or*
26 *certificate of title.*

27 *Dispose on the later of 6 years 3 months after final payment or when asset is removed from an*
28 *agency's books for disposal.*

29 b. *Abstract or certificate of title*

30 *Transfer to purchaser after unconditional sale or release by the Government conditions,*
31 *restrictions, mortgages, or other liens.*

32
33 *GPP&E records of a transactional nature, such as contracts, invoices, and payment documents*
34 *are normally considered routine procurement files subject to section 3 of this GRS or other*
35 *GRS, as applicable, but the agency may determine that it is necessary to also retain any such*

1 *record (high dollar, large scope) under that section to serve one or more of the purposes stated*
2 *above.*

3 **[NOTE:** Records relating to property acquired prior to January 1, 1921, are not covered by the
4 GRS and must be scheduled by submission of a Standard Form (SF) 115 to NARA.]

5
6 **3. Routine Procurement Files.** [See note after item 3d.]

7 Contract, requisition, purchase order, lease, and bond and surety records, including
8 correspondence and related papers pertaining to award, administration, receipt, inspection and
9 payment (other than those covered in items 1 and 12). [See note after item 3a(2)(b).]

10 a. Procurement or purchase organization copy, and related papers.

11 (1) Transaction dated on or after July 3, 1995 (the effective date of the Federal Acquisition
12 Regulations (FAR) rule defining "simplified acquisition threshold").

13 (a) Transactions that exceed the simplified acquisition threshold and all construction contracts
14 exceeding \$2,000.

15 Destroy 6 years and 3 months after final payment.

16 (b) Transactions at or below the simplified acquisition threshold and all construction contracts
17 at or below \$2,000.

18 Destroy 3 years after final payment.

19 (2) Transactions dated earlier than July 3, 1995.

20 (a) Transactions that utilize other than small purchase procedures and all construction
21 contracts exceeding \$2,000.

22 Destroy 6 years and 3 months after final payment.

23 (b) Transactions that utilize small purchase procedures and all construction contracts under
24 \$2,000.

25 Destroy 3 years after final payment.

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Appendix: List of Abbreviations

AAPC	Accounting and Auditing Policy Committee
AICPA	American Institute of Certified Public Accountants
C.F.R.	Code of Federal Regulation
DoD	Department of Defense
DON	Department of Navy
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAO	Government Accountability Office
GPP&E	General Property, Plant, and Equipment
GRS	General Records Schedule
GSA	General Services Administration
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IRS	Internal Revenue Service
MOA	Memorandum of Agreement
NARA	National Archives and Records Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PP&E	Property, Plant, and Equipment
SEC	Securities and Exchange Commission
SECNAV	Secretary of Navy
SFFAS	Statement of Federal Financial Accounting Standards
USACE	U.S. Army Corps of Engineers
U.S.C.	United States Code
USMC	U.S. Marine Corps