

## Retention of Financial Records

**Authority** This Guide Memo was approved by the Vice President for Business Affairs and Chief Financial Officer.

**Summary** This Guide Memo covers time requirements for retaining financial records and security requirements for disposing of old records. Section headings are:

1. PURPOSE OF RECORD RETENTION
2. RESPONSIBILITY
3. RETENTION TIMES
4. DISPOSAL OF OLD DOCUMENTS

### 1. PURPOSE OF RECORD RETENTION

Retaining records serves two purposes. In the short term, it provides those responsible for the management of accounts with the means to monitor transactions and resolve problems. In the long term, it enables the University to comply with Federal Acquisition Regulations, the Internal Revenue Service regulations, and other federal, state and local regulations governing auditability and retention of records.

### 2. RESPONSIBILITY

- a. **Online Transactions** – When the source documentation for a transaction is online, the central administrative office responsible for maintaining the online application is responsible for retaining the online transaction record.
- b. **Paper Documents** – When the source documentation for a transaction is paper, the office that receives the original document is responsible for retaining it. In most cases, a central administrative office (such as Payroll or Disbursements) is responsible for retention. All invoices are received electronically in Accounts Payable, and are the documents of record supporting the Accounts Payable process. Any paper received by Disbursements is destroyed once it has been successfully imaged and processed. In Travel and Reimbursements (T&R), all backup documentation is received electronically and is the document of record supporting the reimbursement. The originating department is responsible for assuring that original receipts are received prior to submitting the request and backup electronically to T&R. Originating departments have the responsibility to destroy any paper backup once T&R has successfully processed the reimbursement request. An exception is monthly grant and contract expenditure statements signed by the principal investigator; these must be retained by the principal investigator's school or department.

### 3. RETENTION TIMES

- a. **Legal and Audit Requirements** – When requirements for long-term retention of records overlap, the responsible office should retain records for the maximum period needed to meet legal and audit requirements. General rules are:
  - **Direct Charges to Contracts and Grants:** Three years following the date the Office of Sponsored Research (OSR) has performed closeout (longer if circumstances such as an audit or litigation require it). Detailed information available at [http://ora.stanford.edu/cardinal/level\\_1/reg\\_environ/project/record\\_retention.asp](http://ora.stanford.edu/cardinal/level_1/reg_environ/project/record_retention.asp).
  - **Accounts Included in Indirect Cost Rate:** Three years following the final sign-off for that year by the federal government. Contact the Office of Cost and Management Analysis (CMA) in the Office of Research Administration (ORA) to determine "open" indirect cost years <http://ora.stanford.edu/ora/cma/default.asp>.
  - **Business Transaction Records** (not contract or grant-related): Four years

- **Employee Payroll Information:** Six years from retirement or termination.
- **Taxable Income** (Cash receipt information and billings, and all documents for activities considered unrelated business income (see Guide Memo 15.3, Unrelated Business Activity, [http://adminguide.stanford.edu/15\\_3.pdf](http://adminguide.stanford.edu/15_3.pdf)): Four years following the end of the fiscal year.

Longer retention times apply to certain documents retained by central offices. For information on a specific document or category of documents, the office responsible for the type of transaction should consult the Accounting Officer in the Controller's Office.

- b. **Management Information** – When a central office has retention responsibility, the department initiating a transaction may discard copies of documentation supporting the transaction when it is no longer needed for management purposes; for example, when the transaction is complete and the expenditure statement containing the transaction has been reviewed. Departments may, at their discretion, keep copies of documents for longer periods.

#### 4. DISPOSAL OF OLD DOCUMENTS

To safeguard the privacy of individuals, documents that contain salary information must be shredded, incinerated, or otherwise disposed of securely. Departments may arrange for service from a business record destruction vendor.