

## RECORDS RETENTION

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After a period of years, a credit union's files become crowded and the question arises whether certain records are any longer of value. Material which occupies space unnecessarily is costly and hampers-the finding of essential material. Efficiency requires that all records that are no longer useful be discarded just as both efficiency and safety require that useful records be preserved and kept readily available.

The destruction of any record of a Federal credit union, regardless of how inconsequential it may seem or how old it may have become, is a matter requiring careful consideration. Subject to the minimum time within which records discussed below may not be destroyed, the retention period for the records will be determined and authorized by the board of directors.

The board of directors may approve a schedule authorizing the disposal of certain records on a continuing basis upon expiration of specified retention periods. Such a schedule provides a means for systematic disposal of records under a continuing authority from the board. This will eliminate the necessity for the board to give repeated consideration to disposal of the same types of records created at different time periods.

As records are destroyed by authorization of the board of directors, an appropriate listing of such records must be prepared and retained permanently. Destruction of such records should ordinarily be carried out by at least two persons whose signatures, attesting to the fact that such records were actually destroyed, should be affixed to the listing.

### **DESTRUCTION OF OBSOLETE RECORDS**

#### **Minimum Retention Time**

A record must not be destroyed which pertains to any member's account unless the account has been appropriately verified by the supervisory committee; however, Individual Share and Loan Ledgers (form FCU 103) shall not be destroyed. Records must not be destroyed for a particular period until both a comprehensive annual audit by the supervisory committee and a supervisory examination by the NCUA have been made that period.

Records supporting the credit union's position in claims, court cases, etc., must be retained for the minimum period prescribed by the statute of limitations of the jurisdiction in which the credit union is located.

Legal advice with respect to the application of the statute of limitations is necessary for a full consideration of the subject.

#### **Permanent Retention**

Records which are of an official nature significant to the continuing operation of the credit union must

be retained permanently. Such records are:

- (a) Charter, bylaws and amendments.
- (b) Certificates or licenses to operate under programs of various government agencies, such as a certificate to act as issuing agent for the sale of U.S. Savings Bonds.
- (c) Current manuals, circular letters and other official instructions and correspondence of a permanent character received from the NCUA and other appropriate government agencies.

Key records which reflect the operation of the credit union, and particularly, records which reflect transactions with the members or former members, must be retained permanently, unless, as stated below, such records have been microfilmed. Such records are:

- (a) Minutes of meetings of the members, board of directors, credit committee, and supervisory committee.
- (b) One copy of each semi-annual and annual (June 30 and December 31) financial reports forms FCU 109A, B, C, D, E, and /or equivalent.
- (c) One copy of each Supervisory Committee Comprehensive Annual Audit Report (form FCU 701) and attachments.
- (d) Supervisory committee record of account verification (form FCU 713, or equivalent).
- (e) Applications for Membership and Joint Share Account Agreements (forms FCU 150 and 123, or equivalent).
- (f) Journal and Cash Record (form FCU 101, or equivalent).
- (g) General Ledger (form FCU 102, or equivalent).
- (h) Individual Share and Loan Ledgers (form FCU 103, or equivalent).
- (i) Quarterly statement of members (The hard copies of statements are sent to members).
- (j) Bank Reconcilements (form FCU 108, or equivalent).
- (k) Listing of records destroyed.

### **Microfilming Records**

Federal credit unions may microfilm records as desired, including the listed permanent key records. Probably there will be the most interest in microfilming the bulkier of the records that should be retained permanently, although in many cases a board of directors may want to microfilm nonpermanent records such as voided and canceled checks Cash Received Vouchers, Journal Vouchers, etc.

Before a decision is made to microfilm records, legal advice should be obtained on applicable laws in the jurisdiction to determine whether microfilm will support the credit unions claims in a court of law in which the credit union is located. If a credit union undertakes to microfilm records, not only should adequate equipment be used to properly microfilm, but equipment must be readily available for reading and making prints of the film, as needed.

Another important consideration when contemplating microfilming of records is the timing of audits and/or regulatory examinations. Records which have been microfilmed, although convenient from the storage viewpoint, can present problems for the auditor in terms of accessibility and time. It is therefore suggested that microfilming of records required at audits and examinations be delayed until the audits and examinations are completed.

All original loan documents must be retained until the loan is satisfied and the requirements for retention in Regulations Z, B, C, the Real Estate Settlement Procedures Act, Flood Disaster Protection Act and the Fair Credit Reporting Act are satisfied. They may then be microfilmed.

After the records have been microfilmed, they may be destroyed following the next examination by the NCUA and the next comprehensive annual audit by the supervisory committee, provided the Individual Share and Loan Ledgers are in balance with the General Ledger control accounts. If any of the records pertain to discrepancies or shortages that have been discovered, such records will not be destroyed until the discrepancies or shortages have been cleared.

## **DISPOSAL OF DATE PROCESSING OUTPUT REPORTS**

The previous instructions pertaining to the disposal of records also apply to output reports produced by a data processing system as well as those records used with a conventional accounting system. Output reports that substitute for standard conventional records or that provide the only support for entries in the journal and Cash Record should be retained for the minimum period specified. In the case of one output report completely duplicating the information shown on another record, only one of the records needs to be maintained. Output records may be microfilmed subject to the conditions listed previously.

### **Microfiche Records**

Credit unions may also use microfiche for the storage of records. As with microfilm, this is a convenient way to store records but it can present the same problems for auditors and examiners in terms of accessibility. If records are stored on microfilm or microfiche, the credit union needs to be able to produce, within 5 working days, a hard copy of the records for the period in which the audit or examination is being done. In addition, the credit union, on a continuing basis, must retain a hard copy of the previous month-end trial balance of the Individual Share and Loan Ledgers until the next output report is received.

The credit union should also consider having on the premises equipment to read and make prints of the microfiche. Many data processing firms now produce the credit union's copy of the statement of accounts on microfilm or microfiche. Since the need arises quite frequently to reproduce statements, a reader/printer would be valuable to the credit union's operations.

## **A CREDIT UNION'S RECORD RETENTION POLICY**

### **I. PURPOSE**

To protect Credit Union records and to allow for reconstruction of Credit Union records in case of a local disaster.

## **II. POLICY**

The Credit Union will store information as described and required in Federal Statute 12CFR, Part 749.3

- (a) The Credit Union will store information as described and required in Federal Statute, 12CFR, Part 749.3.
- (b) Financial and Statistical Reports;
- (c) Savings accounts and locations;
- (d) Loan account number and locations;
- (e) Checking account number and locations;
- (f) Insurance coverage information;
- (g) A list of all officials and their addresses.

## **III. PROCEDURE**

### **A. Daily**

- 1. Data base backup to tape by computer operator every evening after closing which is left in computer room overnight. The day old tapes are removed from the tape file cabinet the next day and are taken home by the computer operator that evening and are brought back the following day for a new set of tapes (this provides for a tape off site locally at all times).
- 2. A current boot, site tape, FB tape and a current program backup tape is kept in the fire-proof vault at all times. Also copies of these same tapes are kept at the Vice President/CFO's or designee's residence. These tapes are updated and replaced as new ones are created. Copies of these are also kept in the computer room tape file cabinet.
- 3. File any Diazo rolls of film in the microfilm cabinet in the vault.

### **B. Monthly**

- 1. All previous month-end base tapes for the previous calendar year and for the previous months of the current calendar year will be kept in the top cabinet. The Computer Operator will put month-end database tapes in the file cabinet the first working morning after completion of the month-end cycle.
- 2. After month-end cycle is completed, statement tapes are created on member accounts by the Computer Operator. After statements have been printed from these tapes, the Administrative Assistant will have three microfiche copies of these tapes made. One copy is used by the Teller Department and Credit Union office staff to research accounts and answering questions. This copy is kept in the Teller Department and is unprotected.
- 3. The most recent hard copy of the month-end general ledger journal and trial balance is put on microfilm and the original is kept in the microfilm file cabinet in the Credit Union fire-proof vault.

4. After Financial Card Services completes mailing monthly statements they send the Credit Union a microfiche copy of the statements. The copy is kept in the fire-proof locked file cabinet of the Credit Union's Accounting Department. Financial Card Services also has complete information on the accounts that could be requested if the Credit Union set was destroyed.

### **C. Quarterly**

1. The Administrative Assistant will send to the underground storage facility within 21 days of each quarter end:
  - a. Financial and Statistical Reports
  - b. Income and Expense Report
  - c. Statistical Report
  - d. Name and address and account numbers of financial institutions where the Credit Union has savings, loans, or checking accounts.
  - e. List of all officials and their addresses.
  - f. Insurance coverage information.

### **D. Annually**

1. The Administrative Assistant will be responsible to rotate monthly data base tapes on a seven-year basis. For example: January, 1993 month-end data base magnetic tapes for the year ending 1991 will be sent to the underground storage facility. At the end of the eighth year, all month-end data base tapes for \_\_\_\_\_ sent, and at the same time recall \_\_\_\_\_ data base magnetic tapes. This procedure will continue throughout an undetermined amount of time.
2. Seven years of diazo copies of the processed film must be kept in the microfilm cabinet in the vault. Older film is kept on the top shelf in the vault in boxes. If there is a space problem, the oldest film will be sent to the main archives.

## **I. PURPOSE**

To meet legal requirements of maintaining Credit Union records.

## **II. POLICY**

The Credit Union will store and dispose of Credit Union records as required under State and Federal Statute.

## **III. PROCEDURE**

### **A. Records That Should Be Kept Permanently:**

1. Charter, By-laws and Amendments;
2. Certificate or license to operate under program of government agencies;
3. Applications for membership (signature cards) for open accounts;
4. Applications for trust accounts and agreements for open accounts;
5. Current authorization for payroll deductions;
6. Current authorization to deduct family group life insurance premiums;
7. Current financial and statistical reports;
8. Current examination reports

## **B. Records That Can Be Microfilmed and Then Destroyed**

All Microfilm and microfiche will be retained permanently onsite or offsite.

1. Member, Board and Committee meetings;
  - a. Minutes of Membership meetings;
  - b. Minutes of Board of Directors and Committee meetings;
  - c. Loan Officer reports;
  - d. Audit Committee comprehensive annual audit report;
  - e. Audit Committee record of account verification or equivalent.
2. Credit Union Documents and Vouchers
  - a. Cash received vouchers, tellers' proof sheets and summaries;
  - b. Payroll deduction sheets;
  - c. Journal vouchers;
  - d. Authorization for application of shares to loans (individual request);
  - e. Loan transfer summary;
  - f. Schedule of delinquent loans;
  - g. Signed disbursement voucher of withdrawal of loan disbursed in cash;
  - h. Voided and cancelled checks and money orders;
  - i. Used bank books and copies of bank deposit slips;
  - j. Monthly summary sheet of new and closed accounts;
  - k. Monthly financial and statistical reports;
  - l. Chattel lien non-filing insurance record (after loan paid);
  - m. Paid bills and invoices;
  - n. Dividend work sheets and payment record;
  - o. Interest refund payment record;
  - p. Bank statements.

3. Employment Records
  - a. Form W-4 Employee's Withholding Exemption Certificate
  - b. Individual employee's earning record
  - c. Form 941 -Employer's Quarterly Federal Tax Return
  - d. Form W-2 Wage and Tax Statement
  - e. Form W-3 Reconciliation of Income Tax Withheld from Wages
  - f. Records evidencing withholding and remitting of city income tax
  - g. Form 1099-U.S. Information Return reporting income paid as described on the form, except dividends paid to members
  - h. Form 1096-U.S. informational return (summary rep forms 1099)
  - i. Unemployment tax records, Form 940-Employer's Annual Federal Unemployment Tax Return
  - j. Unemployment tax records, Form MESC 1020-Employer's Quarterly Contribution Report (state)
4. General
  - a. Computer print outs
  - b. Correspondence of general nature, except official instructions or documents that are permanent in character
  - c. Applications, notes, disclosure and security agreements providing the loan is repaid.