



Records Management for Congregations: A Records Manual for Finance and Administration

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The Archives of The Episcopal Church

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Introduction

A good accounting system is constructed on the principle that entering and reporting financial transactions should follow standardized procedures. The cornerstone of the system is the promise to deliver a factual statement of financial operations and conditions that can be generally understood and accepted. To have any meaning as an instrument of management, the system should also deliver an historically accurate record or "audit trail."

In practice this elementary accounting principle is achieved through the application of a uniform system of record keeping. An accounting system that does not carry over to the careful management of the records is neither credible nor prudent in business practice. Poor records management in an organization can undermine the best designed accounting system and contribute to negligence. "Keeping the books" is part of a larger management function. It extends beyond rote entry and reporting activities to the administration of information. The essence of good stewardship lies in accountability for the wise use of human resources and other tangible assets.

This manual offers guidelines on practical issues that treasurers and administrators of congregations will encounter with business records. The major topics explored are: custodial responsibility, access, retrieval, security and privacy, internal audit control, and retention and disposition. The manual ends with a general retention schedule that can be modified and adopted for parochial use.

Custodial Responsibility

Apart from their current record keeping and fiduciary responsibilities, officers of the parish also have a custodial responsibility for the organization's corporate records. Officers and employees should have a shared definition of the content and custody of parochial records. A standard definition can be taken from the national canons (I.5.2) :

Records are understood to include all fixed evidential information regardless of method, media, format or characteristics of the recording process which have been created, received or gathered by the Church, its officers, agents or employees in pursuance of the legal, business and administrative function, and the programmatic mission of the Church. Records include all original materials, notwithstanding the format used to capture the record, the location or conditions of creation, or the formality or informality of the characteristics of the record. The form and medium of records include but are not limited to original and true copies on paper, in electronic code, on microfilm, as photo-reproduced images, and on machine-readable tapes or disks.

The comprehensiveness of this definition may unsettle prevailing misconceptions of what constitutes an organization's records. Records are found in all forms and genre: the source documents of the accounts payable, the journal entries on a floppy disk, the computer generated membership data as output on paper, the published financial statement, the photographic inventory of parish property, the architect's rendering of the new building, and the video recording of the consecration service. Originals and copies may be handled differently, but they are both records. Duplicates, reproductions, security copies, and back-up versions are all considered records of the organization.

Treasurers and administrators should be keen to their role in sustaining a congregation's identity through the artifacts and symbols that attest to its institutional history. The records that they create in their official capacity are an authentic part of that symbol identity. Parochial records are vital elements of continuity. The parish officers are stewards who are called to act not as autonomous experts but as servant leaders of an historic community of faith.

Parish records should never be confused with personal papers. They should be properly and carefully labeled with the church's name -- a safeguard that applies to computer disks, software, file cabinets, and individual documents. Records held in custody should not be treated as personal possessions, but should be regularly turned over to the parish and, under normal circumstances, placed within parish facilities or in a safe and accessible location.

A further note of caution: parish records and archives have been used as evidence in litigation to support a party's claim to be recognized as the legitimate representative or successor to the corporation and its assets. **Under no circumstances should the records of an active or closed parish be alienated from the custody of the continuing parish, the successor entity, or the diocesan authority.** For information on how to secure a parish archives or on other alternatives without relinquishing title, ownership rights, and copyright, contact legal counsel or The Archives of the Episcopal Church.

Access and Organization

A dependable accounting system supports current business requirements by recording standard data, summarizing detail, and facilitating later access for purposes of update, verification and reporting. Most parishes have made the transition to some type of automated system of bookkeeping. Many more are using automated formats to process and maintain membership data, administrative records, and routine correspondence. Computer programs are designed around logical entry and reporting formats. Their sophistication is limited, however, to manipulation of the data as a virtual record. Original source or transactional records in hard copy, including paper back-up records, auditable books of entry, and related administrative files remain the standard corroborating forms of documentation.

Functional Approach

The organization of records and files should be kept simple and direct. Use the rule of thumb that the arrangement should be fairly quickly understood by another person who could carry it forward without interruption. A serviceable record keeping system should not bear a personal stamp. While the accounting process may be mysterious to the uninitiated, the accounting record itself is intended to unravel the mystery, not intensify it.

Together with the wardens, the treasurer should be alert to the record keeping practices and conditions of all related business activities. In practice the duties of the treasurer vary from parish to parish depending on the availability of paid staff assistance. As chief financial officer, however, the treasurer is responsible for overseeing documentation that affects the fiduciary status of the whole organization.

Business records should reflect the functional aspects of financial and operational management: appropriation, allocation, distribution, maintenance, and administration. The functions and responsibilities of the office can be classified and arranged into identifiable series or groups of records:

Financial/Accounting Records:

- Payables and Receivables
- Account Balancing
- Funds and Investments Management
- Books of Permanent Entry
- Budgetary Planning
- Financial Reporting

Business Management Records:

- Payroll and Benefits Management
- Property Management
- Bequests and Trusts
- Stewardship/Fund Raising
- Contracts and Agreements
- Official Communication
- Administration

While financial accounting records tend to be easily separated into functional groups, the business management records may be arranged in a variety of combinations to suit the parish's unique situation.

Filing Arrangements

Follow common sense patterns for naming, labeling folders, and filing records in such a way that they can be quickly retrieved for later use. The recommended approach is to identify the key functions and

responsibilities of the office, especially where records are generated as part of the activities of the office. A series of records should be matched to an operational function whenever possible and located with similar records that document the activity.

An arrangement pattern that fits the parish's activities and organizational profile will be apparent to anyone familiar with the church, and will, therefore, be easier to create and use. If the treasurer is responsible for administering insurance plans and paying premiums, there will be one or more files of insurance records. One could expect to find such files as "Insurance, Rectory"; "Insurance, Liability", etc. These files could be located together under the heading "Insurance." In larger parishes, they could be kept with different series of files of similar documentation. The insurance policy on the rectory may be filed in the Property Records File, while the workman's compensation policy may be kept with a series of Payroll and Employee Records. Receipted premium statements for both policies may be kept in a third series of files called "Accounts Payables" under the name of the insurer. The goal is to create a logical and interconnected trail of records that reflects the scale, function and activity of the particular parish.

Within any filing system, there are basically three methods of arranging records: alphabetically by title, name or topic; chronologically; or numerically. Having decided upon the way the records will be grouped, the individual folders or books should follow a fairly strict internal order. For most financial accounting records, the arrangement pattern is implied by the way the record is generated and used. Paid bills should be arranged by account number and/or vendor; trial balances, journals and ledgers are arranged in a regular chronological sequence by fiscal year. When records are kept in large subject filing systems, the first word of the assigned folder heading is the keyword and should correspond to the function of the record. The file is first placed in its alphabetic sequence and then arranged by fiscal or reporting year. In this scheme, the "Budget File" follows the "Bank Authorization File" and precedes the "Bylaws." It might contain several folders for each of the annual accumulations of dated files, e.g.: "Budget, [Fiscal Year]," "Budget Proposed," "Budget, Revisions."

When devising methods of filing and storing individual documents, avoid gimmicks or personally convenient solutions over tried and true approaches. Properly naming a record is an elementary rule. Documents, reports, minutes, account books and folders should have labels with titles and dates. Standardize the way that headings are assigned to folders, using common (i.e. memorable) keywords that will come to mind a year or more later.

Alphabetic filing should be dictionary method and the keyword should point to the function or organizational unit being documented, (e.g., "LOAN: Handicap access ramp" not "Handicap access loan"). Sometimes the function is not explicit and does not match the form of the record. The likely place to file a report by the Property Committee entitled "Challenge of the Decade: Plan for the Restoration of the Tower" would not be under the heading "Challenge" or "Plan for the...," but under "Property, Report of Property Committee on..." or "Property Committee: Plan for the..." Think first of function, then form, and as a last resort use a topical keyword to identify the content of a file.

Retrieval

File folders or other devices for organizing records should be used to aid quick retrieval or records and convenient storage. Regular manilla folders are sufficient to manage transactional documents such as paid bills, vouchers and petty cash receipts. Post fastening folders, which help keep documents within the folder in reliable chronological order, are recommended in situations where more than one person actively uses the file. Their best application is with accounts payable files which should be kept in both an alphabetical vendor file and a duplicate numeric file by account number. Envelope style folders and clip fasteners are also useful, particularly for loosely organized receipts or sales slips. Long term and permanent business records should always be stored in plain folders, preferably unfastened.

Example

File Series: Treasurer-Administration-Insurance

Hanging File(s) Tab: "Insurance, Contracts, Policies"

Folder 1: "Health: (Medical Trust), 1994"

Folder 2: "Health: (Medical Trust), 1995"

Folder 3: "Life: (Church Life), 1995"
Folder 4: "Liability (Company), 1995"
Folder 5: "Property (Company), 1995"

Hanging File(s) Tab: "Insurance, Related Records"

Folder 1: "Correspondence: (Carrier), 1994"
Folder 2: "Correspondence: (Carrier), 1995"
Folder 3: "Inventories, 1993, 1995"
Folder 4: "Forms: (Blue Cross, MedPlan, etc.)"

When filing records, avoid elaborate pocket folders and three ring binders. They do not work well in the long run, are less flexible in multiple volumes, and take up more storage space than file folders. Experience shows that they encourage an overly personal approach to record keeping and discourage regular housekeeping and care of the file. Post binders in their many variations have a definite place for permanent books of entry, including binding of loose ledger sheets and computer generated output.

Hanging files are highly recommended for bringing together like subject material. They also facilitate regular housekeeping and retirement of non-current files. Individual file folders within the hanging files should be accurately labeled with a heading and year.

Hanging files should not be mistakenly used to replace the regular file folders which they are designed to hold. By using several hanging files to organize like administrative material, one can avoid the unwieldy growth of folders on virtually the same topic that are scattered throughout a subject file. It will also cut down on excessive cross reference filing. The business files can be made both to reflect and inform the major functions of the parish's operation. This approach will work equally well for small and large congregations. An example of a hanging file arrangement in the treasurer's administrative files is illustrated above.

In all cases, filing rules call for placement of the most current transaction or document in the front of the file. Business records should be separated from financial accounting records. Do not, for example, attach a warranty or an important piece of correspondence to a paid bill in the accounts payable file. When retrieving files for use, be careful to use an out card to flag the borrowed file or document.

Computer Records

Computers offer considerable short term advantages for record keeping. A well designed data base enforces logical organization of data, allows easy posting and update, and quickly converts source data to summary reports. In the long term, they present yet another set of problems: data may be software or hardware dependent, internal file documentation may not be evident, security of data and accessibility are more complicated.

On a technical level, managing electronic records is an imperceptible process. Computers work by manipulating data that is in machine rather than human readable form. Non-program information that is entered as machine readable data in coded form constitutes a virtual record. Actual records are the source documents and outputs from the computer. The chief difference between the two is that virtual records on disks and tapes are not a durable or permanent record. The virtual record including program documentation and on-line transactional records must be used in tandem with the actual record and not as a replacement.

On an information level, the management of electronic records should be controlled by administrative policy, not by technical skill. As the parish becomes more sophisticated in the use of technology, it should also establish criteria for selecting and managing automated systems. A statement should be adopted which may initially be broad in scope, but will become a more specific document with the help of knowledgeable users within the parish. The issues are neither trivial nor too difficult, however, as vital data is increasingly dependent upon automated systems.

A procedure should be in place to manage such issues as: ownership and location of data, justification and use of on-line applications, maintenance of computer transactional records and system defined audit controls, regular creation of hard copy and a machine readable security (or restore) copy, retention of program documentation on local applications, provisions for securing access and confidentiality, and training of personnel. It is important to have mechanisms of accountability that ensure compliance by all staff, officers

and volunteers who work for or on behalf of the parish.

Keep a secure master file or manual containing policy and procedural information on all computer systems, including directions for how to access data. The following series of questions can be used to evaluate the integrity of electronic record keeping practices.

- 1. Is the software a standard product and is it licensed to the parish? If the accounting application has been created out of spreadsheet or programmable software, has the documentation been retained by the parish?*
- 2. Can the data be easily converted to ASCII code and migrated to commonly available software programs? Has this been successfully tested or merely asserted?*
- 3. Is hard copy output (paper or film) a regular part of automated record keeping for vital records? Are permanent records being retained in a permanent format and medium? Are the computer generated outputs adequately labeled and dated in standard English?*
- 4. Are the electronic media (disks and files) logically and clearly labeled? Are data files logically named and sequenced? Is the software being used to produce good on-line indexes and directory descriptions? Is this information being retained as printouts of annotated work files?*
- 5. Can good information be retrieved from the system in a reasonable amount of time by other parish officials who have only a basic working familiarity with the computer system?*
- 6. Is access sufficiently limited to protect confidentiality? Likewise, is access to the information secured? Are there knowledgeable secondary software operators? Where does the parish keep password documentation? What kind of file attributes exist and how are they recorded? Can on-site data archives be located and retrieved?*

Microfilm

Microfilm is an excellent way to reduce paper storage of temporary records when they are produced in large quantities. It is also a useful method for securing permanent data that might be stored on poor quality and non-permanent formats (e.g., computer disks or data output paper). Microfilm is expensive, however. Unless it is used for large quantities, it is not a cost effective alternative to temporary storage. And if it is not stored in a cool, dry location, it is not any more permanent than cheap copy paper. For archival retention and preservation of records, microfilm requires a controlled environment and vault conditions. Consult The Archives of the Episcopal Church before undertaking a microfilming project to obtain advice on standards and resources available for historical preservation.

Recorded Information and Privacy

Administration of a parish community obliges the staff and officers to collect data on individuals. Membership data, employee records, pension information, and tax related records are required to be kept by canon or civil law. These paper and electronic records may contain personal data and intimate details on individual employees or congregants.

In collecting and storing such data, parish officials need to be conscious of their ethical responsibilities to protect the privacy of all shared communication. The United States Privacy Act applies to the public disclosure of information collected by civil authorities, but it suggests guidelines for the protection of personal information. State and federal laws of tort and libel bear directly on the use and distribution of information by all employers or contracted parties. The parish must recognize both the legal implications and the ethics of maintaining secure access to records that could potentially cause harm or personal embarrassment if carelessly disclosed.

Low to Moderate Sensitivity

Directory Information

Biographical Data and Photo Images

Mailing Lists

Moderate Sensitivity

Parish Activities Lists
Financial Information
Membership Records
Pledge Records
Employee Compensation
High Sensitivity
Personnel Files
Vital Data/Parish Registers
Pastoral Communication

Definition

Privacy is the recognition of a person's basic right to be left alone, free from intrusion into matters of a personal nature. It is observed by limiting access to information which is personal in nature and which the individual would expect the parish to safeguard on the grounds that the data, or the communication is intimate or potentially sensitive.

The invasion of privacy is defined as the public disclosure of private facts about a person, in this case, a member of the parish community. Clergy and lay employees are particularly protected from the release of confidential information that constitutes part of the contractual employment agreement. There are four recognized violations of privacy: (1) the intrusion into the person's seclusion, solitude or private affairs; (2) the public disclosure of embarrassing facts about a person; (3) publicity which places a person in a false light in the public eye; and (4) the appropriation, for a commercial advantage, of a person's name or likeness. Personnel records, pastoral communication, and vital statistics (sacramental records) are particularly subject to wrongful dissemination and, therefore, should be managed with prudent care. Disclosure to a third party of personal information of a highly sensitive nature should be documented in writing and follow upon consultation with legal counsel.

Two factors that should guide the collection, use, or distribution of personal information are: the relative sensitivity of the information and the individual's expectation about how the parish will use it. Directory information such as a name, address and telephone number does not normally qualify as sensitive data. Such data could be perceived as personal information, however, if the information were being distributed to a third party in the form of a mailing list. Even in those instances where there has not been an invasion of privacy, the loss of trust and the ill feelings generated by an insensitive presumption of unchecked control over information can be damaging to the health of the parish.

Information on individuals can be loosely classified into levels of sensitivity, which imply gradations of access and control. In each instance, the actual circumstances of use and distribution should guide judgment.

Several questions can be asked to determine the confidentiality of personal data. The first question to ask is: what would the individual's reasonable expectation be regarding the way in which the information will be used? Second, consider whether the information has changed hands: did the individual assume the information would be shared beyond the recipient? Third, the nature and purpose for which the information was originally conveyed should be controlling factors: is the information being used or circulated in a way that ignores the sensitivities or intentions of the individual?

Protection of Confidentiality

The guiding principle of a records management policy is that the records of the congregation are the property of the parish corporation. Access, retention and disposition are regulated by the officers and vestry of the corporation. Access may be delegated to employees, but clear understandings should be in place, in job descriptions or policy statements, about the conditions and authority for releasing information. Even the most general guidelines will discourage any single individual in the parish to disseminate or limit access to information arbitrarily.

The parish can reduce its exposure to public embarrassment and liability to tort by securing information sources from inappropriate use and distribution. Some important, although not exclusive considerations are: establish a management approach to the creation, use, and maintenance of computer records; examine the relevance and need for the specific fields of data being collected; establish and follow a regular schedule of

records retention and disposition (do not discard records solely because they may be sensitive); locate and make secure the more sensitive information sources at the principle place of congregational business (not in private homes); obtain the consent of individuals to release information of a personal nature when the data is being used for any other purpose than the original intent; and maintain accurate records. Keep in mind that employees have a right to examine records maintained on them; it may be assumed that members of the congregation have much the same privilege.

An Internal Audit Control

A records management approach to record keeping is a basic internal audit control. Poor record keeping can expose the corporation to unnecessary liabilities and risks. A good paper trail can facilitate a clean audit, support litigation, forestall parochial controversies, and provide evidence against claims. Particularly important here are the regulations and laws of state and national government. Although exempt from many regulations that apply to business, religious organizations are expected to maintain sufficient records to validate their exemption claims.

When accurate records are not created at the outset, or when they are not well maintained, the costs can be high and very real. These costs are associated with lost productivity as valuable time is spent on inconclusive searching, missed deadlines, and distribution of vague or incomplete information. Real money is expended on outside accountants, litigation support, or consultants who re-create vital information. The expense of creating missing information often exceeds the costs incurred the first time around. This axiom is especially true in a computerized environment.

For records to be considered admissible as evidence, they should show evidence of having been created in the normal course of business operations. While government agencies expect the corporation to maintain records that exhibit compliance with applicable laws and regulations, the congregation is not required to keep records longer than a reasonable term. Disposing of obsolete records is a good housekeeping measure that can also reduce the potential for liability. The emphasis is on establishing a pattern of operation as opposed to isolated instances.

In any corporate community, public or private, records function chiefly as a guarantee of accountability. They are particularly relevant to the parish setting where many activities are based in the concept of mutual ministry. Trust is strengthened when accurate information is properly recorded and made accessible as part of the routine and inconspicuous background of community life.

Vital Records

Vital records are defined as documentation that is operationally critical to the continuing function of an organization. Accounting and financial records form the core of an organization's vital records. Their loss would expose the parish to serious financial or legal difficulty. For this reason vital records should be maintained and stored in such a way as to diminish the potential for disaster from accidents, theft, fire, flood, or vandalism. Some elements of securing protection for vital records are:

- *A Comprehensive Scope.* Work with other parish officials to initiate a full review of your parish's record keeping practices. Identify vital records and ensure that these are properly stored and placed in a secure location. Give special attention to records that might supplement the financial records such as minutes, legal documents, reports, and substantive correspondence.
- *A Records Retention and Disposition Policy.* A records retention schedule similar to the one included in this manual should be developed and formally approved by the vestry. It should be applied consistently from year to year. Keep a log of records destroyed and have another officer sign off on a destruction.
- *A Designated Parish Archives and Records Center.* Permanent records should be stored in a designated archival area that is environmentally stable and protected. Temporary records can be stored in less environmentally controlled conditions, but should be kept in a clean, well lit and secure area. Non-current records should be boxed, fully labelled and shelved. Avoid piling boxes in unsupervised areas where they can become a fire hazard and are difficult to use. Non-permanent (temporary) records should be marked with a review-for-destruction date before being shelved.
- *Secondary and Back-up Files.* Retain and file duplicate copies of important supporting documentation that would substantiate ownership of assets and property claims. Keep copies of critical records off-site

- if possible, especially computer back-up and microfilm.
- *Inventory Control.* For large collections, consider keeping a simple log or inventory of records placed in storage, with dates, locations, titles and authorized retention periods.

Records Retention Policy

A records retention and disposition schedule should be adopted and applied consistently by the parish and used as part of a larger effort to manage information. Having a records retention schedule in place constitutes a good faith effort by the organization to abide by the letter and spirit of laws pertaining to records as evidence.

A records schedule derives its validity by citing authorities from several sources: federal and state legal requirements, administrative standards, and professional standards. These standards constitute a framework for an informed policy that will pass the test for legally acceptable retention practices. By following a retention schedule as policy, the parish will also be protected from arbitrary destruction of records that have enduring historical value to the community.

Federal and State Law

In some instances government has been explicit in stating that records must be created and maintained for specific lengths of time. These requirements are either issued by government agencies, or less frequently, enacted by statute. Some of the more important statutes that affect retention are: the Civil Rights Act, Equal Pay Act, Fair Labor Standards Act, the Federal Unemployment Tax Act and the Uniform Rules of Evidence Act. Regulations are promulgated as administrative law through the Federal Register and published in the Code of Federal Regulations. They are broader and more numerous and include those of rule-making agencies such as: the Internal Revenue Service, the Equal Employment Opportunity Commission and the Wage and Hour Division of the Department of Labor.

Agency regulations are rarely helpful in naming or defining the record types in practical terms. The following formulation from the Department of Labor serves to illustrate:

***Form of Records.** No particular order or form of records is prescribed by the regulations in this part. However, every employer subject to any provisions of the Fair Labor Standards Act of 1938...is required to maintain records containing the information and data required by the specific sections of this part. (29 CFR Title 9 Part 516.1(a))*

The above regulation applies to employee records with retention periods ranging from six months to four years. When retention periods are enumerated for general types of records, they can be assumed to apply to similar or derivative types of records that may be called by another name.

While federal requirements can usually be adopted for retention standards, state laws and regulations also apply. They diverge markedly from each other in areas traditionally left to state oversight, such as health, work place safety, insurance, contracts and industry. In those areas that have the most effect on parishes, however, state regulations tend to remain close to federal guidelines. Tax and employment records fall into this category. By following the federal retention periods, including provisions for the current year, maximum state retention requirements should be satisfied.

Administrative Standards

Sufficient standards exist in legal and professional practice to assign retention values to most administrative business records. Administrative business records are created to:

- enable members to carry out mission and ministry creatively
- provide reliable data and parochial reports to diocesan and national church bodies
- respond effectively to requests from employees, creditors, and local government
- support potential litigation and claims

Non-binding administrative and legal standards are issued by state agencies, particularly by the secretaries

of state who oversee administration of the public record, and by professional organizations of accountants, educators, and other certification associations. Another useful standard is the Paperwork Reduction Act of 1980 (Title 44 USC Ch.35), which sets a three year retention period for governmental records retention unless otherwise specifically stated by regulations.

Most accounting records are not covered explicitly by government regulations. Because they support related information requests, however, accounting records should be retained until administrative use ceases or the information is superseded. Prudent management, administrative need, and a duty to abide by the spirit of the law argue for a conservative approach. In lieu of legal requirements, the parish should adopt standards developed by professional records administrators as found herein.

Special Classes of Records: Taxes and Employment

The rules of exemption from state and federal taxes are carefully drawn and are closely monitored by regulatory agencies. Having received tax exemption status, an organization is not released from record keeping responsibilities, (cf. 26 CFR 1.600-1(c) "Exempt Organizations"). Certificates, filings and evidential back-up documentation are required for the variety of compliance and audits that could be performed on part or all of a parish's financial operation.

Often a parish will be engaged in one or more activities that will generate questions of tax reporting or liability for the church or its membership including: payroll, withholding, and related compensation for consulting, travel, scholarships, etc; rent, purchase and sale of real estate; the operation of bookstores, thrift shops and other concessions; and fund raising and solicitation of charitable gifts. Documentation should be created to substantiate critical distinctions between income that is related and unrelated to church business. Parishes that make an effort to document these activities clearly and by showing historical patterns will be better prepared to respond successfully to a civil inquiry.

Tax laws are unusual in that they have the reputation of assuming guilt until the taxpayer can prove otherwise. Retention is strongly implied by tax law which places the onus on the taxpayer to establish evidence of income, deduction and exemption. The IRS requires taxpayers to retain "permanent books of account or records, including inventories as are sufficient to establish...any return of such tax or information..." (26 CFR 1.6001-10). By "permanent" the agency is referring to the treatment and format of the record while it is legally useful: human readable formats must be retained in good copy; computer records must also be kept as supporting evidence together with the system's documentation – all of which form the complete audit trail on the computerized accounting application, (IRS Rev. Proc. 86-19).

Some key accounting records should be retained in order to satisfy a "limitation of assessment" period, which is the equivalent of a statute of limitation. The limitation of assessment for tax records is provided by law: "the amount of any tax imposed by this tithe shall be assessed within three years after the return was filed." Note that the clock starts with the filing date (current year or CY), not the date on which the tax was incurred. A major exception to the limitation of assessment occurs when an organization fails to file a return or underestimates its tax liability by more than 25% in which case it can be audited up to six years. In these cases, retention period of current year plus seven years (CY+7 or tax year plus 6 years) is the most conservative approach. It also covers maximum state assessment periods.

For small and mid-size parishes a liberal or minimal interpretation might justify a retention period of "tax year plus 3 years" (CY + 4) for most accounting records. This practice is a much safer recommendation if the records are audited annually by a certified public accountant. A more conservative approach might be preferred by a large size parish with rental property and concessionary activity, (tax year plus 6 or CY + 7). The conservative approach is also recommended wherever there are reasonable doubts about the accuracy or completeness of the accounting records.

The IRS, the Department of Labor, and the Equal Employment Opportunity Commission require that employers keep payroll and benefits records that:

- verify level of employment, job status, total compensation, and deductions
- enumerate hours worked on a daily basis and rates of pay
- document recruitment, hiring, promotion and compensation practice across the organization
- substantiate retirement plans including plan documentation and contributions

- detail injury or illness associated with occupational activity or the work place.

Once again, parishes as religious organizations and small employers may be technically exempt from some of these regulations. The retention schedule herein assumes that much of this information contributes to good administrative controls even when it is not necessary for legal compliance. Parish administrators should also be sensitive to ethical obligations as well as future changes in the application of the law and standards of accountability set by the government.

Disposition of Records

The final disposition of records is key to the rationale for using a retention schedule. The orderly transition of records from their status as current information completes the life cycle process of managing records from creation to destruction or to their eventual reuse. Two basic designations exist for records when their retention periods have been reached: obsolete records or permanent records.

Obsolete Records

Records that have been maintained for the purpose of fulfilling a temporary administrative, fiscal or legal requirement should be destroyed at the end of the retention period. For the sake of simplicity, retention periods are usually measured in annual accumulations, although some records can be discarded after use, when they are superseded, or after review for selective retention. When setting retention periods, the usual practice is to exclude the current year from the count. For purposes of destruction this method has the effect of dating all material created within one calendar year as if it were created on December 31. Sometimes this formulation is expressed as "CY+" (current year plus a number of succeeding years).

Records identified for disposal should be carefully handled. Keep the following points in mind:

- Maintain a log or other record of the title and dates of records to be destroyed. This can be an annotated version of an existing inventory on file.
- Oversee and sign off on the destruction. Notify another parish officer when destroying records. Do not leave this task to a person who is unfamiliar with the process or not authorized to act on behalf of the parish corporation.
- Verify labels and contents by checking inside boxes. Do not assume that the label is correct or inclusive (folders are often reused). Obliterate old labels before recycling boxes.
- Destroy the record in a manner that is appropriate to the level of confidentiality of the information. Most records can be recycled or placed in landfill, but documentation such as payroll and donor information may need to be shredded.
- Never destroy records in anticipation of pending litigation. Do not try to "clean up" records during a period of legal inquiry.
- Modify the records retention schedule by following a formal process. Bring proposed retention policies before appropriate parish committees and officers to receive approval for changes.
- Never destroy any record on a subjective determination of value. Obtain a second opinion where there is question regarding the long term administrative or historical value.

Permanent Records

The parish treasurer should be alert to the organization's interest in protecting its historical resources. In most cases, historical records can be identified by using the attached schedule. In other instances, what appears to be a commonplace record may have added value if ordinarily reliable sources are missing or incomplete. Correspondence, special canvass records, receipts and building contracts may have, for example, tremendous historical value to future parishioners. Historical records are understood to be records that have an enduring informational value to the parish, the larger Church and the community. These enduring values are based on several overlapping criteria, any one of which may satisfy the definition of a permanent record:

- Administrative value (e.g., building plans, annual reports)
- Fiscal value (e.g., trust fund files, property inventories)
- Legal value (e.g., meeting minutes, deeds, correspondence)
- Evidential value (e.g., subject files, publications, photographs)
- Intrinsic value of the record as artifact (e.g., memorial registers, parish registers, architect's renderings)

Transferring records to the archives implies that a safe and proper place within the church facilities has been set aside for their protection. Parishes short on space and volunteers can set modest but achievable goals. As a part of a living community and a Church that proclaims an historic ministry and identity, the parish and its officers have an obligation to care for the archival resources with a serious, long term purpose in mind. Under no condition should parish records be alienated, removed or deposited elsewhere without the informed consent of the vestry. For information on establishing and caring for parish archives, or negotiating a deposit agreement, contact The Archives of the Episcopal Church.

General Records Retention Schedule for Congregations

The retention schedule here is a general guideline, intended for use in adopting a specific retention policy and schedule. It applies to financial records and related business records only. Parochial circumstances may warrant the use of local customs over the standard vocabulary and headings found herein. In rare instances, state regulations may be considerably outside the norm. Consult legal counsel or your state supervisor of public records for further information. The schedule is also not intended to be a comprehensive guide to the full range of administrative, ministerial and program records found in a parish. For retention recommendations on these records and for other information, contact The Archives of the Episcopal Church (800/525-9329).

RECORDS RETENTION SCHEDULE FOR PARISHES: BUSINESS RECORDS

RECORD TITLE	RETENTION MAX. YRS.	DISPOSITION RECOMMENDATION
Accounts Payable Files	7	Destroy after 7 years or CY+4 years after audit
Act of Incorporation	P	Permanent.
Agreements, Contractual		See Contracts.
Annual Financial Reports		See Financial Statements, Annual.
Applications for Employment	1	Retain successful applications in Personnel File; destroy denied applications after CY+1 year.
Appraisals, Property	AU	Retain until superseded.
Assessment/Fair Share Apportionment Data	5	Destroy after 5 years.
Audit Working Papers and Back-up	4	Destroy after CY+4 years with audit.
Audit Reports	P	Permanent.
Balance Sheets, Annual	P	Permanent.
Balance Sheets, Monthly/Quarterly	2	Destroy after 2 years.
Bank Deposit Books	7	Destroy after 7 years or CY+4 years after audit.
Bank Deposit Slips	3	Destroy after 3 years.
Bank Statements	7	Destroy after 7 years or CY+4 years after audit.
Bank Reconciliations	2	Destroy after 2 years.
Bequest and Estate Papers	P	Permanent.
Bonds, Canceled	3	Destroy after CY+3 years from date of cancellation.
Budgets, Approved and Revised	P	Permanent.
Budgets, Proposed and Worksheets	AU	Destroy after administrative use ceases.
		Permanent. Transfer previous versions to Archives after

Bylaws	P	Permanent. Transfer previous versions to archives after amendment.
Canceled Checks	7	Destroy after 7 years or CY+4 years after audit.
Chart of Accounts	P	Permanent. Retire old listings to archives after revision.
Cash Journals, General Receipts and Disbursements	7	Destroy after 7 years; retain permanently if not posted to the general ledger.
Cash Journals, Receipts on Plate and Pledge Offerings	7	Destroy after 7 years. See also Pledge Registers.
Cashbooks, Discretionary Accounts	7	Destroy after 7 years or CY+4 years after audit.
Cashbooks, Special Fundraising Subscriptions	P	Permanent.
Certificates of Deposit, canceled	3	Destroy 3 years after redemption.
Certificates of Title to Property	P	Permanent.
Certificates of Incorporation	P	Permanent.
Check Register	7	Destroy after 7 years.
Check Book/Stubs	7	Destroy after 7 years or CY+4 years after audit.
Computerized Accounting Records		See Electronic Records.
Constitution and Bylaws with Revisions	P	Permanent.
Contracts, Active	SR	Retain until termination of contract; see also Contracts, Inactive.
Contracts, Inactive	SR	Selective Retention: Construction, New: P Betterments/Improvements: P Repairs/Maintenance: CY+6 yrs. Employment: CY+6 yrs. Service: CY+4 yrs. Lease Agreements: CY+6 yrs. Loans/Notes: CY+6 yrs.
Conveyances	P	Permanent. See also Deeds.
Copyright Registration	AU	Retain for 50 years or life of copyright.
Correspondence Files, Subject and Name	SR	Selective Retention: retain substantive correspondence permanently; destroy routine courtesy correspondence after 5 years.
Correspondence Files, Chronological	2	Destroy after 2 years if alphabetical subject file exits.
Correspondence, Transactional: including payments, receipts, transmittals, credits, etc.	5	Destroy after 5 years.
Correspondence, Legal: including tax, real estate and probate issues	P	Permanent. See also Litigation Papers.
Deeds: including conveyances, covenants, and easements	P	Permanent.
Diocesan Asking Data		See Assessment/Fair Share Apportionment Data

Discretionary Account: Checkbook	7	Destroy after 7 years or CY+4 years after audit.
Electronic Records, Accounting and Business Data Applications	7	Destroy obsolete formats after conversion and verification of data or CY+4 years after audit. Refer to records schedule for retention periods of specific types of accounting and business records. Retain current information in hard copy; make an archival copy of permanent files where necessary; make back-up copies of all active disk files and store in separate location; retain programming documentation for life of system.
Employment Taxes, Contributions and Payments: including taxes withheld and FICA	7	Destroy after 7 years; a confidential record.
Earnings and Benefits Records	6	Retain for period of employment; destroy CY+6 yrs after termination of employment.
Employee Contracts	6	Retain for period of contract; destroy CY+6 years after termination of contract.
Employee Files/Records		See Personnel Files/Records.
Employee Salary Schedules	6	Destroy 6 years after termination of employment; confidential record.
Employee Withholding Statement, Form W-2 and State Withholding	7	Destroy after 7 years; confidential record. See also Tax Forms, Individual Employees.
Employee Withholding Certificate: Form W-4	AU	Retain for period of employment; destroy 6 years thereafter.
Estates and Bequests		See Bequest and Estate Papers.
Every Member Canvass Records	P	Permanent: retain canvass lists and fair copy of program literature; discard working papers and memoranda.
Financial Statements, Annual	P	Permanent.
Financial Statements, Monthly	23	Destroy after 2 years.
Form I-9: Immigration and Naturalization Service Certification	AU	Retain for period of employment; destroy 6 years after termination of employment.
Grant-in-Aid Proposals: Successful Applications	SR	Selective Retention. Retain proposal, final report and substantive correspondence.
Grant-in-Aid Proposals: Applications Denied	1	Destroy after CY+1 year.
Immigration and Naturalization Certifications: Form I-9	AU	See Form I-9.
Incorporation Papers	P	Permanent.
Injury Reports	6	Destroy after settlement of all claims or CY+6 years.
Insurance, Notices of Employee Claims	1	Destroy after CY+1 year; a confidential record.
Insurance Policies, Auto, Equipment, and Personal Property, Inactive	6	Destroy CY+6 years after cancellation, or termination; verify and retain current policy documentation for life of policy.
Insurance Plans and Policies, Liability	P	Keep inactive policies for long term retention against future claims during period of coverage Identify policy documentation and secure in Parish Archives.

Insurance Plans and Policies, Special Property, Fine Arts, and Extended Risk Coverage	P	Retain for long term retention against Contents future claims. Keep and identify policy documentation in Parish Archive. Retain inventories and photos permanently.
Insurance Medical, Employees Election of Coverage Records	AU	Retain for 6 years after termination of employment. See also Personnel Files.
Inventories of Property and Equipment	AU	Retain until superseded by new version. Refer old copies and photographs to Archives for review.
Invoices and Paid Bills, Major Building Construction and Structural Alterations	Selective Retention	Permanent. Transfer to archives for review.
Invoices and Paid Bills, General Accounts	7	Destroy after 7 years or CY+4 years after audit.
Journals, General and Special Funds	P	Permanent.
Journal Entry Sheets	7	Destroy after 7 years or CY+4 years after audit.
Journals, Payroll	7	Destroy after 7 years.
Leases	6	Retain for life of contract; destroy 6 years after expiration.
Ledgers, General and Special Parish Funds	P	Permanent.
Ledgers, Subsidiary	SR	Selective Retention. Transfer to Archives for review.
Legacies	P	Permanent.
Lists and Schedules of Subscribers/Donors	P	Permanent.
Litigation Papers: including claims, decrees, court briefs, substantive correspondence, judgements rendered, memoranda of counsel's opinion	P	Permanent. Remove and discard non-substantive documentation 3 years after settlement: notes, abstracts, routine duplicate copies and drafts. See also Correspondence, Legal
Loan schedules	AU	Retain until discharged or until administrative use ceases.
Manuals, Operating and Procedural	AU	Retain until superseded; transfer old version to archives for review.
Medical Insurance Notices		See Insurance Claims, Notices of Employee
Memorial Gifts Register	P	Permanent.
Monthly Reports, Financial	2	Destroy after 2 years.
Mortgage Deeds	P	Permanent. Transfer to archives after discharge.
Office Files: Alphabetical Subject Files, Topical Administrative or Project Files, Name Files, Chronological Events Files	SR	Selective Retention. Review annually. Retain for archives those records that document parish administration, lay or clerical ministry, and activities of the congregation as a community of worship and fellowship. Destroy resource materials, duplicate files, redundant chronological reference files, vendor reference files. <i>See also specific record titles herein for retention periods of records by form and genre.</i>
Paid Bills	7	Destroy after 7 years or CY+4 years after audit.
Parochial Reports, National/Diocesan Returns	5	Destroy after 5 years.
Payroll Journals	7	Destroy after 7 years.
Payroll Registers, Summary Schedule of Earnings and Deductions and Accrued	7	Retain for 7 years.

Leave Time		
Pension Records, Retired Employees: Contributions Schedules, Vesting Records, Certificates of Enrollment	AU	Retain for 6 years after termination or payment of benefit; destroy thereafter when administrative use ceases.
Pension Plans and Literature	AU	Retain for life of plan or until superseded.
Personnel Files/Records, Non-current Employees: including applications, job descriptions, earnings records, Forms I-9, tax status forms, medical reports, attendance and leave time schedules, evaluations, and employment status history.	7	Destroy 7 years after termination of employment; confidential records. See also Pension Records.
Petty Cash Receipts and Accounts	7	Destroy after 7 years or CY+4 years after audit.
Pledge Envelopes	AU	Retain for reconciliation or after audit.
Pledge and Plate Receipts: Tally Sheets and Journal Entries	7	Destroy after 7 years or CY+4 years after audit.
Pledge Records: Cumulative Journal of Weekly Stewardship Giving	7	Destroy 7 years after date of last entry or retain permanently if annual summary is not kept.
Pledge Registers: Summary Record of Annual Stewardship Giving.	P	Permanent. See also Cash Journals, Receipts on Plate and Pledge Offerings.
Policy Statements	P	Permanent. Retire old statements to archives after revision.
Profiles, Parish	P	Permanent.
Property Files: including copies of deed, title papers, repair history, permits, lease agreement and correspondence.	SR	Retain unique files permanently; destroy duplicate files after administrative use ceases.
Property Inventories and Schedules	AU	Retain until superseded; refer old versions to archives for review.
Property Surveys/Plans		See Real Estate Surveys/Plot Plans.
Purchase Orders	7	Destroy after 7 years or CY+4 years after audit.
Real Estate Surveys/Plots Plans	P	Permanent.
Receipts, General Accounts	7	Destroy after 7 years or CY+4 years after audit.
Records Schedules and Destruction Logs	P	Permanent.
Resource Files: including catalogs/sales brochures, non-parish publications, professional literature, clippings/articles, vendor files,	AU	Retain until superseded or until administrative use ceases; review annually.

etc.		
Sales Slips	7	Destroy after 7 years or CY+4 years after audit.
Shipping and Freight Records	3	Destroy after 3 years.
Specifications for Building and Design	P	Permanent.
Specifications for Service and Sales Contracts, Property Upkeep and Minor Repairs	7	Destroy 7 years after completion of transaction.
Statistical Summaries	SR	Retain until administrative use ceases; transfer to archives for review.
Subject Files	SR	Selective Retention: review annually and retain permanent record series; transfer to archives for review.
Subsidiary Ledgers	SR	Selective Retention: transfer to archives for review.
Tax Forms, Individual Employees: W-2, 1099	7	Destroy after 7 years; confidential record.
Tax Returns/Filings	7	Destroy 7 years after filing provided no action is pending.
Tax-exempt Certificates and Form 990	P	Permanent.
Time Sheets	3	Destroy after 3 years.
Title Search Papers and Certificates	P	Permanent.
Trial Balances, Closing	7	Destroy after 7 years or CY+4 years after audit.
Trust Fund Files	SR	Selective Retention: Retain copies of conditions, restrictions, legal opinions, and summary distribution history permanently; retain distribution notices and courtesy correspondence for 7 years.
Trust Fund Registers	P	Permanent.
Vouchers	7	Destroy after 7 years or CY+4 years after audit.
Warranties	AU	Retain until expiration of warranty.
Wills, Testaments and Codicils	P	Permanent.
Workman's Compensation Claims and Filings	7	Destroy 7 years after filing or settlement of claims whichever occurs later.

Last update December 2, 2002

URL http://www.episcopalarchives.org/records_manual_for_congregations.html