

17 Record Keeping and Archiving

17.1 Purpose and Scope

For the purposes of this section, record keeping refers to the organizing, filing and maintenance of physical documents which support financial transactions and internal controls. Archiving refers to the long term storage of these financial records once they are no longer needed for reference in relation to current operations.

The maintenance and archiving of electronic financial records (e.g. general ledger files, subjournals, supporting spreadsheet files, etc.) is accomplished through the periodic submission of electronic records from country offices to HQ as outlined in **Section 16, Closing Cycles and Headquarters Reporting** and is not covered in this section.

This section is intended to cover the basic record keeping for financial documents. Program, Operations and Administrative Department record keeping is beyond the scope of this manual. Guidance regarding record keeping requirements for the following non-finance areas can be found at:

Area	Location
Human Resources	Field Administration Manual, Section 2.2.1 to 2.2.5
Administration	Field Administration Manual, Section 3.3 and 4.3
Assets	Field Asset Management Manual, Section 9
Fleet Management	Fleet Management Policy Guidelines, Section 13
Warehouse/Inventory Management	Warehouse Policy & Procedure Guideline, Section 12

However, note that because the maintenance of a complete archive of historical documents is a compliance requirement, Section 17.5 - Record Retention Policy applies to Finance Department records and Operations and Administrative records.

17.2 General Policies

17.2.1 Responsibility for Financial Record Keeping and Archiving

The Country Finance Manager is responsible for the financial records kept in the country program. This responsibility includes:

- Ensuring that current records are complete, properly organized and appropriately stored.
- Safeguarding and maintaining control over the financial record archive.
- Ensuring the timely retrieval and subsequent re-filing and re-securing of any financial records requested for audit or inspection.

17.2.2 Transparency

It is Mercy Corps policy that financial transactions be recorded and documented in a transparent manner. Transparency refers to the practice of open, clear and accurate documentation and processes. Transparency allows information to be readily available for use in decision-making or to assess organizational or program performance. This includes conducting all financial transactions and activities in an open and traceable manner and retaining adequate documentation as evidence. Physical records must be traceable to and from the general ledger as well as all financial reports.

Parties who authorize transactions are responsible for ensuring that the documentation is complete, well organized, and clearly shows why the transaction was made. An independent reviewer should be able to easily understand what the nature of the transaction was as well as why and how the transaction was made.

17.2.3 Safeguarding Records

Records serve as basic evidence that a transaction took place and that Mercy Corps and donor policies were followed. Missing or inadequate records can result in audit findings and costly disallowances, as well as a loss of trust from donors. Field offices must therefore take care to ensure that financial records are safeguarded from loss or misuse.

It is Mercy Corps policy that financial records in country offices must be kept in offices, storage containers or cabinets which are secure and can be locked. Key access to this storage must be restricted to authorized personnel only.

Destroying financial records is strictly prohibited except as outlined in Section 17.5 – Record Retention Policy.

17.2.4 Original Documents

Original versions of financial records, such as agreements, leases, contracts and subgrants, should always be maintained by the Finance Department. Offices should be consistent in filing and storing each category of original documents, so that each original document can be easily located.

Most documents used to support a transaction should be original documents. This includes procurement documents – see the Field Procurement Manual, Section 11 “The Finance Department requires a complete set of procurement documentation to support payments made” and “In general, the originals of the procurement forms and documents will be forwarded to the Finance Department”.

Human Resources is responsible for maintaining and filing most original employee documentation. The exception is for National Personnel Activity Reports (FFM Form 4.2B), which are included with the supporting documentation for payroll disbursement.

When original documents cannot be located, every effort should be made to obtain copies of the missing documentation from other sources, including the vendor if applicable. If the original documents or copies cannot be obtained, a missing document memo must be written. The memo should include a detailed description of each missing document and the reason the document is

missing. The memo must be signed by the Country Director, and is filed as a supporting document for the related transaction.

If auditors or donors require original documents, copies should be made to replace the originals before transferring the documents. A notation should be made on the copy to document the date of removal, to whom the documents were given and location of the originals. Regular checks on the status of documents provided to auditors or donors should be performed to ensure the documents are returned in a timely manner.

17.3 Record Keeping Procedures

17.3.1 Filing Systems

Field offices are responsible for maintaining appropriate filing systems in accordance with the standards outlined in this section. To assist offices with this, a filing system accompanied by tools and templates is provided in ***FFM Appendix 17A – Recommended Finance Filing System***. The recommended finance filing system provides a complete and comprehensive finance filing system that allows critical documents to be easily located at all times.

17.3.1.1 Filing Systems – General Standards

Filing systems should be simple, applied consistently and logical in the context used. Files should be maintained in an organized manner that ensures retention and allows for easy retrieval. Documents must be referenced in a manner that provides assurance that the records are complete and that allows transactions to be traced from financial reports to the original source documents and vice-versa.

Depending on the type of documentation, filing should be organized chronologically by document reference number (Examples - Journal Voucher, Contract Number), general ledger account number or general ledger entry number, as appropriate.

Finance files should have labels that describe the purpose of the file and the specific documents contained in the file (i.e. Journal Vouchers KAG 08-0001 to KAG 08-0156).

17.3.1.2 Organizing Records by Fiscal Year

In order to facilitate later archiving and retention of records, every effort should be made to organize files on a fiscal year basis. Archiving and retention dates are assigned on the basis of fiscal years, so files not maintained on a fiscal year basis will have to be reorganized prior to archiving.

17.3.2 Current Records

Filing systems should be differentiated by current records (office) and non-current records (archive). Current records are those that may need to be referenced in the normal course of business. Non-current records are those that must be retained due to policy, donor regulations or

law, but will not likely be needed in the normal course of business. For financial records, the distinction between current and non-current records is generally made by fiscal year.

Current records may be kept in an easily accessible manner, but should be secured within a locked office and kept in a lockable cabinet.

17.4 Archiving Procedures

Non-current records that must be retained due to policy, donor regulations or law are archived and stored by the Country Office. Field office finance records should be archived at the Country Office. Archived records must be boxed, indexed and stored in a secure location.

Country Finance Managers are responsible for ensuring all non-current finance records are archived in accordance with the procedures in this section.

17.4.1 When to Archive Financial Records

Finance records should be archived when they are no longer likely to be needed for reference in the normal course of business. Permanent records, as defined in Section 17.5.1, are by definition current records and are not archived.

Financial records related to a specific fiscal year are archived on a yearly basis after the completion of the annual MC worldwide external audit for the applicable fiscal year. Country Finance Managers will be notified of the completion of the annual audit and the requirement to archive the fiscal year records by the HQ Senior Finance Officer.

17.4.2 Archived Record Boxing Protocol

Finance files should be archived in boxes. Boxes should be a size that can be lifted with reasonable effort, and allow access to the records.

Archive boxes should be stored in a secure, dry location with controlled access. If stored in the warehouse secure area, the archive boxes must be stored on pallets or shelves in order to avoid damage. Archive box labels should be clearly visible.

17.4.2.1 Archiving by Fiscal Year

Prior to archiving, any files not maintained by fiscal year must be separated into fiscal years. All archived records must be organized by the applicable fiscal year.

17.4.2.2 Archive Box Labels

Each box of archived financial records is labeled, using **FFM Form 17.1A - Archive Box Label**. The Archive Box Label includes the following information:

1. Unique box identifying number.
2. Applicable fiscal year.

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3. Original archive location for the box.
4. MC Country/Mission Office.
5. Detailed description of each file in the box.
6. File Category – the file type if the office is using **Appendix 17A – Recommended Finance Filing System**.
7. Beginning and Ending Identification numbers for documents, such as contracts and journal vouchers, which are filed sequentially.
8. Minimum retention period end date for the box.
9. Destruction date of box (entered when determined, per Section 17.5.2.3).
10. Person who destroyed each file.
11. The location if the box is transferred to a new location after being originally archived.
12. Name of the person who enters each file into **Form 17.1B – Finance Records Archive Index**, along with the date entered.
13. Name of the person who updates **Form 17.1B – Finance Records Archive Index** for each transfer of box location or destruction of the box, along with date updated.

Box Label Example

Box No.: MC/KBL/2006/001		 MercyCorps		
Fiscal Year: 2006				
Original Location: KBL Storage, shelf 10A		Country: Afghanistan		
RETENTION END DATE: 7-Jan-13 <small>(DD/MM/YR)</small>		DESTRUCTION DATE: _____ <small>(DD/MM/YR)</small>		
Box Contents (List below)	File Category	Beginning * Identification #	Ending * Identification #	Destroyed By:
USD Cash 1000-000-00041-00 July 05 Cash Count and SJ	Journal Vouchers	KBUC-06-0001	KBUC-06-0023	
AFG Cash 1000-001-00041-00 July 05 Cash Count and SJ	Journal Vouchers	KBAC-06-0001	KBAC-06-0109	
USD Checking 1100-000-00041-00 July 05 Bank Rec, Bank Stmt, SJ	Month End Fin File	KBUZ-06-0001	KBUZ-06-0015	
AFG Checking 1100-001-00041-00 July 05 Bank Rec, Bank Stmt, SJ	Month End Fin File	KBAZ-06-0001	KBAZ-06-0087	
July 05 MAS 90 AFG BS Detail	Month End Fin File	N/A	N/A	
July 05 AFG BS Reconciliations	Month End Fin File	N/A	N/A	
July 05 MAS 90 AFG GLby CC	Month End Fin File	N/A	N/A	
July 05 MAS 90 EDR GL by CC	Month End Fin File	N/A	N/A	
July 05 Correspondence	Other	N/A	N/A	
* Only applicable to documents with a voucher or register number. Required for Journal Voucher files.				
1st Transfer Location: _____		2nd Transfer Location: _____		
Transfer Date (DD/MM/YY): _____		Transfer Date (DD/MM/YY): _____		
Entered in Finance Archive Register by: _____		Mahmoud Abdul 17/4/07		
Updated Finance Archive Register for 1st Transfer: _____		_____		
Updated Finance Archive Register for 2nd Transfer: _____		_____		
Updated Finance Archive Register for Destruction: _____		_____		

17.4.2.3 Archive Box Numbering

Each financial records archive box is assigned a unique identifying number for the box label.

Archive box numbering protocol:

1. Each identifying number begins with “MC”
2. Followed by the 3 letter abbreviation for the office the records pertain to.
3. Followed by the 4 digit fiscal year for the records.
4. Sequential Numbers: The next three numbers represent the order of boxes for that fiscal year – starting with 001.

Example: The third box containing Fiscal Year 2006 monthly transaction binders for the MC Afghanistan Kabul office would be assigned the identifying number “**MC/KBL/2006/003**”.

17.4.3 Finance Records Archive Index

Each Country Finance Office is responsible for maintaining **FFM Form 17.1B - Finance Records Archive Index**. This index tracks all archived finance records, transfers of the archived records to new locations and the destruction of archived records. The index must be updated after every change to the archived financial records.

A copy of the Finance Archive Index should be included with the documents sent annually to HQ Finance in accordance with **FFM Section 16.2 Reporting Requirements to Headquarters**.

17.4.4 Missing Financial Records

If financial records are unable to be located when archiving the documents, or after being archived, a missing financial records memo must be written. The memo provides a detailed description of the missing financial record and the reason the record is missing. The memo must be signed by the Country Director.

The memo is entered into the Finance Archive Index along with each file description. The memo is then included in the applicable archive box in place of the missing records.

17.4.5 Record Retention and Destruction

Record retention and destruction requirements are found in Section 17.5. These guidelines should be used to determine the retention period and destruction date assigned to a box. Archived records may not be destroyed without prior HQ authorization. Boxes and files that have been destroyed should not be removed or deleted from the Finance Archive Index. Instead, the Finance Archive Index is updated to indicate that the box has been “Destroyed”.

17.4.6 Closed Offices

When a Country Office is closed, all records required to be retained by MC or donor policy should be repatriated to MC's Portland HQ office. Several months prior to the anticipated office closing date, the Country Office must contact the HQ Regional Finance Officer to ensure proper organizing and packaging of records. In order for the records to be received in Portland in a manner compatible with MC HQ's storage requirements, special boxes and records preparation are required. Assistance with organizing records may be available upon request.

17.5 Record Retention Policy

This section applies to financial records and records of other program support departments, including administration, human resources, logistics and procurement. These records are included within this policy in order to ensure compliance with donor regulation and applicable laws and to ensure the records are available for audits.

Mercy Corps separates records between those records that will be retained permanently and those records that will be retained for a specific period of time.

17.5.1 Permanent Records

Permanent records are those records considered to be critical to Mercy Corps historical record, or which are related to ongoing activities that do not have specific ending dates. Generally, permanent records are not related to a specific grant or activity.

Permanent records should be retained indefinitely and should not be destroyed.

The following list outlines records to be retained permanently. This list is not all inclusive, and items not listed should be referred to HQ International Finance for guidance.

PERMANENT RECORDS

ADMINISTRATION - OFFICE

Accident Reports, Injury Claims & Settlements

Charters, Constitution, Bylaws (for in-country registration)

Claims and Litigation

Correspondence – Government Entities and Officials

Country Agreements or Memos of Understanding with Governments

Country Registration Documents and other documents related to MC's status as a legal entity

Letters of Authority

Letters of Revocation

Local Law (including tax and labor requirements)

Local Office Policies (most recent version and superseded versions)

Manuals – General (Most Recent Version)

Property Deeds

Tax Exempt Certificates or Status Documents

ADMINISTRATION – HUMAN RESOURCES

Health and Safety Notices

Holiday Schedules

Local Personnel Policies (most recent version and superseded versions)

National Staff Policy Handbook (most recent version and superseded versions)

Salary Scales (most recent version and superseded versions)

Salary Increase Policy (most recent version and superseded versions)

Retirement Plan Documents

Training and Orientation Manuals (Most Recent Version)

FINANCIAL RECORDS

Approval Authority Matrix (current and superseded versions)

Check Registers

Cost Allocation Basis and Procedures (current and superseded versions)

Field Bank Account Data Forms (current and superseded versions)

Field Bank Account World Tracker Verifications (current and superseded versions)

Finance Records Archive Index

Financial Statements – Certified

General Ledger (hard copies)

Local Finance Policies

Retirement and Pension Records

Tax Bills and Statements

Tax Returns and Reports to Government Agencies

PROCUREMENT AND LOGISTICS (includes assets, vehicles and warehousing)

Asset Inventory

Asset Registers

Disposal of Asset Forms

MC Vehicle File (file includes all records listed in Fleet Management Policy and Procedure Guidelines, part 13.A)

Vehicle Master List

17.5.2 Non-Permanent Records

Non-permanent records are not related to the on-going activities of Mercy Corps. Generally, non-permanent records are related to specific transactions or activities that have concluded. Mercy

Corps is required to keep these records for a period of time, in case they are needed for reference, or in the event of an audit.

17.5.2.1 Minimum Retention Period

All non-permanent records are subject to a minimum retention period of 7 years from the end of the applicable fiscal year.

Non-permanent records are subject to the minimum retention period because a destruction date in compliance with donor regulations generally cannot be determined until several years after the end of a fiscal year. Records for any given fiscal year may apply to several different grants implemented by an office during the fiscal year. These grants usually have different end dates and different donors, each requiring a different record retention period. Also, the grant close-out date is not necessarily the same as the date donor record retention requirements start. In the case of U.S. government grants, for example, the grant close-out paperwork is initiated only after the final NICRA (Negotiated Indirect Cost Rate Agreement) has been issued, which may be several months after the close of the fiscal year.

The following list outlines records subject to the seven year minimum retention period. This list is not all inclusive, and items not listed should be referred to HQ International Finance for guidance.

RECORDS SUBJECT TO SEVEN YEARS MINIMUM RETENTION REQUIREMENT

ADMINISTRATION - OFFICE

Correspondence – Donor Related

Correspondence – General

Country Contact Lists

Insurance Policies - In-country

Key Log Books or Key Sign-Out Sheets

Key Inventories

Lease Agreement File - Administration (file includes all records listed in FAM 4.3)

Office Guest Logs

Telephone Logs

Telephone Card Issue Record

ADMINISTRATION – HUMAN RESOURCES

Applicant File (file includes all records listed in FAM 2.2.3)

Employee Tax and Benefits Documents

Grievance / Investigation File – Terminated Employees (file includes all records listed in FAM 2.2.5)

Insurance Records – Employees

Job File (file includes all records listed in FAM 2.2.2)

Organizational Charts

Personnel File – Terminated Employees (file includes all records listed in FAM 2.2.4)

Salary and Benefits Surveys (file includes all records listed in FAM 2.3.2)

Staff Rosters

FINANCIAL RECORDS

Advances Log
Bank Deposits
Bank Reconciliations
Bank Statements
Bank Transfer Requests
Budgets – Grants
Budgets – Country / Mission Office Core Funds
Budgets – Country / Mission Office Private Emergency Funds
Budget versus Actual Expense Reports
Cash Counts
Cash Flow Projections
Cash Receipt Records
Contracts with supporting documents (expired)
Correspondence - Donor
Correspondence - General
Expatriate Payroll Advance Authorization
Expatriate Payroll Allocation Report
Expatriate Payroll Verification Report
Facilities Leases with supporting documents (expired)
Fiscal Year End HQ Reporting Checklist
Grant Financial Records
Grant Close Out Records
Journal Entries (with supporting documents)
Journal Vouchers (with supporting documents)
Management Financial Reports
Match Journal
Match Voucher (with supporting documents)
Monthly Finance File – Country Office
Monthly Finance File – Field Office
Monthly HQ Reporting Checklist
Payroll Records / Pay Slips
Payroll Tax Deposits – Dates & Amounts
Personnel Activity Reports (Timesheets) - National Staff
Petty Cash Records
Preferred Supplier Agreements with supporting documents (expired)
Reports to Donors – Financial
Segregation of Duties Matrix
Subgrant Finance Records
Subjournals
Vehicle Rental Contracts with supporting documents (expired)
Work papers Provided to Auditors

PROCUREMENT AND LOGISTICS (includes assets, vehicles and warehousing)

Assets

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Asset Location Reports

Asset Movement Forms

Physical Inventory Records

Procurement

Contracts (procurement copy)

Emergency Specific Procurement Policies

Gift Register

Goods Received Note (procurement copy)

Invitation to Tender Documents (procurement copies)

Leases (procurement copy)

Local Procurement Levels Policy

Preferred Supplier Agreements (procurement copy)

Purchase Order (procurement copy)

Purchase Record (procurement copy)

Purchase Request (procurement copy)

Quotation Analysis (procurement copy)

Request for Quotation (procurement copy)

Service Completion Reports (procurement copy)

Vehicles

Daily Vehicle Check

Fuel and Consumables Purchase Log

Gas Station Selection Questionnaire

Rental Vehicle File (file includes all records listed in FMPPG 13.A)

Vehicle Accident Report Forms

Vehicle Consumables Inventory

Vehicle Log Sheet / Vehicle Equipment Inventory

Vehicle Maintenance Schedule

Warehouse

Certificates of Disposal

Commodities Reports

Goods Received Notes (warehouse copy)

MC Waybills (with packing lists) IN

MC Waybills (with packing lists) OUT

Random Warehouse Inventory Count documents

Stock Records

Store Releases

Supplier Delivery Notes

Warehouse Registers

Warehouse Bin Cards

Warehouse Inventory Records

Warehouse Inspection Checklists

17.5.2.2 Destroying Non-Permanent Records

Record destruction dates are generally determined by the legal requirements of the host country and donor regulations for grants active during the applicable fiscal year. Mercy Corps' policy is to destroy non-permanent records after the end of MC's seven year minimum retention period and the expiration of the record retention period required by either host country legal requirements or donor requirements, whichever is longer.

Field offices are responsible for researching local laws on records retention requirements and for communicating those requirements to HQ International Finance.

17.5.2.3 Assigning a Destruction Date

At the end of the 7 year retention period, HQ International Finance will assign a records destruction date for the specific fiscal year. Destruction dates will be assigned for each specific fiscal year and for each specific Country or Mission office. These dates will be based on the grants active for the Country office in the applicable fiscal year and the applicable local legal record retention requirements.

The Country Finance Manager will receive notification of the assigned fiscal year records destruction date from the HQ Senior Finance Manager at the end of the minimum retention period for a fiscal year. After receiving the notification, the labels on archive boxes for the applicable fiscal year should be updated to include the destruction date.

17.5.3 Approval to Destroy Records

When a box of records has reached the designated destruction date, permission to destroy the records must be requested from both the Country Director and HQ Director of International Finance. When permission has been received from both parties, the records should be shredded or burned. Boxes and files that have been destroyed should not be removed or deleted from the Finance Archive Index. Instead, the Finance Archive Index is updated to indicate that the box has been "Destroyed".

17.5.4 Destroying Records in an Emergency

Offices in insecure locations should follow the procedures in **FFM Section 18.4** for preparing records in the event of an evacuation. If events occur rapidly and the records are not removed to a safer location prior to evacuation, only records that may affect the safety of employees or beneficiaries, such as personnel files and beneficiary lists (red dotted records), should be destroyed. A list of all destroyed records should be made at the time of destruction.