Subpart 4.7 - Contractor Records Retention

Parent topic: Part 4 - Administrative and Information Matters

4.700 Scope of subpart.

This subpart provides policies and procedures for retention of records by contractors to meet the records review requirements of the Government. In this subpart, the terms "contracts" and "contractors" include "subcontracts" and "subcontractors."

4.701 Purpose.

The purpose of this subpart is to generally describe records retention requirements and to allow reductions in the retention period for specific classes of records under prescribed circumstances.

4.702 Applicability.

(a) This subpart applies to records generated under contracts that contain one of the following clauses:

(1) Audit and Records-Sealed Bidding (52.214-26).

(2) Audit and Records-Negotiation (52.215-2).

(b) This subpart is not mandatory on Department of Energy contracts for which the Comptroller General allows alternative records retention periods. Apart from this exception, this subpart applies to record retention periods under contracts that are subject to 10 U.S.C. chapter 137 legacy provisions (10 U.S.C. 3064) and 10 U.S.C. 3016 and chapter 203, or 40 U.S.C. 101, *et seq*.

4.703 Policy.

(a) Except as stated in 4.703(b), contractors *shall* make available records, which includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form, and other supporting evidence to satisfy contract negotiation, administration, and audit requirements of the *contracting* agencies and the Comptroller General for-

(1) 3 years after final payment; or

(2) For certain records the period specified in 4.705 through 4.705-3, whichever of these periods expires first.

(b) Contractors *shall* make available the foregoing records and supporting evidence for a longer period of time than is required in 4.703(a) if-

(1) A retention period longer than that cited in 4.703(a) is specified in any *contract clause*; or

(2) The contractor, for its own purposes, retains the foregoing records and supporting evidence for a longer period. Under this circumstance, the retention period *shall* be the period of the contractor's retention or 3 years after final payment, whichever period expires first.

(3) The contractor does not meet the original due date for submission of *final indirect cost rate* proposals specified in paragraph (d)(2) of the clause at 52.216-7, Allowable Cost and Payment. Under these circumstances, the retention periods in 4.705 *shall* be automatically extended one *day* for each *day* the proposal is not submitted after the original due date.

(c) Nothing in this section *shall* be construed to preclude a contractor from duplicating or storing original records in electronic form unless they contain significant information not shown on the record copy. Original records need not be maintained or produced in an audit if the contractor or subcontractor provides photographic or electronic images of the original records and meets the following requirements:

(1) The contractor or subcontractor has established procedures to ensure that the imaging process preserves accurate images of the original records, including *signatures* and other written or graphic images, and that the imaging process is reliable and secure so as to maintain the integrity of the records.

(2) The contractor or subcontractor maintains an effective indexing system to permit timely and convenient access to the imaged records.

(3) The contractor or subcontractor retains the original records for a minimum of one year after imaging to permit periodic validation of the imaging systems.

(d) If the information described in paragraph (a) of this section is maintained on a computer, contractors *shall* retain the computer data on a reliable medium for the time periods prescribed. Contractors *may* transfer computer data in machine readable form from one reliable computer medium to another. Contractors' computer data retention and transfer procedures *shall* maintain the integrity, reliability, and security of the original computer data. Contractors *shall* also retain an audit trail describing the data transfer. For the record retention time periods prescribed, contractors *shall* not destroy, discard, delete, or write over such computer data.

4.704 Calculation of retention periods.

(a) The retention periods in 4.705 are calculated from the end of the contractor's fiscal year in which an entry is made charging or allocating a cost to a Government contract or subcontract. If a specific record contains a series of entries, the retention period is calculated from the end of the contractor's fiscal year in which the final entry is made. The contractor *should* cut off the records in annual blocks and retain them for block disposal under the prescribed retention periods.

(b) When records generated during a prior contract are relied upon by a contractor for *certified cost or pricing data* in negotiating a succeeding contract, the prescribed periods *shall* run from the date of the succeeding contract.

(c) If two or more of the record categories described in 4.705 are interfiled and screening for disposal is not practical, the contractor *shall* retain the entire record series for the longest period

prescribed for any category of records.

4.705 Specific retention periods.

The contractor *shall* retain the records identified in 4.705-1 through 4.705-3 for the periods designated, provided retention is required under 4.702. Records are identified in this subpart in terms of their purpose or use and not by specific name or form number. Although the descriptive identifications *may* not conform to normal contractor usage or filing practices, these identifications apply to all contractor records that come within the description.

4.705-1 Financial and cost accounting records.

(a) Accounts receivable *invoices*, adjustments to the accounts, *invoice* registers, carrier *freight* bills, shipping orders, and other documents which detail the material or services billed on the related *invoices*: Retain 4 years.

(b) Material, work order, or service order files, consisting of purchase requisitions or *purchase orders* for material or services, or orders for transfer of material or *supplies*: Retain 4 years.

(c) Cash advance recapitulations, prepared as posting entries to accounts receivable ledgers for amounts of expense vouchers prepared for employees' travel and related expenses: Retain 4 years.

(d) Paid, canceled, and voided checks, other than those issued for the payment of salary and wages: Retain 4 years.

(e) Accounts payable records to support disbursements of funds for materials, equipment, *supplies*, and services, containing originals or copies of the following and related documents: remittance advices and statements, vendors' *invoices*, *invoice* audits and distribution slips, receiving and *inspection* reports or comparable certifications of receipt and *inspection* of material or services, and debit and credit memoranda: Retain 4 years.

(f) Labor cost distribution cards or equivalent documents: Retain 2 years.

(g) Petty cash records showing description of expenditures, to whom paid, name of person authorizing payment, and date, including copies of vouchers and other supporting documents: Retain 2 years.

4.705-2 Pay administration records.

(a) Payroll sheets, registers, or their equivalent, of salaries and wages paid to individual employees for each payroll period; change slips; and tax withholding statements: Retain 4 years.

(b) Clock cards or other time and attendance cards: Retain 2 years.

(c) Paid checks, receipts for wages paid in cash, or other evidence of payments for services rendered by employees: Retain 2 years.

4.705-3 Acquisition and supply records.

(a) Store requisitions for materials, *supplies*, equipment, and services: Retain 2 years.

(b) Work orders for maintenance and other services: Retain 4 years.

(c) Equipment records, consisting of equipment usage and status reports and equipment repair orders: Retain 4 years.

(d) Expendable property records, reflecting accountability for the receipt and use of material in the performance of a contract: Retain 4 years.

(e) Receiving and *inspection* report records, consisting of reports reflecting receipt and *inspection* of *supplies*, equipment, and materials: Retain 4 years.

(f) *Purchase order* files for *supplies*, equipment, material, or services used in the performance of a contract; supporting documentation and backup files including, but not limited to, *invoices*, and memoranda; *e.g.,* memoranda of negotiations showing the principal elements of subcontract price negotiations (see 52.244-2): Retain 4 years.

(g) Production records of quality control, reliability, and *inspection*: Retain 4 years.

(h) Property records (see FAR 45.101 and 52.245-1): Retain 4 years.