


Vital Records Protection: KEY ISSUES FOR ACCOUNTING FIRMS

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In the Sarbanes-Oxley era of regulatory and legal compliance, an increasing amount of corporate data is being recorded, categorized and archived. Vital records are principally defined as “those records containing information that is essential to the survival of an organization in the event of a disaster or business interruption.”

Ultimately, records that are legally considered “vital” only comprise a small percentage of the vast amount of recorded data created by a typical business – usually about 5 percent. Accounting organizations, however, will have a much higher proportion of active case files which are regarded legally as vital records.

“Avoid storing your records in a place where they can be stolen or damaged by natural elements. Your records should be placed in a fireproof unit. For documents that would be difficult to replace, consider a safe.”

– American Institute of Certified Public Accountants

For an accounting firm, failure to mitigate for a sudden catastrophic event such as a fire, flood, theft or other disaster can have repercussions that reverberate far beyond the original event. Regardless of the damage done and the resulting difficulties re-establishing normal operations, clients that may have also had damage (i.e. in a large-scale regional disaster) may immediately need some of the functions the accounting firm provides – and the client records that the firm maintains. As such, for disaster risk mitigation, vital records protection is absolutely crucial not only to the firm, but also to the client base as a whole.

To state it as simply as possible, accounting organizations must put the highest priority on physical protection of records with high levels of fire and security protection in fireproof storage containers, whether storing vital records on-site or if they are outsourced to an off-site storage vendor (more on that choice later). In fact, accounting firms have an even greater responsibility to use these containers than most other industries due to the sensitivity of certain industry documents.

Putting them in a non-fireproof container is a huge risk, considering how easily a fire could destroy everything. William E. Rinehart, C.P.A., whose office is located in Delmar, Maryland, decided to eliminate this risk by purchasing several FireKing fireproof filing cabinets over the past few years.

“Our FireKing collection has grown from one filing cabinet to two cabinets and two safes. We store all of our back-up computer files in the fireproof media boxes, and other things like deeds and various important internal documents in the 4-drawer cabinets. Before using the FireKing products we were paying for off-site storage, but that quickly became an annoyance and a waste of money.”

Many other firms in the industry have gone through similar experiences with off-site storage facilities, often leaving them to deal with reduced profits and more frustration than necessary. On the other hand, there also happen to be a few wise companies that have wasted little to no money before proactively deciding to purchase FireKing fireproof records storage units. Katie Wilken, Office Manager in the office of Thomas J. Buida C.P.A., commented on their use of FireKing vital record storage in the Brentwood, Tennessee, office:

“We’ve always used fireproof record storage in the office. As our needs grew, so did the number of containers that we bought. All of the client files are backed up and stored safely in FireKing fireproof media vaults. I also use a 4-drawer filing cabinet to keep important administrative documents out of harms way. We didn’t get them in response to a fire or disaster, but because we couldn’t afford to lose any of it in the first place.”

The IRS and The United States Security and Exchange Commission require that all accounting records be kept for a minimum of seven years in case of an audit. These government bodies, however, do not specify what type of container the records must be stored in. There are, in fact, accounting organizations that make recommendations and suggested guidelines for all firms to follow. For example, the American Institute of Certified Public Accountants (AICPA) makes mention of fireproof records storage in their general financial records-keeping procedures.

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These are just guidelines given by the AICPA, not regulations that the industry is forced to follow. However, good general business practices for the accounting industry and all others alike, demand proper fire suppression equipment as well as fireproof records storage for all vital documents and important items. Otherwise, precious time and money will be wasted until the correct decision to take action has been made.

For Further Information:

www.aicpa.org

Committed to member service and the public interest, the American Institute of Certified Public Accountants and its predecessors have been serving the accounting profession since 1887.