

# The Corporate Secretary Looks at Records Management

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IN A SURVEY in 1957 of a large number of corporate secretaries, 44 percent said that they have primary responsibility for records management in their companies.<sup>1</sup> An additional 33 percent said that records management is a secondary responsibility. I believe that you will find corporate secretaries generally much interested in records management, and many of them are well qualified in this field.

Let's take a look at this subject. Records management, although less glamorous than hitting the moon, is a vital service function in American business. A good look is always in order. Let's see if it will help us with that perennial question, "How are we doing?"

Tons of records are created in American business each day, and keeping track of them costs several hundred million dollars annually. The target of records management is to cut these costs; hence, each function of records management should be aimed at the target. As we take this brief look I suggest that we ask ourselves some "whys" about the functions and whether they really are aimed directly at the target. Are they cutting costs? Do you *know* that your records management activities are actually cutting costs, and if so, how much? There are commercial organizations that make a business of records management at a profit. Such ingenuity is to be admired. But, I say, if these people can do the job for a profit, then those who prefer to do the job themselves should be sure of their costs. There may be ample opportunity for cost-cutting all along the line.

The big bulk of records created in American business of all kinds falls into three types: (1) records for immediate use, (2) records of limited life, and (3) longer-life and permanent records. Immediate-use records serve an immediate purpose but have no further value. They should be destroyed, not filed. Limited-life records

\* The author is assistant secretary of American Telephone and Telegraph Co. This paper is a somewhat revised version of part of his address before the annual meeting of the American Records Management Assn., San Francisco, Calif., Oct. 23, 1959.

<sup>1</sup> *Responsibilities of a Corporate Secretary* (American Society of Corporate Secretaries, May 1957).

are needed on the job for a few months to a year. They have no value beyond that time, and should then be destroyed. Longer-life and permanent records, after serving a need on the job—which may be for a few months to a few years—must be kept for a longer period or permanently for company or legal reasons. Generally during this later period little reference is made to them.

Suppose we start with immediate-use records—the records that should never get into the file. They are many and sundry—for example, bulletins, memoranda, notices, periodicals, magazines. A list of immediate-use records should be available to everyone in the corporation, for ready reference. In a way these records are like newspapers. Today's newspapers are informative and interesting and useful, but tomorrow they are good wrappers for fish. Constant action and attention are required to see that immediate-use records don't get into the files. True, there will be occasional need to refer to certain kinds of immediate-use records, such as magazines, notices, and bulletins. But this need should not be an excuse for the keeping of many files of these records by many employees. One reference file or library in a central location will serve a large area. Such central reference files can be readily supervised and thereby prevent the filing of hundreds of extra copies. Just remember that the copies of the average company magazine issued in one year take up an inch or more of file-drawer or bookshelf space. For every 20 employees who want to keep such a file "just for reference," a drawer of costly filing space is being used. And we are talking here about just one item—company magazines.

In the records reference center in our company we are currently processing an old file covering the period 1876-1910, which had been kept intact for its historical value. This file contains a great many examples of immediate-use records. Here are a few records of this type that should never have been filed:

May 28, 1887: "I return herewith, letter No. 120796 which should be in your file."

December 22, 1888 (a telegram): "I will call upon you tomorrow."

December 29, 1888: "Allow me the great pleasure of introducing my friend and neighbor, Mr. ———, for whom I bespeak your kind consideration."

And here was a prize item: A midwestern company wrote headquarters in Boston to complain of dust and dirt in the telephones it was receiving. A sample of the dust had been neatly packaged and attached to the letter. Both were filed.

<sup>2</sup> The writer of this letter, the recipient, and Mr. Blank have been dead for many years.

By today's standards these are exaggerated examples of items that should never have gone to files. But are all of us sure that some of this sort of thing isn't happening today? The handling of immediate-use records requires decisions. Sometimes employees find it easier to file these records than to make the decisions. Hence understanding and motivation are required.

Let me summarize what I consider the requisites for handling immediate-use records: (1) a readily understood definition, with a list of examples of such records, available to everyone having need for it; (2) thorough training on the need for keeping these records out of files; and (3) followup checking and coaching procedures to insure that these records do not get into files. I will leave the subject of immediate-use records with this thought. We can have excellent procedures and we can do a fine job of talking, but do we know firsthand what is happening to these records throughout the company? It takes digging—the kind that can't be done from an office chair. It takes "on the hoof" supervision.

Now, how about records that are needed for a few months up to a year? These I call limited-life records. They are needed on the job in support of day-to-day operations. When that need has passed they have no value and should be destroyed. Their situation is similar to that of immediate-use records, except that limited-life records do get into the files for one, two, three, or more months. Therefore, action must be initiated to get them out of files and destroyed at the proper time. The number and type of limited-life records depend upon the nature of the operation. But it may surprise you to know how many records are in the limited-life class. As an example, one office in an operating department found that practically all of its records were of this type. They had been allowed to accumulate until they occupied 20 file drawers. A procedure was developed for filing all limited-life records in groups according to month of destruction. The filing space then required was reduced to one drawer. This procedure was adopted for all offices of this kind in the company, and it greatly expanded the savings.

In the handling of limited-life records, it is necessary (1) to identify each kind, (2) to determine the minimum period each is needed, and (3) to establish simple procedures to make it easy to remove and destroy records no longer needed.

Such guides and procedures are of little value, however, unless the people responsible for the records see the point of it all, understand what is to be done, and do it. Again, easily used reference material and motivation are indispensable. The reference material

required here will be in the form of retention schedules, which I shall discuss later. Even so, success is not assured without a lot of planning, promoting, and followthrough by records managers. So much for limited-life records.

Now that we have cleared away the records that should never be filed or that have very short lives, it's time to talk about the volume records job—the records that really stay around for a spell, some permanently.

It is in working with these longer-life and permanent records that the need for a retention schedule becomes clear. Retention schedules cover also limited-life records, but they take on real importance for longer-life and permanent records. The retention schedule is the reference brain of the records management job. In preparing a schedule, it is the responsibility of the person in charge of records management in a company, in cooperation with each department head, to determine the total length of time each record must be retained and *why*—that is, for company reasons, for legal reasons, or both—and to fix the minimum period each record is to be retained in office files.

Compiling this information is a technical job. Only the end result, however, is important to the many employees responsible for records. Retention schedules should be clear, therefore, to the people who use them. They should be simple in format and should contain only the needed information. Any employee needing information about a record should be able to look at a schedule and find what he needs quickly and readily. In addition, the schedule must be readily available to every employee who has occasion to use it. Regardless of the time and effort required to prepare complete retention schedules, the records management job cannot really get off the ground without them.

Undoubtedly you all have your own retention schedules, but let me show you a simple version (chart 1). This schedule meets the following requirements: (1) It can be readily used and easily understood. (2) It contains only the information required by the user. (3) Both the period of retention in office files and the overall retention period are clearly shown.

Retention schedules lay the groundwork for cutting costs. Look at it this way. For the purpose of discussion, let's agree that it costs at least \$150 a year (a conservative estimate) to maintain four drawers of records in office files. That is about \$25 a cubic foot. Therefore, each month by which you can shorten the retention period in office files means a saving of over \$2 a cubic foot of records. Hence, the third column, which shows the retention period

## CHART 1

## A SIMPLE RETENTION SCHEDULE

RETENTION SCHEDULE		Company <u>Alpha Tel. Co.</u> Department <u>A</u> Date <u>10-15-58</u>	
Form No.	Title or Description of Records	Retention Period	
		In Office Files	Total Period
1	Transfer Sheets Common Shares	2 yrs.	Perm.
2	Bank Register	1 yr.	6 yrs.
3	Payroll Changes	1 yr.	3 yrs.
4	Toll Settlement Data	6 mos.	6 mos.
5	Request for Information— Acctg. Forms	6 mos.	1 yr.
6	Time Report	2 yrs.	10 yrs.
7	Monthly Progress Report	3 yrs.	5 yrs.
15	Monthly Summary of Shipments	2 yrs.	Perm.

in office files, is very important. And let's remember that each figure in that column should be frequently tested to determine whether records are staying in office files too long.

Now let's look at the last column on the retention schedule—the total period of retention. The opportunities here for cutting costs are tremendous. Also, let's agree that it costs roughly \$1.25 a year to keep a cubic foot of records in a center for inactive records. It is obvious, at such a cost, that records should be kept in inactive storage only long enough to meet the minimum requirements of the business or the statutes.

Let's take a simple question—whether a group of records is to be held for six or ten years. The decision may be a casual one. "Oh, keep them for ten years and be safe." We've heard this sort of answer many times. It could well be, however, that six years would be just as safe. A careful rather than a casual decision in this case could save \$5,000 for each 1,000 cubic feet of these records unnecessarily stored for the extra 4 years.

Now, being experts, you may say, "We don't make decisions that way." And I hope you don't. But please take a look at some interesting facts.

Here are a few selected samples from a survey<sup>3</sup> covering 278 companies in many classes of industry scattered across the nation:

TYPE OF RECORD	RETENTION PERIOD (Number of Companies)			
	1-3 Yrs.	4-10 Yrs.	Over 10	Permanent
Canceled Stock Certificates	1	30	27	180
Canceled Bonds	5	14	6	82
Proxies—Routine Meetings	94	83	4	71
Canceled Checks—Dividend	5	152	16	55
Canceled Checks—Payroll	30	172	8	32
Bank Statements	85	130	8	20

Take the first line of this table. What are the reasons for such wide differences in retention periods? Is the inertia that leads to keeping canceled stock certificates permanently too strong to break, or are there other reasons? In the survey 28 companies reported that they keep canceled stock certificates permanently because it is their interpretation that such retention is prescribed by law or regulatory agency. Although these 28 companies are public utilities, it is unlikely that even they must retain permanently all types of canceled stock certificates. How is it, then, that the other 152 (180 minus 28) companies keep all stock certificates permanently, when

<sup>3</sup> *Corporate Records Report* (American Society of Corporate Secretaries, Mar. 1957).

58 companies find it unnecessary to do so? There seems to be plenty of room to cut costs.

Take the second item, canceled bonds. Of the 82 companies keeping these records permanently, only 23 companies, again public utilities, report that such retention is based upon their interpretation of legal or regulatory requirements. Hence 59 companies (82 minus 23) *choose* to keep canceled bonds permanently, as against 25 who find it unnecessary to do so. It would seem that here also is room for further savings.

For the next four items in our table, note that there are still many companies in the permanent column, even though only a negligible number reported that permanent retention is prescribed by law or regulation.

Decisions to keep records around *forever* should be made with great care, and in each case the costs should be brought to the attention of those making such expensive decisions. Let us be very frank. Are we keeping *tons* of records around needlessly? For example, what purposes are served by keeping routine proxies for more than two or three years? What do the 71 companies keeping them permanently gain that the 94 keeping them 1 to 3 years do not? Why are paid dividend checks kept longer than the statutes of limitations require? What purposes do these old checks serve, and who looks at them? Dividends usually are paid quarterly. Hence, for each 10,000 shareowners, you would have 40,000 paid checks each year. On a permanent basis, say 100 years—and I assure you that several companies have paid dividends for over 100 years and a dozen or more for over 75 years—you would have 4,000,000 paid checks for each 10,000 share owners. At \$1.25 per cubic foot, the average storage cost for these checks paid to 10,000 shareowners would be \$500 a year. If you have 100,000 shareowners the \$500 jumps to \$5,000. Are they worth that much to you? You have a real incentive to destroy dividend checks promptly at the end of the statutory period.

You may be saying to yourselves, "Why not microfilm them?" The solution, however, is not to try to find a way to *keep* the records, but rather to find a way to *destroy* them as soon as they no longer serve a useful purpose.

The example is even more to the point when applied to payroll checks. Nothing is quite so dead as paid payroll checks, after sufficient time has been allowed for the reporting of forgeries or for the statutes of limitations. (Incidentally, if you don't have a copy of this survey, made by the American Society of Corporate Secretaries



and cited in footnote 3, you may want to get one through the secretary of your company.)

There is plenty of room for calculated risks in all of these cases. And as with insurance, realistic calculated risks, properly taken, will work to your advantage.

All of us in the records management field have responsibilities in this area of cutting costs. They are: (1) to study each record—its purpose, its use, the length of time it is an active record, and the number of years it need be retained; (2) to set the shortest practicable periods for retention in office files and overall retention; (3) to get top-management concurrence and understanding; and (4) to develop complete adherence to records retention and destruction procedures throughout all departments of the company. Keeping on top of this job takes a great deal of initiative, planning, persuasion, and followthrough. I might add also courage, finesse, and diplomacy.

We have mentioned storage in office files and storage in inactive records centers. We agreed upon a cost of at least \$25 a year for a cubic foot of records in office files, compared with \$1.25 a year for a cubic foot of records in a records center. The ratio is 20:1 for doing the same job—storing one cubic foot of inactive records. This ratio may very well be higher, depending upon your own costs.

If you were starting a records management program from scratch you would ask yourself: Can I operate inactive records storage centers as inexpensively as I can hire the job done by a commercial organization specializing in this service? The services offered by such organizations should be considered. Regardless of your decision, however, it is always important to look at your current costs. The companies that store records commercially have to know their costs and how much they must charge. If you are doing your own storage job, do you know *your* costs?

In our experience this has been a tough question, but in the long run it must be answered. We set out to help the records management people in our operating companies to answer this question to their own satisfaction. Perhaps you would be interested in the procedure that we developed. Actually, we started with a question and worked back. This is the question: "Is it costing you more than \$1 per year to store one cubic foot of records in your records center?" If the answer is yes, than a cost analysis is recommended.

The first step is to fill out a worksheet (see chart 2) to determine the annual cost of storing one cubic foot of inactive records.

A summary of the cost information for actual records of an actual company will be of interest (see chart 3). It shows total an-



CHART 2

ANNUAL COST OF KEEPING ONE CUBIC FOOT OF RECORDS  
IN THE INACTIVE RECORDS CENTER

At .....

	Cost	Annual Charges
1. QUARTERS		
a. Rented space - rental .....	—	\$
b. Owned space - .....	\$	\$
2. LIGHT, HEAT, TELEPHONE AND JANITOR SERVICE	—	\$
3. SHELVING	\$	—
a. Cost of money — % of item 3. ....	—	\$
b. Income tax — % of item 3. ....	—	\$
c. Depreciation - Annuity — % of item 3. ....	—	\$
4. CARTONS (Total cost of cartons)	\$	—
a. Cost of cartons divided by — years of life. ....	—	\$
b. Cost of money — % of ½ of Item 4. ....	—	\$
5. FURNITURE AND FIXTURES	\$	—
(Including desks, chairs, tables, office equipment, ladders, hand trucks, etc.)		
a. Cost of money — % of Item 5. ....	—	\$
b. Income tax — % of Item 5. ....	—	\$
c. Depreciation - Annuity — % of Item 5. ....	—	\$
6. LABOR AND SUPERVISION (Supervisor and — emps.)	—	\$
a. Social Security, Relief and Pensions, and Group Insurance — % of Item 6. ....	—	\$
b. General Supervision — % of Item 6. ....	—	\$
7. TRANSFER OF RECORDS TO THE CENTER (Include cost of preparing transmittal forms, and transporting cartons to center.) (This charge is applicable to first year only) \$/carton x cartons per year. ....	—	\$
8. TOTAL INVESTMENT .....	\$	—
9. TOTAL ANNUAL COST OF OPERATION		
a. First year - Total Items 1 through 7. ....	—	\$
b. Subsequent years - Total Items 1 through 6. ....	—	\$
10. TOTAL VOLUME OF RECORDS STORED cubic feet .....	—	—
11. ANNUAL COST OF STORING ONE CU. FOOT OF RECORDS		
a. First year - Item 9a divided by Item 10. ....	—	\$
b. Subsequent years - Item 9b divided by Item 10. ....	—	\$
12. ANNUAL COST OF KEEPING ONE CUBIC FOOT OF RECORDS IN OFFICE FILES .....	—	\$

## CHART 3

STORAGE COST  
INACTIVE RECORDS CENTER  
AT (ALPHA)

	Cost	Annual Charges
Quarters (rent) .....	—	\$ 8,360
Light, Heat, Telephone and Janitor Service	—	4,200
Shelving .....	\$222,000	28,190
Cartons .....	43,700	5,900
Furniture and Fixtures .....	20,000	3,580
Labor and Supervision .....	—	21,330
Total .....	\$285,700	\$71,560
Volume of Records Stored 77,400 Cu. Ft...	—	—
Annual Storage Cost Per Cubic Foot .....	—	.92
— — — — —		
Annual Cost in Office Files Per Cubic Foot..	—	38.25

nual charges of \$71,560 for 77,400 cubic feet of records stored—or an annual storage cost of 92¢ per cubic foot of records as against \$38.25 per cubic foot for records maintained by the same company in office files. In this company, then, records can be stored in a center for inactive records at one-fortieth the cost of keeping them in office files. This ratio is striking.

Whatever the ratio is in your company, it will probably be persuasive in getting people to use the records center.

Here is a list of certain benchmarks for records center operation that may be useful in looking at costs.

*Floor Space* (annual charge)—not over \$1.50 per square foot.

*Shelving Costs*—not over 75¢ per cubic foot of records space if you are using 1 carton high per shelf and 2 cartons deep. Some commercial firms use 2 cartons high per shelf and 3 cartons deep in order to reduce costs. If you don't let tradition bother you and really want low costs, I recommend a look at this.

*Cartons*—not over 30¢ each, but you can do a lot better. With low enough costs (12¢ to 18¢) you can destroy the cartons along with records without paying for labor to unpack them.

*Stacking*—not less than 8 feet and as high as 14 feet or more if floor loads will permit.

*Use of Floor Space*—not less than 55% of the total floor space occupied by shelving (but you may be able to do better).

*Manpower*—This will vary, of course, with activity of records and frequency of reference; for relatively inactive records, perhaps, a good bogey is not over one employee per 20,000 cubic feet of records stored (but maybe you can better this).

So much for direct costs.

Let's switch to a supplemental subject. Can the scope of service of your records center be increased? Yes. There are several service functions that are "naturals" for the records centers and that tend to reduce unit costs. I will give two examples.

In one company the records center in each area also maintains the centralized personnel file of former employees. Formerly these records were kept in dozens of expensive file cabinets in the personnel offices of several departments and were maintained by office clerks. The centralizing of these files in the records centers has resulted in better reference service to all departments at a fraction of the former cost.

In the other example, case records of employee sickness and disability in an area were kept in 27 file cabinets in office space. These records—150,000 folders—were transferred to the records center and filed by case number on open-type shelving. New cases

are sent to the records center each day. Reference service is furnished by telephone as required. The head of the company's benefit department has said that the service under the new arrangement is better than when the files were in his own department. Besides releasing these file cabinets and the space they occupied for other uses, the records center was able to absorb the reference work with a resulting net saving in manpower.

The ways and means to broaden records management service and to cut costs are unlimited. It is the responsibility of all of us in records management to seek constantly better ways to do a more comprehensive job at lower costs.

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