

Appraisal of Financial Records

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THE VOLUME of the financial records of Federal, State, and local governmental organizations presents one of the major appraisal problems faced by records management and archival personnel. The problem in the appraisal of these types of records results from the fears and suspicions of the persons creating these records and of those auditing them, and the public's lack of confidence in the integrity of elected and appointed public officers and employees who disburse governmental income. Political overtones are constantly present, since frequently the political fortunes of war are decided by information contained in these types of records.

Definitive publications that provide useful information in the appraisal of financial records for legal and administrative purposes are generally not available. Statutory interpretations, which vary from State to State, present the researcher with more problems than solutions. Sources of information in specific instances are usually found in statutory law relating to the records program; State and Federal statutes governing appropriations; *The Guide to Records Retention Requirements* (Office of the Federal Register, National Archives and Records Service); the audit requirements of the U.S. General Accounting Office and of the chief fiscal auditors of the States; plus civil statutes or regulations and the penal code of the State. Despite the treatment of this subject by many authors in texts relating to records management, none definitively advise specific retention periods, because of the wide variety and differences between and among State civil and criminal statutes. Further, the budgetary cycle and budgetary practices of the States differ, as do the policies regarding personal liability for the expenditure of public funds.

The objectives of the appraisal may be summarized as retaining the information involved for the preservation and/or protection of public or personal rights and privileges, for administrative needs, and for public relations; and the maintenance of the information for cultural and research purposes. In general the appraisal objectives for financial records are not different from the appraisal of other types of records. The informational content has—in varying degrees over varying periods of time—administrative, legal, fiscal, research, and educational values. The assessment of these values and the achieve-

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ment of an overall balance between and among these values is the basic appraisal problem faced with all public records. It is necessary to record financial transactions, and administrators require day-to-day information regarding the dollars given them to spend, the amounts spent, and the purposes for which they are spent. Administrations are held accountable for their expenditures and for the manner in which they exercise their duties as agents for the general public. Multiple legal safeguards exist requiring these records to be available for specific time periods as evidence that the public trust assigned has been properly executed, with honesty and integrity. The informational content of financial records frequently reveals program information not available elsewhere. Some of the records involved have unique documentary value; examples of these are the first Social Security and Medicare payment checks, deeds of particular years under the Homestead Act, unusual contracts, and reports of comprehensive audits.

Before appraising financial records, the appraiser must be familiar with all of the elements involved in the financial transactions recorded and must have a personal, intimate knowledge of the degree to which these elements affect the transaction. Space does not permit a discussion in detail of the various elements that may or may not be present in a specific financial transaction. Some of these elements are intrinsic to the transaction itself; others are directly related to the objective of the expenditure. Among the intrinsic elements are: the authority for the expenditure, the statutes or policies controlling it, the source of the funds, the monetary value of the expenditure, the recording of the transaction, and the timing and extent of the audit of the transaction. The objective of the expenditure can also effect the transaction. Documentation of property acquisition differs substantially from documentation of periodic payroll payments and/or the purchase of consumable or durable goods. Each of these elements affects the appraisal of a given record series. The source of the funds, the authority given to spend them, the monetary value, and the performer liability greatly affect retention schedules. Pennies aren't worth what they used to be, nor are dollars; but monetary values running into 5-6-or-7 figures to the left of the decimal point begin to attract public interest—and sticky fingers. A few “missing dollar bills” with the picture of General Washington (\$1) do not attract the same attention and interest as those carrying the Alexander Hamilton picture (\$10).

In many areas of government, informal accounting procedures exist; in others, very formal, prescribed and detailed procedures are required. Travel reimbursement is one area where informal accounting procedures can exist in one jurisdiction and very formal accounting procedures in another. Some agencies pay travel vouchers with no receipts required, on a flat *per diem* rate and without higher level prior travel authorization. In other jurisdictions detailed receipts for all expenditures are

required, with annotations of the time and the place of the expenditure, plus a signed formal travel authorization issued before the travel, by the head of the agency involved. Similarly, some governmental agencies permit the withdrawal of office supplies and consumable goods only with extensive detailed vouchering, detailed cost data, and so on. Directly opposed to these accounting procedures are policies which permit an "open door" to stockrooms, where the philosophy is "take what you need; you are not required to sign for it." Some financial transactions are preaudited, others postaudited. Some are audited in detail, other audits are based on sampling procedures, and the audit cycle can vary from same-day-on-site to 10-year cycles off-site.

The areas affected by transactions may also have an impact on the retention period. People are most interested in people, less interested in property; and, depending upon the times and the nature of the program, the program interest on the part of the general public can run the gamut from "I don't care" to an intense interest in all phases. The clientele affected by the program also will have a bearing on the problem. Appraising the financial records of programs in which all the citizens are concerned is much more difficult than the appraisal of the financial records of a program which affects only a limited, highly selective clientele group. Further, the character of the clientele group may be a factor. Some are quite vocal; others, less vocal, may be disproportionately influential. The insurance or banking industry interest, for example, would affect appraisal action more than the interests of the 1- or 2-day camper at a public campsite, who pays a minimum fee for the use of the site.

Legal requirements in large measure determine retention periods and the access and availability of information on financial records. Some of these requirements are found in common law, others in statutory law. Many of the requirements stem from the Federal Constitution and its implementation by Federal statute. It is a basic element of common law that individuals and/or governments should not be fraudulently charged or overcharged. The extension of the faith and credit of the government to elements of private industry is in general constitutionally prohibited. The layers of legal requirements at times can be both numerous and deep. Frequently, program legislation, supplemented by administrative rules and regulations, increases these layers of legal requirements. It is not practicable to present here a complete explanation of the extent to which legal requirements exist for the maintenance of financial records as a group. Suffice to say, however, that operating personnel generally can provide major assistance in this area. It is cautioned, however, that statements of operational personnel be "checked out." In perhaps no other field of records appraisal except the medical and legal areas does there exist a somewhat universal tendency to overemphasize and exaggerate the "legal" require-

ments. Operating personnel, with only minimum legal backgrounds, have a tendency to insist that "the law requires that we keep these records for 'x' years." Yet often the fact is that such legal requirements do not exist; or, if they do exist, that the time period is much less than that claimed by operating personnel. This exaggeration stems in part from an overcautious attitude and fear of criticism or court review of administrative actions.

The following factors generally have the greatest effect in the appraisal of financial records for legal and administrative purposes:

1. Existing statutes—general, civil, criminal, and program.
2. Governmental policies at the State, Federal, and local level.
3. In part, the organizational structure of the records creating agency or program.
4. Most importantly, the program policies of the program involved and the administrative policies within the program area and within the governmental organization.

If the program is politically explosive, normally the governmental organization policy is strict accountability to avoid future or current political repercussions. If the program is not too much in the public view and can reasonably be expected to have no major public interest, retention schedules can be shortened without any adverse effects. The actual recording procedures and techniques involved will have a most important effect on the appraisal of the records for purposes of retention and future use. If the audit trail is long and the transaction such that it will be subject to multiple review at numerous levels, the appraisal becomes much easier than if the transaction is subject to little or no review and infrequent reporting, and if it is not backed up by details regarding those making the decisions regarding the transaction.

To include political requirements as a major factor in retention or disposition decisions would at first glance appear improper. More than 20 years' experience on the part of this observer in this area, however, indicates that frequently the political requirements overshadow those previously mentioned. Particularly is this true where fiscal controls are in the hands of one political party and legislative and executive controls are held by an opposing political party. Where the financial transaction is totally within the family (i.e., one political party) and there is a dominant and aggressive head of the family, it would be wise to endorse longer retention periods than normal. When the head of the family passes on, the children usually fight over the estate, particularly if the funds involved are substantial.

Last, but in my opinion certainly not least, is the philosophy of the records management and archival programs, the orientation of the general public to these programs, and the degree to which expertise is reflected in the programs. A hard-line approach (short and rigidly enforced retention programs) may not be generally acceptable, despite the rather obvious economic advantages.

In summary these generalized observations may be made:

1. At almost all governmental levels, retention schedules for financial records are unduly long and economically unjustified.

2. The checks and balances system of government in most governmental organizations results in proliferation of financial records as a security device that is more apparent than real.

3. Governmental administrators and political leaders are reluctant to take even minimal calculated risks, and they protect their personal and political futures by insisting on unjustified, lengthy retention programs for financial records.

4. Research personnel generally oppose short retention periods because of their failure to appreciate the volume of the information they believe they are capable of currently reviewing or are hopeful of reviewing in the future.

5. The failure to realize the extent of the volume of information they are discussing and the scantiness of funds and personnel to use it cause scholars frequently to recommend unjustified retention periods for future historical research.

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