

# MEMORANDUM

## Re: Client Records

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The purpose of this memorandum is to help provide clearer guidelines and clarify any existing confusion to Connecticut CPA's on what their requirements are pertaining to their client's records. This memorandum will address what information must be furnished to clients upon request, what remains the property of the CPA, and record retention requirements. Please take note, this is not an exhaustive list of all agency regulations pertaining to client records. This is merely intended to give guidance on some of the most common questions that arise in relation to client records. Always reference the official agency statutes and regulations available at <http://www.ct.gov/dcp/cwp/view.asp?q=275808> for the complete rules or contact the Board of Accountancy directly with any questions.

**The following terms are defined solely for definition in this document:**

- *Client* includes current and former clients.
- *Client records* are any accounting or other record belonging to the client that is provided by or on behalf of the client.
- *Licensee working papers* are all items prepared solely for purposes of the engagement and include items prepared by the licensee, such as statements, records, schedules and memoranda in the course of rendering services to the client.
- *Licensee work products* are deliverables set forth in the terms of the engagement with the client.

### **Licensee Products and Records**

Licensee work papers are the property of the licensee and need not be returned to the client unless the information contained in the work papers is not reflected in the client's books and records, and without which the client's financial information is incomplete ((Regs 20-28015c(k)(3)). Licensee work product prepared for the client shall be returned to the client upon their request if such work has previously been submitted to the client. Licensee's work product may be withheld from the client if there is a balance due for that specific work (Conn. Agencies Regs. § 20-280-15c(k)).

### **Client Records**

Licensees shall return to a client, upon request, client records. The licensee may retain copies of such documents returned to the client if such documents form the basis of work performed by licensee. The licensee is not required to convert non-electronic records to electronic format or vice versa (AICPA Code of Professional Conduct § 501-1). The licensee may not withhold client records for an unpaid fee. Licensee may however charge client a reasonable fee for the time and expense associated with the return of the records (Conn. Agencies Regs. § 20-280-15c(k)). After initially supplying client records to the client, licensee need not comply with subsequent requests by the client to provide the same information again (Conn. Agencies Regs. § 20-280-15c(k)). Client records should be returned to the client no later than 45 days after the initial request is made (AICPA Code of Professional Conduct § 501-1).

### **Transferability**

No statements, records, schedules, working papers, or memorandum can be sold, transferred, or bequeathed, without the consent of the client to anyone other than partners, stockholders, or members of the licensee (C.G.S. Sec. 20-281k). If the client is a partnership or limited liability corporation with a designated tax matters partner, records only need to be furnished to the tax matters partner upon request. Requests made by individual partners are not required to be honored by the CPA, it is the responsibility of the tax matters partner to disseminate the information to other partners or members (26 U.S. Code § 6031(b)).

### **Record Retention**

CPA's are not required to keep any records beyond the period prescribed in any other applicable statute, except for any work paper prepared by the licensee in the course of an audit of a corporation whose securities are registered under Section 12 of the Securities Exchange Act of 1934 (C.G.S. Sec. 20-281k). Client records relating to tax matter must be preserved for so long as the contents thereof may become material in the administration of the taxes under the affected tax law provisions, but in no event less than three years from the extended due date of the return, unless the commissioner has provided in writing that the records are no longer required (Conn. Agencies Regs. § 12-2-12(i)). The Internal Revenue Service uses similar guidelines for federal tax matters (IRS Publication 17; IRS Publication 583). The AICPA recommends maintaining all records until the statutes of limitations have expired for matter which they may be considered material.

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