

# SECTION 10: RECORDKEEPING AND RECORD RETENTION

## Review Questions

1. Where employees are exempt from overtime pay requirements for time spent receiving remedial education, the employer must keep, in addition to other required records, records of the hours spent by each employee receiving such remedial education and the wages paid for those hours.
2. Willful violations of the recordkeeping requirements can bring a criminal penalty of up to \$10,000 and/or imprisonment for up to 6 months, although a jail sentence can be imposed only for second and subsequent convictions.
3. These records must be kept for at least four years after the due date of the tax (or the date the tax is paid, if later) for the return period to which the records relate.
4. 3 days
5. Following is a list of the records that must be kept for three years after the last date of entry for each covered employee under the FLSA:
  - Name, as it appears on the employee's social security card
  - Home address, including apartment number, if any, and Zip code
  - Date of birth, if under age 19
  - Sex and occupation (for use in determining Equal Pay Act compliance)
  - The beginning of the employee's workweek (time and day)
  - Regular rate of pay for overtime weeks, the basis for determining the rate, and any payments excluded from the regular rate
  - Hours worked each workday and workweek
  - Straight-time earnings (including straight-time pay for overtime hours)
  - Overtime premium earnings
  - Additions to and deductions from wages for each pay period
  - Total wages paid for each pay period
  - Date of payment and the pay period covered
6. Following is a list of records that must be kept for at least two years from their last date of entry under the FLSA:
  - Basic employment and earning records that support the data for each nonexempt employee's hours of work, basis for determining wages, and wages paid (e.g., time or production cards)
  - Order, shipping, and billing records showing customer orders, shipping and delivery records, and customer billings
  - Records substantiating additions to or deductions from employees' wages, including purchase orders, operating cost records, wage assignments, and garnishments
7. In addition to other required records, hospitals and residential care facilities whose employees have a work period of 14 consecutive days (rather than 7 for other employees) must keep records of the time and day on which the 14-day period begins, hours worked each day and each 14-day period, and straight-time and overtime premium earnings paid in each 14-day period. They also must keep a copy of the written agreement between the hospital and the employee allowing use of the 14-day work period or a memorandum summarizing its terms if the agreement is oral.

## The Payroll Source

8. Employers that use the tip credit to pay part of a tipped employee's minimum wage must keep, in addition to other required records, the following:
  - Some notation of the records showing that the employee's wages are determined partly by tips
  - The amount reported by the employee to the employer as tips (weekly or monthly), which may be taken from IRS Form 4070
  - The amount of the tip credit taken by the employer
  - Hours worked and straight-time earnings for time worked other than as a tipped employee
  - Hours worked and straight-time earnings for time worked as a tipped employee
9. The procedures are generally aimed at achieving one goal—making it easy for the IRS to determine the employer's correct tax liability.
10. Employers must retain the completed Form I-9, *Employment Eligibility Verification*, for at least three years after the date of hire or one year after the date of termination, whichever is later.
11. The advantages of micromedia storage over paper storage include:
  - Less space needed for storage
  - Reduced storage costs
  - Less chance of losing individual documents
  - Increased durability
12. The main problem is one of quality control—the camera may not photograph 100% of every document, the image may be partially unreadable, and verification of the image after it develops can be a time-consuming process.
13. Whatever method an employer uses to create and preserve its employment and payroll records, it should have a policy governing record retention, retrieval, and destruction. The written policy should clearly state how long records are to be retained (and how the containers should be labeled), how they can be retrieved (especially important if records are stored off site), and when and how they should be disposed of.
14. The Privacy Rule.
15. The Department of Health and Human Services.

## True or False Questions

1. False      Payroll records may be retained in any form, including microfilm, microfiche, paper, or computerized.
2. True
3. False      72 hours.
4. True
5. False      The employer remains ultimately responsible for the recordkeeping requirements.
6. True

## Answer Key

7. False      Certain records relating to overtime pay requirements, including hours worked, need not be kept for exempt “white collar” employees. However, employers must include in their records the basis on which wages are paid so that each employee’s total earnings for each pay period can be calculated.
8. True
9. True
10. False      The records required by the FLSA may be stored by the employer either at the work site or at a central location where its records are customarily maintained.
11. True
12. False      Form W-4 must be retained by the employer for at least four years after the date the last return was filed using the information on the form (i.e., the employee’s personal income tax return for the last year during which the Form W-4 was in effect, which is due the following April 15).
13. True
14. True
15. False      The various federal and state laws generally do not require that records be kept in any particular form and often specifically allow record retention on micromedia, digitally, or electronically.

### Multiple Choice Questions

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|------|-------|
| 1. a | 6. b  |
| 2. d | 7. b  |
| 3. b | 8. a  |
| 4. c | 9. b  |
| 5. d | 10. c |