Alabama State Board of Public Accountancy

Functional Analysis
&
Records Disposition Authority

Presented to the
State Records Commission
October 28, 1998
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Functional and Organizational Analysis of the Alabama State Board of Public Accountancy

Sources of Information

Representatives of the Alabama State Board of Public Accountancy:
   J. Lamar Harris, CPA, Executive Director
   Brenda W. Holden, Administrative Assistant I

Code of Alabama 1975, Sections 34-1-1 through 34-1-22
Code of Alabama 1975, Section 41-20-3 (Sunset Law)
Alabama Administrative Code, Chapters 30-X-1 through 30-X-8
Alabama State Board of Public Accountancy Audit Report (1997)
General Laws of the Legislature of Alabama passed at the Session of 1919
Government Records Division, State Agency Files (1985-ongoing)

Current Agency Organization

The board consists of seven members appointed by the governor. The governor appoints the first five members from a list of nominees submitted by the Alabama Society of Certified Public Accountants. The governor appoints the sixth member from a list of nominees submitted by the Alabama Association of Public Accountants. The governor selects the seventh member from the Alabama business community who can not be a licensee of the board. The board appoints an executive director who serves as chief executive officer for the board. An organizational chart is attached.

Agency Function

The mandated function of the Alabama State Board of Public Accountancy is to license and register qualified applicants as certified public accountants (CPA) or public accountants (PA) and regulate the public accounting profession in Alabama. The board is one of the agencies primarily involved in carrying out the Regulatory function of Alabama government as described in “Functional Analysis of Alabama Government,” chapter 3.

Historical Context of Function

The first instances of governmental regulation in the practice of public accountancy in the
state occurred in 1919. Legislative Act No. 142 of 1919 created the first Alabama State Board of Public Accountancy with somewhat different composition and powers. The state legislature established the board in its present form in 1973 and continued its existence following sunset reviews in 1982, 1984, 1988, 1992, and 1996.

**Agency Subfunctions**

In the performance of its mandated functions, the board may engage in the following subfunctions:

- **Promulgating Rules and Regulations.** Code of Alabama 1975, Section 34-1-3(g), specifies that the board may adopt and amend rules and regulations for the administration of accountancy laws of Alabama. Code of Alabama 1975, Section 34-1-3(m), authorizes the board to promulgate and amend rules of professional conduct appropriate to establish and maintain a high standard of integrity in the profession of public accountancy. This subfunction encompasses activities pertaining to the establishment and promulgation of rules and regulations by the board for carrying out of its duties and responsibilities.

- **Licensing and Registering Public Accounting Professionals.** Code of Alabama 1975, Section 34-1-4, authorizes the board to issue certificates of certified public accountant (CPA) to applicants who meet approved general/educational requirements and have passed the required uniform national CPA written examination. Code of Alabama 1975, Section 34-1-8, authorized the board, from 1974 to 1978, to register applicants as public accountants (PA) who met all basic educational requirements or passed the board’s written examination. The board also registered, until 1974, applicants as public accountants who met all basic requirements of grandfather clause for public accountants. Holders of CPA and PA certificates engaging in the practice of public accounting must apply to the board for annual permits. The board may renew the permits if practitioners have met the continuing education requirements and paid the required fee. Holders of CPA or PA certificates who are not retired and not engaged in the practice of public accounting must also register annually with the board and pay an annual registration fee. The board may also issue temporary annual permits to certified public accountants licensed by other states for the purpose of enabling such persons to fulfill specific accounting engagements or employments in Alabama.

- **Registering Public Accounting Firms.** Code of Alabama 1975, Sections 34-1-6 and 34-1-9, mandate that all firms engaged in this state in the practice of public accounting including sole proprietorships, partnerships, professional corporations, professional associations, limited liability companies, limited liability partnerships, or any other form of business entity recognized by Alabama law, must register with the board. The board reviews the applications and issues annual permits to those firms that meet the
registration requirements.

- **Conducting Investigations and Hearings.** In accordance with Code of Alabama 1975, Section 34-1-14, the board may initiate investigations against a certificate holder either on its own motion or on the complaint of any person. An investigative committee, consisting of a board member, the board’s executive director, and a consultant, investigates the complaint to determine whether there is probable cause for disciplinary proceedings. The board may enter informal settlements with the licensee or may take other disciplinary actions such as suspension or revocation of certificate and permit to practice.

- **Administering Office Operations.** A significant portion of the Alabama State Board of Public Accountancy mandate includes general administrative, financial, and personnel activities geared toward the programmatic areas of the board. The activities of this subfunction are gathered together under the headings: general administrative, managing records, managing information systems and technology, budgeting, purchasing, accounting, traveling, auditing, contracting, bidding, hiring and recruiting staff, compensating staff, benefitting staff, supervising staff, inventorying property, and leasing/renting.

**General administrative:** This section involves the activities of facilitating or managing the work of the agency.

**Managing records:** The Alabama State Board of Public Accountancy maintains a records management program to document the storage, transfer, and disposition of its records.

**Managing information systems and technology:** The board is charged with the responsibility of planning, directing, and supervising all internal data processing, computer and office systems. The scope of services related to information systems management includes resource planning, systems analysis, application design and programming, microcomputer and personal computer (PC) procurement, installation and maintenance, training, telecommunications planning and support, end user technical assistance and support, departmental computer services, response to information requests, and management consultation.

**Budgeting:** In order to comply with the Budget Management Act of 1976, the Alabama State Board of Public Accountancy prepares annually a budget request/operations plan package and submits it to the Department of Finance. During the course of the fiscal year, the board makes expenditures, allotments, and operations plan amendments, and submits performance reports to the Department of Finance.

**Purchasing:** Code of Alabama 1975, Title 41, Chapter 4 establishes a mechanism under the authority of the Department of Finance for the purchase of all personal property by the
Alabama State Board of Public Accountancy. This mechanism provides procedures for requisitioning and purchasing supplies and equipment, receipting and invoicing for goods, and authorizing payment for products.

**Accounting:** The board accounts for the expenditure, encumbrance, disbursement, and reconciliation of funds within the department’s budget through a uniform system of accounting and reporting. This activity is performed for all funds, both federal and state.

**Traveling:** The board members and its staff travel both in-state and out-of-state to attend professional meetings or to deliver speeches. Prior to travel, staff members request and gain approval for the trip. Upon return, staff members request reimbursement for expenses.

**Auditing:** Code of Alabama 1975, Title 41, Chapter 5 establishes a regular cycle of auditing and examining the financial transactions of every state agency/department by the Examiners of Public Accounts to verify the accuracy of agency information. This process ensures the accountability of government agencies and officials for the expenditure of public funds.

**Contracting:** In order to purchase supplies and to ensure the performance of certain jobs or services, the department may contract with outside companies or individuals. Code of Alabama 1975, Title 41, Chapter 16 establishes a mechanism to allow all state agencies to establish contracts for supplies, equipment, and services. The state bid law establishes a $7500 limit over which competitive bidding must take place to establish a contract. Professional service contracts are exempt from this statute to allow for the hiring of the most qualified individual or company.

**Bidding:** Code of Alabama 1975, Sections 41-16-20 through 32 and 50 through 63, establish the procedures for local and state agencies to bid for products and services.

**Hiring and recruiting staff:** In order to maintain a quality workforce, the board advertises and recruits eligible individuals to fill vacant positions in accordance with the state’s merit system law.

**Compensating staff:** Code of Alabama 1975, Title 41, Chapter 4 establishes the mechanism whereby state employees receive their salary by state warrants issued by the Division of Control and Accounts of the Department of Finance. The board is responsible for verifying the correctness of the data and maintains records documenting salary and wages, deductions for taxes, and hours worked.

**Benefitting staff:** Code of Alabama 1975, Title 36 establishes the state merit system with its accompanying compensation and benefits package which includes such employer provided benefits as health insurance, unemployment compensation, workman’s
compensation, injury compensation, retirement, and death benefits, as well as such administratively supported but employee-funded benefits as additional life and health insurance, tax-deferral plans, automatic deposit, charitable donation deductions, and savings plans.

**Supervising staff:** The activities forming the processes of supervising and establishing documentation of an employee’s work history include promoting, demoting, evaluating performance, granting leave, and monitoring the accumulation of leave.

**Inventorying property:** According to Code of Alabama 1975, Section 36-16-8, each agency must send to the State Auditor a list of all non-consumable property valued at over $500 excluding books. Each department and agency must account for the property items on their inventory. Examiners of Public Accounts may audit the property and records of property in the agency or at the offices of the State Auditor.

**Leasing/Renting:** According to Code of Alabama 1975, Section 41-4-17, the Department of Finance charges rent for use and occupancy of any building owned by the state located in the capitol complex or any other building maintained by Finance. Agencies must negotiate for the lease or rent of their offices, subject to approval by the Department of Finance, if the agencies do not own the property.

*Completed: August 1998*

*Attachment: Organizational Chart*
Analysis of Record Keeping System and Records Appraisal of the Alabama State Board of Public Accountancy

Sources of Information

Brenda W. Holden, Administrative Assistant I

Agency Record Keeping System

The Alabama State Board of Public Accountancy currently operates a hybrid record keeping system composed of paper-based record keeping and a computer system.

Paper-based Systems: Most of the board’s records are created and maintained in paper form. The board does not have a paper records management procedural manual for guiding staff in records storage, transfer, and disposition activities.

Computer Systems: The current information system of the Alabama Board of Public Accountancy utilizes Hewlett Packard personal computers running Windows NT Version 4.0 on the board’s server and work stations. All personal computers are connected to the server through a token ring located in the RSA Plaza Building. The board is not connected with the state’s mainframe. Staff members have access to the Internet through the Information Service Division.

The following databases are maintained on the board’s server:
(1) Board of Accountancy Main Database--created and used to maintain licensing information on certified public accountants (CPA), public accountants (PA), registered accounting firms, temporary annual permits (TAP) holders, and CPA examination candidate history.

(2) CPA/PA Report Database--created and used to document/balance payments received from individual licensees, to maintain listings of employees employed by registered accounting firms, and to print all permit cards, rosters, labels, and renewal forms for licensees.

(3) CPA Examination Report Database--created and used to document/balance payments received for the CPA examinations, to record and update examination scores, to generate examination seat assignments, and to print all necessary labels and the CPA candidate rosters.

(4) Firm Report Database--created and used to document/balance payments received from registered accounting firms, and to maintain and print all necessary permits, labels, and rosters.

(5) Temporary Annual Permits Database--created and used to document/balance payments received from applicants for temporary annual permits to practice accounting in the state, and to maintain and print all necessary permits, labels, and rosters.
The board staff members complete backup procedures every night. The board plans to establish a web site in the future.

**Records Appraisal**

The following is a discussion of the two major categories of records created and/or maintained by the Alabama State Board of Public Accountancy: Temporary Records and Permanent Records.

**I. Temporary Records.** Temporary records should be held for what is considered to be their active life and disposed of once all fiscal, legal, and administrative requirements have been met. Some of the temporary records created by the board are discussed below:

- **Certified Public Accountant / Public Accountant Licensure and Registration Files.** The board is responsible for issuing certificates of certified public accountants and annual permits to qualified applicants. These files serve as evidence of the scope of a licensee’s professional accounting practice in this state from initial licensing to the final separation. These records document the history of the licensee and should be maintained long enough to cover the career span of an individual licensee as these files may be needed from time to time by the board for licensing, revocation, and reinstatement purposes. Records of deceased licensees may be destroyed once they have met audit/compliance review and reference requirements.

- **Uniformed Certified Public Accountant Examination Attendance Forms.** This form, the first page of the examination booklet, is completed by the examinee and retained by the board as a record of attendance. Information on the page includes examinee’s assigned number, name and address of the examinee, statement of confidentiality regarding the release of examination questions to any individual or entity, and signature of the examinee. The board maintains these pages until results of examinations are received and documented.

- **Transitory Records.** These are records created for short-term, internal purposes, as opposed to communications which document the program functions of an agency or perpetuate knowledge. Transitory records do not set policy. They do not establish guidelines or procedures, certify a transaction, or become a receipt. These records are not filed or appropriate for filing because they serve no documentary purpose. Transitory records are messages that might include, but are not limited to: telephone call-back messages; drafts of ordinary documents not needed for their evidential value; copies of material sent for information purposes but not needed by the receiving office for future business; and internal communications about department social activities, such as a note to a group going to lunch.
II. Permanent Records. The Government Records Division recommends the following records as permanent.

Promulgating Rules and Regulations:

- **Accountancy Laws of Alabama.** The board publishes and updates this volume periodically for public distribution. Included are excerpts from the Code of Alabama, the Administrative Code, and program-related forms. This publication documents all professional rules, regulations, and procedures governing the practice of public accountancy in Alabama. *(Bibliographic Title: Accountancy Laws of Alabama)*

Licensing and Registering Public Accounting Professionals:

- **Annual Registers.** Code of Alabama 1975, Section 34-1-3 (k) requires the board to print and publish an annual register that contains names of the board members and all persons/firms licensed/registered to practice public accounting in Alabama. Information available on the annual register includes name, address, telephone number, license number, and type of license. The register provides the best source of information on the membership of the public accountancy profession in this state. *(Bibliographic Title: Annual Registers)*

Registering Public Accounting Firms:

Permanent records documenting this subfunction are found in the Annual Registers as described in the Licensing and Registering Public Accounting Professionals subfunction.

Investigating Consumer Complaints and Violations:

Permanent records documenting this subfunction are found in the Meeting Minutes of the Board as described in the Administering Office Operations subfunction.

Administering Office Operations:

- **Meeting Minutes of the Board.** The board holds regular meetings in March, May, September, and November each year. The chair or three or more members of the board may request special meetings if needed. These records document proposed and executed proceedings of meetings. They are the core documentation of the board’s policy making and other program related functions. *(Bibliographic Title: Meeting Minutes)*

Completed: August 1998
Permanent Records List
Function: Regulatory
Alabama State Board of Public Accountancy

Promulgating Rules and Regulations:

1. Accountancy Laws of Alabama

Licensing and Registering Public Accounting Professionals:

1. Annual Registers

Administering Office Operations:

1. Meeting Minutes of the Board
Alabama State Board of Public Accountancy Records Disposition Authority

This Records Disposition Authority (RDA) lists records created and maintained by the Alabama State Board of Public Accountancy in carrying out its mandated functions and activities. The RDA establishes the retention and disposition requirements for those records as approved by the State Records Commission and serves as the legal authority for the agency to implement the disposition instructions.

Explanation of Records Requirements

- This RDA supersedes any previous records disposition schedules governing the retention of records in Alabama State Board of Public Accountancy.

- The statement “retain for useful life” means that when records are no longer useful to the agency and have met their fiscal, administrative, and/or legal needs, they should be destroyed.

- Many temporary records listed within the Administering Office Operations subfunction of this RDA represent duplicate copies of long-term and permanent records maintained by other agencies. For example, records management documentation maintained by the agency until the completion of one audit and release of the audit report is maintained as a permanent record by the Department of Archives and History.

- Temporary records documenting the receipt and expenditure of funds and whose retention states “retain until completion of one audit and the release of the audit report” should be maintained through the completion of one external audit by the Examiners of Public Accounts. Neither the conduct of an independent audit nor an internal audit will satisfy the requirements of this retention.

- Transitory records are those records created for short-term, internal purposes, as opposed to communications which document the program functions of an agency or perpetuate knowledge. They should be retained for their useful life and then destroyed.

- Electronic mail is a communications tool that may record permanent or temporary information. Review the retention periods for the appropriate subfunctional areas to determine the retention periods for e-mail records.

- The RDA establishes a minimum time limit for which the documentation of a subfunction must be maintained regardless of the format of that documentation.
Records Disposition Requirements

This section of the RDA is arranged by subfunctions of the Alabama State Board of Public Accountancy and lists the groups of records created and/or maintained by the board as a result of activities and transactions performed in carrying out these subfunctions. The board may submit requests to revise specific records disposition requirements to the State Records Commission for consideration at its regular quarterly meetings.

- **Promulgating Rules and Regulations**

  ACCOUNTANCY LAWS OF ALABAMA
  Disposition: PERMANENT RECORD.

- **Licensing and Registering Public Accounting Professionals**

  ANNUAL REGISTERS
  Disposition: PERMANENT RECORD.

  Certified Public Accountant (CPA) Licensure and Registration Files
  Disposition: Temporary Record. Retain 5 years after the death of a licensee is verified.

  Public Accountant (PA) Licensure and Registration Files
  Disposition: Temporary Record. Retain 5 years after the death of a licensee is verified.

  Approved Continuing Education Course Files
  Disposition: Temporary Record. Retain 5 years.

  Potential Applicant College Course Evaluation Files
  Disposition: Temporary Record. Retain 5 years.

  Uniformed Certified Public Accountant Examination Attendance Forms
  Disposition: Temporary Record. Retain until results of examinations are received and documented.

  Registration Logs
  Disposition: Temporary Record. Retain for useful life.

  Temporary Annual Permit Application Files
  Disposition: Temporary Record. Retain 5 years.

  Blank annual permits
  Disposition: Temporary Record. Retain until the completion of one audit and the release of the audit report.
Board of Accountancy Main Database  
Disposition: Temporary Record. Retain for useful life.

CPA/PA Report Database  
Disposition: Temporary Record. Retain for useful life.

CPA Examination Report Database  
Disposition: Temporary Record. Retain for useful life.

Temporary Annual Permits Database  
Disposition: Temporary Record. Retain for useful life.

- **Registering Public Accounting Firms**

  Certified Public Accountant (CPA) Firm Registration Files  
  Disposition: Temporary Record. Retain 5 years after closure of the firm.

  Public Accountant (PA) Firm Registration Files  
  Disposition: Temporary Record. Retain 5 years after closure of the firm.

  Firm Report Database  
  Disposition: Temporary Record. Retain for useful life.

- **Conducting Investigations and Hearings**

  Consumer Complaint and Violation Investigation Files  
  Disposition: Temporary Record. Retain 5 years after the death of a licensee is verified

- **Administering Office Operations**

  **General Administrative:**
  MEETING MINUTES OF THE BOARD  
  Disposition: PERMANENT RECORD.

  General Correspondence/Memoranda  
  Disposition: Temporary Record. Retain 3 years.

  Reference Files  
  Disposition: Temporary Record. Retain for useful life.

  Telephone Records  
  Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report.
Mail or Parcel Service Pickup/Delivery Receipts
Disposition: Temporary Record. Retain 1 year.

Press Service Files
Disposition: Temporary Record. Retain for useful life.

Printing Service Request Files
Disposition: Temporary Record. Retain for useful life.

Printing Negatives and Plates
Disposition: Temporary Record. Retain until obsolete.

Managing records:
Records documenting the implementation of the board’s approved RDA, including copies of transmittals for records transferred to the State Records Center and records transferred to the Department of Archives and History, and the board’s annual reports to the State Records Commission.
Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report after the creation of the records.

Copies of RDA
Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report after the RDA is superseded.

Managing information systems and technology:
System documentation (hardware/software manuals and diskettes, warranties, records of access/authorities, file naming conventions)
Disposition: Temporary Record. Retain documentation of former system until all records of continuing value have been migrated to current system (includes records on backup tapes).

Budgeting:
Records documenting the preparation of a budget package and reporting of the status of funds, requesting amendments of allotments, and reporting program performance
Disposition: Temporary Record. Retain until completion of one audit and release of the audit report.

Purchasing:
Records documenting the requisitioning and purchasing of supplies and equipment, receipting and invoicing for goods, and authorizing payment for products
Disposition: Temporary Record. Retain until the completion of one audit and the release of the audit report.
Accounting:
Records of original entry - journals, registers, and ledgers - and funds deposited outside the State Treasury, such as bank statements.
Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report.

Auditing:
Disposition: Temporary Record. Retain until completion of two successive audits and the release of the audit reports.

Traveling:
Records documenting requests for authorization from supervisors to travel on official business either within or outside the state, and other related materials, such as travel reimbursement forms
Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report.

Contracting:
Records documenting contracts for supplies, equipment, and services
Disposition: Temporary Record. Retain 6 years after expiration of the contract.

Bidding:
Records documenting the bid process, including requests for proposals and unsuccessful responses
Disposition: Retain in office (Code of Alabama 1975, Sections 41-16-20 to 41-16-24)

Hiring and recruiting staff:
Job recruitment materials
Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report.

Compensating staff:
Records documenting salary and wages
Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report.

Records documenting employee hours worked, leave earned, and leave taken
Disposition: Temporary Record. Retain until completion of one audit and the release of the audit report.

Records documenting sick leave donations
Disposition: Temporary Record. Retain 3 years.

Records documenting annual cumulative leave statements
Disposition: Temporary Record. Place in employee’s personnel file for retention.
Records of final leave status (generally recorded on the form 11)
Disposition: Temporary Record. Retain record of individual employees’ cumulative leave 6 years after separation of employee from the agency.

**Benefitting staff:**
Records documenting payroll deductions for tax purposes
Disposition: Temporary Record. Retain 5 years after tax year.

Records documenting the administration of the unemployment compensation program
Disposition: Temporary Record. Retain 5 years after creation.

Records documenting the worker’s compensation program
Disposition: Temporary Record. Retain 12 years after creation.

Records documenting the State Employee Injury Compensation Trust Fund claims
Disposition: Temporary Record. Retain 35 years after creation.

**Supervising staff:**
Records documenting an employee’s work history - generally maintained as a case file
Disposition: Temporary Record. Retain 6 years after separation of employee from the agency.

Records documenting position classifications
Disposition: Temporary Record. Retain 4 years after reclassification of position.

Records documenting the employee appeal to the Personnel Board of formal reprimands, demotions, transfers, or terminations
Disposition: Temporary Record. Retain 5 years.

**Inventorying:**
Records documenting the conduct of the semiannual property inventories
Disposition: Retain in office. (Code of Alabama 1975, Section 36-16-8 [1])

Records affirming the accuracy of the agency’s property inventory
Disposition: Temporary Record. Retain 3 years.

**Leasing/Renting**
Leasing/Renting property files
Disposition: Temporary Record. Retain 6 years after expiration of the lease.

Housekeeping and maintenance records
Disposition: Temporary Record. Retain 3 years.

Insurance policies
Disposition: Temporary Record. Retain 3 years after superseded.
Approval of Records Disposition Authority

By signing this agreement the Alabama State Board of Public Accountancy acknowledges its responsibilities for the proper management of its records and agrees to abide by the implementation guidelines listed below:

- The Alabama State Board of Public Accountancy should designate a managerial position as the agency records officer. This position would be responsible for ensuring the development of quality record keeping systems that meet the business and legal needs of the board, for coordinating the transfer and destruction of records, and for ensuring the regular implementation of the board’s approved RDA.

- The Alabama State Board of Public Accountancy agrees to keep a signed copy of the RDA, to develop procedures for its regular implementation, to document the destruction of the records, and to submit a report on the records management activities to the State Records Commission in October of each year.

- Despite the provisions of this authorization, no records should be destroyed that are necessary for agency compliance with requirements for the state Sunset Act, agency audit, any legal notice or subpoena, or reasonable precautions in anticipation of possible investigatory actions.

- Permanent records, while in the custody of the board, should be maintained in a secure environment, in a usable order, and under environmental conditions that will ensure their continued preservation.

- The Alabama State Board of Public Accountancy agrees to allow the State Records Commission, its staff, and the Examiners of Public Accounts to examine into the condition of the permanent records maintained in the custody of the board and to inspect documentation on the destruction of public records.

By: ________________________________________________    Date: ____________
   J. Lamar Harris, CPA, Executive Director
   Alabama State Board of Public Accountancy

By: ________________________________________________     Date: ____________
   Edwin C. Bridges, Chairman
   State Records Commission