

# **The Impact of Sarbanes Oxley and the Era of Corporate Governance on Nonprofit Organizations**

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### **AICPA: Audit Committee Tool-Kit**

<http://www.aicpa.org/Audcommctr/toolkitsnpo/homepage.htm>

#### **Includes:**

- Audit Committee Charter Matrix
- Financial Expertise
- Sample RFP for CPA Services
- Independence and Related Issues
- Peer Review of CPA Firms
- Fraud and the Audit Committee
- Hiring the Chief Audit Executive
- Hiring External Experts
- Internal Control
- Evaluation of the Auditors Engagement Letter
- Unique Transactions and Fin. Relationships
- Tracking Report (Whistleblowers)
- Conducting an Exec. Session
- Issues Report from Management
- Discussions with Indp. Auditors
- Evaluating Indp. Auditors
- Evaluating Internal Audit Team
- Audit Committee Self Evaluation
- Single Audit Act Issues
- Resources for Audit Committees

### **Principles and Practices for Non-Profit Excellence**

<http://www.ctnonprofits.org/Content/NonProfitResources/PrinciplesAndPracticesForWeb.pdf>



## **SAMPLE- Conflict of Interest Policy**

For Officers, Directors and Staff Members

No member of the [Name of Nonprofit] Board of Directors or Staff shall derive any personal profit or gain, directly or indirectly, by reason of his or her participation in the [Name of Nonprofit]. Each individual shall disclose to the [Name of Nonprofit] any personal interest which he or she may have in any matter pending before the organization and shall refrain from participation in any decision on such matter. Any member of the [Name of Nonprofit]'s Board of Directors or Staff shall refrain from obtaining any list of [Name of Nonprofit] clients for personal or private solicitation purposes at any time during the term of their affiliation.

In addition to my service for [Name of Nonprofit], at this time I am a Board member or an employee of the following organizations:

- 1.
- 2.

This is to certify that I, except with regard to carrying out my duties as an officer, director or staff member of the [Name of Nonprofit] or as described below, am not now nor at any time during the past year have been:

- 1) A participant, directly or indirectly, in any arrangement, agreement, investment, or other activity with any vendor, supplier, or other party; doing business with the [Name of Nonprofit] which has resulted or could result in person benefit to me.
- 2) A recipient, directly or indirectly, of any salary payments or loans or gifts of any kind or any free service or discounts or other fees from or on behalf of any person or organization engaged in any transaction with the [Name of Nonprofit].

Any exceptions to 1 or 2 above are stated below with a full description of the transactions and of the interest, whether direct or indirect, which I have (or have had during the past year) in the persons or organizations having transactions with the [Name of Nonprofit].

Signature: \_\_\_\_\_ Date \_\_\_\_\_

Source: Nonprofit Risk Management Center, (202) 785-3891 or [www.nonprofitrisk.org](http://www.nonprofitrisk.org).



## **Sample Document Retention and Destruction Policy**

Sample policy language can streamline the policy adoption process and is a good starting point. But it is never a good idea to simply insert your organization's name and present the document to the board for approval. The policy **MUST** be discussed and tailored to reflect your organization's culture and to conform to your other policies.

*This sample policy is distributed with the understanding that we are not engaged in rendering legal or accounting counsel. You are urged to seek professional services to address your specific concerns.*

### **I. Purpose**

In accordance with the Sarbanes-Oxley Act, which makes it a crime to alter, cover up, falsify, or destroy any document with the intent of impeding or obstructing any official proceeding, this policy provides for the systematic review, retention and destruction of documents received or created by *ABC Organization* in connection with the transaction of organization business. This policy covers all records and documents, regardless of physical form, contains guidelines for how long certain documents should be kept and how records should be destroyed. The policy is designed to ensure compliance with federal and state laws and regulations, to eliminate accidental or innocent destruction of records and to facilitate ABC Organization's operations by promoting efficiency and freeing up valuable storage space.

### **II. Document Retention**

ABC Organization follows the document retention procedures outlined below. Documents that are not listed, but are substantially similar to those listed in the schedule will be retained for the appropriate length of time.

### **III. Corporate Records**

Annual Reports to Secretary of State/Attorney General	Permanent
Articles of Incorporation	Permanent
Board Meeting and Board Committee Minutes	Permanent
Board Policies/Resolutions	Permanent
By-laws	Permanent
Construction Documents	Permanent
Fixed Asset Records	Permanent
IRS Application for Tax-Exempt Status (Form 1023)	Permanent
IRS Determination Letter	Permanent
State Sales Tax Exemption Letter	Permanent
Contracts (after expiration)	7 years
Correspondence (general)	3 years

### **Accounting and Corporate Tax Records**

Annual Audits and Financial Statements	Permanent
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Depreciation Schedules	Permanent
General Ledgers	Permanent
IRS 990 Tax Returns	Permanent
Business Expense Records	7 years
IRS 1099s	7 years
Journal Entries	7 years
Invoices	7 years
Sales Records (box office, concessions, gift shop)	5 years
Petty Cash Vouchers	3 years
Cash Receipts	3 years
Credit Card Receipts	3 years
<u>Bank Records</u>	
Check Registers	Permanent
Bank Deposit Slips	7 years
Bank Statements and Reconciliation	7 years
Electronic Fund Transfer Documents	7 years
<u>Payroll and Employment Tax Records</u>	
Payroll Registers	Permanent
State Unemployment Tax Records	Permanent
Earnings Records	7 years
Garnishment Records	7 years
Payroll Tax returns	7 years
W-2 Statements	7 years
<u>Employee Records</u>	
Employment and Termination Agreements	Permanent
Retirement and Pension Plan Documents	Permanent
Records Relating to Promotion, Demotion or Discharge	7 years after termination
Accident Reports and Worker's Compensation Records	5 years
Salary Schedules	5 years
Employment Applications	3 years
I-9 Forms	3 years after termination
Time Cards	2 years
Donor Records and Acknowledgement Letters	7 years
Grant Applications and Contracts	5 years after completion
<u>Legal, Insurance and Safety Records</u>	



Appraisals	Permanent
Copyright Registrations	Permanent
Environmental Studies	Permanent
Insurance Policies	Permanent
Real Estate Documents	Permanent
Stock and Bond Records	Permanent
Trademark Registrations	Permanent
Leases	6 years after expiration
OSHA Documents	5 years
General Contracts	3 years after termination

#### **IV. Electronic Documents and Records**

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files, including records of donations made online, that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an email message, the message should be printed in hard copy and kept in the appropriate file or moved to an "archive" computer file folder. Backup and recovery methods will be tested on a regular basis.

#### **V. Emergency Planning**

ABC Organization's records will be stored in a safe, secure and accessible manner. Documents and financial files that are essential to keeping ABC Organization operating in an emergency will be duplicated or backed up at least every week and maintained off site.

#### **VI. Document Destruction**

ABC Organization's chief financial officer is responsible for the ongoing process of identifying its records, which have met the required retention period and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding.

Document destruction will be suspended immediately, upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.

#### **VII. Compliance**

Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against ABC Organization and its employees and possible disciplinary action against responsible individuals. The chief financial officer and finance committee chair will periodically review these procedures with legal counsel or the organization's certified public accountant to ensure that they are in compliance with new or revised regulations.



## **Sample Whistleblower Policy**

### **General**

{organization name} (Organization) Code of Ethics and Conduct ("Code") requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

### **Reporting Responsibility**

It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy.

### **No Retaliation**

No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Organization prior to seeking resolution outside the Organization.

### **Reporting Violations**

The Code addresses the Organization's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with someone in the Human Resources Department or anyone in management whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Organization's Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization's open door policy, individuals should contact the Organization's Compliance Officer directly.

### **Compliance Officer**

The Organization's Compliance Officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his discretion, shall advise the Executive Director and/or the audit committee. The Compliance Officer has direct access to the audit committee of the board of directors and is required to report to the audit committee at least annually on compliance activity. The Organization's Compliance Officer is the chair of the audit committee.

### **Accounting and Auditing Matters**

The audit committee of the board of directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Compliance Officer shall immediately notify the audit committee of any such complaint and work with the committee until the matter is resolved.

### **Acting in Good Faith**

Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

### **Confidentiality**

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

### **Handling of Reported Violations**

The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

**Signature of Audit Committee Compliance Officer**

**{organization name} Management Staff Signature**

### **Notes:**

- Provide this to your employees.
- Provide this to your vendors and clients, as well.
- Encourage communication between all areas of business and levels of management.
- Institute a hotline (anonymous reporting).
- Distribute the policy to all employees and board members annually.

