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**CORPORATE RESPONSIBILITY:
AVOIDING HOLES IN YOUR "SOX"**

Presented by Kimberly A. Pendo
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Due to recent public scandals involving high profile for-profit corporations and accounting firms, corporate ethics and governance are at the forefront of the public conscious. While the Sarbanes-Oxley Act of 2002 ("SOX Act") was primarily enacted in order to address issues within the for-profit sector, it serves as a strong reminder that it is the duty of all corporations (both for-profit and non-profit) to promote and ensure ethical practices and good corporate governance. This checklist is meant to provide guidance to the non-profit by setting forth the building blocks necessary to create an ethical and well run operation, while taking into consideration the dictates of the SOX Act.

I. CONFLICT OF INTEREST POLICY / CODE OF ETHICS

- A. Establish a broadly applicable Conflict of Interest Policy and a routine and effective means of enforcing it
- B. Create an atmosphere of full and frequent disclosure
- C. Consider establishing Codes of Ethics for staff, volunteers, and the industry or profession represented
- D. Beware of providing loans to the corporation's executives or directors
- E. Implement a policy prohibiting or limiting the acceptance of gifts and honoraria

II. AUDIT COMMITTEE

- A. Establish a separate audit committee of the board (depending on the size of the corporation)

- B. Ensure the independence of the members of the audit committee - no compensation for service on the audit committee and no conflicts of interest
- C. Include a "financial expert" on the audit committee
- D. Role of Audit Committee - Oversight of:
 - 1. Audit
 - 2. Internal controls and procedures
 - 3. Financial controls
 - 4. Selection of Auditor
 - 5. Relationship with Auditor
 - 6. Conflicts of Interest Policy
 - 7. Complaint process

III. REVIEW OF FINANCIAL STATEMENTS

- A. Conduct an external audit on an annual basis (or, depending on the size of the entity, at least an annual review by an outside accounting firm)
- B. Audit Committee should review the audit and report to the full board
- C. Require the CEO and CFO to sign off on all financial statements, including Form 990 Information Returns, to ensure accuracy and timeliness
- D. Review and approval of audit by full board
- E. Ensure timely, accurate and complete Form 990 Information Returns (no late filings unless absolutely necessary)
- F. Educate board members on understanding financial statements and asking the right questions
- G. Consider electronic filing of Form 990
- H. Comply with public disclosure requirements

IV. AUDITOR'S ROLE

- A. Rotate auditor or lead audit partner every 5 years
- B. Limit use of audit firm for non-audit services (with the exception of tax return preparation)
- C. Audit Committee to pre-approve any non-audit services

- D. Communicate with the Audit Committee re: critical accounting policies and procedures

V. DOCUMENT RETENTION AND DESTRUCTION

- A. Adopt and implement a record retention policy
- B. Maintain strict compliance with the record retention policy, including printed and electronic documents and documents housed outside the organization's headquarters

VI. WHISTLEBLOWER PROTECTION

- A. Adopt and implement a formal process to ensure confidential handling of all complaints and prevent retaliation against "whistle blowers"
- B. Investigate all complaints and take measures to correct problems

VII. AUTHORITY TO SPEAK FOR CORPORATION

- A. Adopt policies clearly stating who may speak for and represent the corporation
- B. Clearly define and create policies detailing volunteer and staff use of corporate titles/positions
- C. Identify who may use the corporation's letterhead and under what circumstances

Additional Resources:

www.ngelaw.com

www.boardsource.org

www.IndependentSector.org

www.associationforum.org