

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS



# RESEARCH

## **The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education**

### **Follow-Up Survey**

Responses collected  
December 2007 – January 2008

Number of responding institutions: 429

Sarbanes-Oxley Act of 2002: Recommendations for Higher Education  
Follow-Up Survey

**Number of responding Institutions: 429**  
**Response Rate: 20% (429 out of 2,151)**

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**Institutional Control**

Independent: 55%  
Public: 45%

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**Institutional Type**

2 Year: 16%  
4 Year: 80%  
Other: 3%

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**Institutional Sector of Responding  
Institutions**

Independent, 4-year: 54%  
Public, 4-year: 26%  
Independent, 2-year: 1%  
Public, 2-year: 15%  
Governing Board: 3%

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**Institutional Sector of Current,  
Regular NACUBO Members**

Independent, 4-year: 49%  
Public, 4-year: 24%  
Independent, 2-year: 2%  
Public, 2-year: 22%  
Governing Board: 3%

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**Notes on Displayed Data**

The number of responses vary by each question.  
Percentages may not add up to 100% due to rounding

**1.1 Are you a public institution where the audit committee represents a number of institutions within your system?**

	<u>N</u>	<u>%</u>
Yes	78	21%
No	291	79%

**1.2 An audit committee exists at your institution**

	<u>N</u>	<u>%</u>
Yes	353	91%
Plan to implement in the next 12 months	4	1%
Plan to implement but in more than 12 months	1	0%
Undecided	8	2%
Unlikely to implement	18	5%
Definitely will not implement	3	1%

**1.3 The audit committee is independent, meaning that management representatives do not have voting rights on the committee**

	<u>N</u>	<u>%</u>
Yes	340	97%
Plan to implement in the next 12 months	0	0%
Plan to implement but in more than 12 months	0	0%
Undecided	4	1%
Unlikely to implement	5	1%
Definitely will not implement	3	1%

**1.4 An audit committee charter exists**

	<u>N</u>	<u>%</u>
Yes	249	72%
Plan to implement in the next 12 months	17	5%
Plan to implement but in more than 12 months	2	1%
Undecided	49	14%
Unlikely to implement	25	7%
Definitely will not implement	3	1%

**1.5 The audit committee is required to perform a self-assessment against the responsibilities outlined in their charter**

	<u>N</u>	<u>%</u>
Yes	109	32%
Plan to implement in the next 12 months	24	7%
Plan to implement but in more than 12 months	12	4%
Undecided	139	41%
Unlikely to implement	48	14%
Definitely will not implement	6	2%

**1.6 At least one member of the audit committee is considered a "financial expert"**

	<u>N</u>	<u>%</u>
Yes	312	89%
Plan to implement in the next 12 months	3	1%
Plan to implement but in more than 12 months	4	1%
Undecided	17	5%
Unlikely to implement	14	4%
Definitely will not implement	0	0%

**2.1 The audit committee has oversight of your institution's annual financial statement audit**

	<b>N</b>	<b>%</b>
Yes	302	97%
Plan to implement in the next 12 months	0	0%
Plan to implement but in more than 12 months	0	0%
Undecided	7	2%
Unlikely to implement	2	1%
Definitely will not implement	1	0%

**2.2 The audit committee is involved in the selection of external auditors**

	<b>N</b>	<b>%</b>
Yes	284	97%
Plan to implement in the next 12 months	1	0%
Plan to implement but in more than 12 months	0	0%
Undecided	5	2%
Unlikely to implement	3	1%
Definitely will not implement	1	0%

**2.3 The audit committee evaluates the performance of the external auditors through a formal process**

	<b>N</b>	<b>%</b>
Yes	169	58%
Plan to implement in the next 12 months	10	3%
Plan to implement but in more than 12 months	5	2%
Undecided	68	24%
Unlikely to implement	36	12%
Definitely will not implement	1	0%

**2.4 The audit engagement letter is addressed to the audit committee rather than internal management**

	<b>N</b>	<b>%</b>
Yes	209	71%
Plan to implement in the next 12 months	11	4%
Plan to implement but in more than 12 months	4	1%
Undecided	30	10%
Unlikely to implement	29	10%
Definitely will not implement	11	4%

**2.5 The external auditors report the audit results directly to the audit committee**

	<b>N</b>	<b>%</b>
Yes	294	95%
Plan to implement in the next 12 months	1	0%
Plan to implement but in more than 12 months	2	1%
Undecided	3	1%
Unlikely to implement	6	2%
Definitely will not implement	4	1%

**2.6 The audit committee pre-approves non-audit services performed by the independent auditor**

	<b>N</b>	<b>%</b>
Yes	190	67%
Plan to implement in the next 12 months	7	2%
Plan to implement but in more than 12 months	0	0%
Undecided	47	16%
Unlikely to implement	33	12%
Definitely will not implement	8	3%

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**2.7 The external audit firm rotates the lead audit partner**

	N	%
Yes	200	61%
Plan to implement in the next 12 months	11	3%
Plan to implement but in more than 12 months	12	4%
Undecided	54	17%
Unlikely to implement	38	12%
Definitely will not implement	11	3%

**2.8 Does your institution have a policy for rotating external audit firms?**

	N	%
Yes	90	28%
No	231	72%

**2.9 In addition to the financial statement audit, what additional work, if any, does your external audit firm perform? (check all that apply)**

	N	%
Internal control review	106	28%
Fraud investigations	31	8%
Tax work	159	42%
IT systems implementations	13	3%
Indirect cost rate analysis	8	2%
Our external audit firm does not perform additional work	79	21%
N/A - we are a public institution that uses a state auditor	71	19%
Other*	51	13%

\* includes A-133 Audit and NCAA Audit

**3.1 Your institution has a code of ethics policy for senior management**

	N	%
Yes	263	67%
Plan to implement in the next 12 months	47	12%
Plan to implement, but in more than 12 months	10	3%
Undecided	60	15%
Unlikely to implement	10	3%
Definitely will not implement	1	0%

**3.2 Your institution has a code of ethics policy for staff below the level of senior management**

	N	%
Yes	232	59%
Plan to implement in the next 12 months	45	12%
Plan to implement, but in more than 12 months	16	4%
Undecided	77	20%
Unlikely to implement	18	5%
Definitely will not implement	2	1%

**3.3 Does your institution require the governing board to approve the code of ethics policy?**

	N	%
Yes	225	59%
No	158	41%

**3.4 Does your institution provide ethics training?**

	N	%
Yes	94	24%
No	295	76%

**3.5 Please indicate which groups are required to attend the training (check all that apply)**

	N	%
Executive management	69	82%
Senior management	70	83%
Staff	58	69%
Deans	58	69%
Faculty department or unit heads	45	54%
Faculty	35	42%
Other	14	17%

**3.6 Your institution has a conflict of interest policy for senior management**

	N	%
Yes	341	87%
Plan to implement in the next 12 months	23	6%
Plan to implement, but in more than 12 months	3	1%
Undecided	21	5%
Unlikely to implement	1	0%
Definitely will not implement	1	0%

**3.7 Your institution has a conflict of interest policy for staff below the level of senior management**

	N	%
Yes	276	71%
Plan to implement in the next 12 months	27	7%
Plan to implement, but in more than 12 months	14	4%
Undecided	53	14%
Unlikely to implement	16	4%
Definitely will not implement	2	1%

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**3.8 Does your institution require the governing board to approve  
the conflict of interest policy(ies)?**

	<b>N</b>	<b>%</b>
Yes	284	73%
No	104	27%

**3.9 Does your institution provide conflict of interest training?**

	<b>N</b>	<b>%</b>
Yes	77	20%
No	314	80%

**3.10 Please indicate which groups are required to attend the  
training (check all that apply)**

	<b>N</b>	<b>%</b>
Executive management	63	89%
Senior management	61	86%
Staff	48	68%
Deans	50	70%
Faculty department or unit heads	43	61%
Faculty	32	45%
Other*	9	13%

\* includes Board Members

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**4.1 Your institution has a confidential complaint mechanism for employees**

	<b>N</b>	<b>%</b>
Yes	255	65%
Plan to implement in the next 12 months	34	9%
Plan to implement, but in more than 12 months	15	4%
Undecided	74	19%
Unlikely to implement	13	3%
Definitely will not implement	1	0%

**4.2 What type of formal complaint mechanism does your institution use? (check all that apply)**

	<b>N</b>	<b>%</b>
Hotline - Externally administered	110	44%
Hotline - Internally administered	47	19%
Dedicated phone or fax number	43	17%
Dedicated email address	50	20%
Dedicated mailing address	25	10%
Suggestion box	32	13%
Other	62	25%

**4.3 What was the most important driver of your institution's decision to implement a formal complaint mechanism?**

	<b>N</b>	<b>%</b>
The Sarbanes-Oxley Act	77	31%
Federal regulation	13	5%
Fraud	13	5%
Internal control enhancement	57	23%
External audit recommendation	14	6%
Internal audit recommendation	13	5%
Institution's general counsel	9	4%
Institution's HR department	31	13%
Other	18	7%

**4.4 What violation categories does your institution's formal complaint mechanism capture? (check all that apply)**

	<b>N</b>	<b>%</b>
Human resources	201	81%
Accounting and finance	227	92%
Regulatory	188	76%
Environmental health and safety	173	70%
Academic affairs	136	55%
Information technology	152	61%
Athletics	115	46%
Research	106	43%
Other	14	6%

**4.5 Please indicate who reviews the nature and disposition of complaint mechanism submissions (check all that apply)**

	<b>N</b>	<b>%</b>
Human resources	119	48%
Board of directors	34	14%
Audit committee	80	32%
Legal counsel	92	37%
Internal audit	107	43%
Other	76	31%

**4.6 How is the data from your complaint reporting mechanism used? (check all that apply)**

	<b>N</b>	<b>%</b>
To benchmark complaint activity	56	23%
Management decisions are made from the data	108	44%
To mitigate future risk	180	73%
To inform training	95	39%
To inform policy	129	53%
For reports to audit committees and/or board	120	49%
Other	15	6%



**5.1 Managers with fiscal responsibility are required to certify financial results for which they are responsible**

	N	%
Yes	179	47%
Plan to implement in the next 12 months	13	3%
Plan to implement, but in more than 12 months	8	2%
Undecided (may or may not implement)	93	24%
Unlikely to implement	80	21%
Definitely will not implement	10	3%

**5.2 The CFO publicly certifies financial statement results**

	N	%
Yes	220	57%
Plan to implement in the next 12 months	8	2%
Plan to implement, but in more than 12 months	3	1%
Undecided (may or may not implement)	86	22%
Unlikely to implement	59	15%
Definitely will not implement	8	2%

**5.3 The CEO (president/chancellor) publicly certifies financial statement results**

	N	%
Yes	174	46%
Plan to implement in the next 12 months	7	2%
Plan to implement, but in more than 12 months	3	1%
Undecided (may or may not implement)	105	28%
Unlikely to implement	79	21%
Definitely will not implement	12	3%

**5.4 The CFO signs the Form 990 Tax Return**

	N	%
Yes	263	71%
Plan to implement in the next 12 months	7	2%
Plan to implement, but in more than 12 months	1	0%
Undecided (may or may not implement)	35	10%
Unlikely to implement	33	9%
Definitely will not implement	29	8%

**6.1 How is your institution approaching an assessment of internal controls over financial reporting (check all that apply)**

	<u>N</u>	<u>%</u>
Using the internal auditors	148	38%
Using the external auditors	212	55%
Outsourcing to a third party	39	10%
Using internal resources other than internal auditors	162	42%
No plans to assess	17	4%
Other	26	7%

**6.2 Management periodically reports on internal controls to the audit committee**

	<u>N</u>	<u>%</u>
Yes	191	49%
Plan to implement in the next 12 months	24	6%
Plan to implement, but in more than 12 months	15	4%
Undecided (may or may not implement)	85	22%
Unlikely to implement	32	8%
Definitely will not implement	3	1%
N/A -- the internal auditors report on such controls to the audit committee	37	10%

**6.3 Senior management is required to assert to the adequacy of internal controls (over financial reporting) as such controls relate to the financial statements**

	<u>N</u>	<u>%</u>
Yes	215	56%
Plan to implement in the next 12 months	20	5%
Plan to implement, but in more than 12 months	12	3%
Undecided (may or may not implement)	104	27%
Unlikely to implement	30	8%
Definitely will not implement	2	1%

**7.1 Were any control deficiencies identified in your most recent financial statement audit?**

	N	%
Yes	124	32%
No	243	63%
Don't know yet	20	5%

**7.2 Did any control deficiencies rise to the level of a significant deficiency**

	N	%
Yes	63	51%
No	59	48%
Don't know yet	1	1%

**7.3 Did your institution have any material weaknesses?**

	N	%
Yes	29	24%
No	94	76%
Don't know yet	0	0%

**7.4 In your institution's Circular A-133 compliance audit, did the number of control deficiencies exceed the typical or average number of reportable conditions noted in past audits?**

	N	%
Yes, by more than 50 percent	18	5%
Yes, but by less than 50 percent	20	5%
No	308	80%
Don't know yet	44	11%

**7.5 How did SAS 112 affect the length of time to complete your audit?**

	N	%
Increased the length of time to complete our audit	109	28%
Decreased the length of time to complete our audit	4	1%
Length of time stayed approximately the same	172	44%
Unable to determine at this time	102	26%

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**8.1 Does your institution have an internal audit function?**

	<b>N</b>	<b>%</b>
Yes, we have an in house internal audit function	162	42%
Yes, we outsource our internal audit function	17	4%
Yes, our internal audit function is a combination of of in house and outsourced	14	4%
No, we do not have an internal audit function	196	50%

**8.2 Your audit committee evaluates the performance of the internal auditors**

	<b>N</b>	<b>%</b>
Yes	121	66%
Plan to implement in the next 12 months	3	2%
Plan to implement, but in more than 12 months	3	2%
Undecided (may or may not implement)	25	14%
Unlikely to implement	24	13%
Definitely will not implement	8	4%

**8.3 The internal auditors report directly to the audit committee**

	<b>N</b>	<b>%</b>
Yes	115	62%
Plan to implement in the next 12 months	1	1%
Plan to implement, but in more than 12 months	1	1%
Undecided (may or may not implement)	23	12%
Unlikely to implement	36	19%
Definitely will not implement	9	5%

**8.4 Please indicate which SOX-related functions your internal audit**

	<b>N</b>	<b>%</b>
Assessment of organizational governance such as audit committee surveys	51	28%
Support to external auditors for financial statement audit	109	59%
Assessment of compliance with code of ethics	86	46%
Investigations of confidential complaints	155	84%
Assurance to support the financial certification process	59	32%
Assessment of internal controls over financial reporting	144	78%
Internal audits of financial statements	72	39%

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**9.1 Where does responsibility for Sarbanes-Oxley implementation practices reside at your institution? (check all that apply)**

	<b>N</b>	<b>%</b>
Office of the CFO	304	78%
Office of the Controller	137	35%
Internal audit department	56	14%
General Counsel	37	10%
Office of the President/Chancellor	47	12%
System office	34	9%
No role/responsibility	39	10%
Other	13	3%

**9.2 In general, what factors played a role in the planning/implementation of new policies (or procedures) at your institution related to the issues addressed in this survey? (i.e. governance, external auditors, ethics, confidential complaint mechanisms, financial certifications, and internal controls) Check all that apply**

	<b>N</b>	<b>%</b>
Senior management	317	82%
Board of directors	244	63%
NACUBO Advisory Report 2003-03, The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education	153	40%
Professional development programs addressing the Sarbanes-Oxley Act	87	23%
Governor or state legislature	48	12%
Technology ventures	9	2%
The student loan controversy	25	6%
SAS 112	120	31%
Media	9	2%
N/A - no new policies or procedures have been planned or implemented	22	6%
Other	20	5%

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS



# RESEARCH

## **The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education**

### **Follow-Up Survey Results by Sector**

Responses collected  
December 2007 – January 2008

Number of responding institutions: 429

**1.1 Are you a public institution where the audit committee represents a number of institutions within your system?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	0	0%	53	58%	15	25%
No	206	100%	38	42%	45	75%

**1.2 An Audit committee exists at your institution**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	209	98%	91	91%	41	68%
Plan to implement in the next 12 months	1	0%	1	1%	2	3%
Plan to implement, but in more than 12 months	1	0%	0	0%	0	0%
Undecided	1	0%	3	3%	3	5%
Unlikely to implement	2	1%	5	5%	11	18%
Definitely will not implement	0	0%	0	0%	3	5%

**1.3 The audit committee is independent, meaning that management representatives do not have voting rights on the committee**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	199	96%	88	97%	41	100%
Plan to implement in the next 12 months	0	0%	0	0%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	1	0%	3	3%	0	0%
Unlikely to implement	5	2%	0	0%	0	0%
Definitely will not implement	3	1%	0	0%	0	0%

**1.4 An audit committee charter exists**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	148	73%	68	76%	24	60%
Plan to implement in the next 12 months	16	8%	0	0%	1	3%
Plan to implement, but in more than 12 months	1	0%	1	1%	0	0%
Undecided	26	13%	12	13%	9	23%
Unlikely to implement	12	6%	6	7%	6	15%
Definitely will not implement	1	0%	2	2%	0	0%



**1.5 The audit committee is required to perform a self-assessment against the responsibilities outlined in their charter**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	74	37%	26	30%	8	20%
Plan to implement in the next 12 months	16	8%	6	7%	2	5%
Plan to implement, but in more than 12 months	8	4%	2	2%	2	5%
Undecided	78	39%	36	42%	15	38%
Unlikely to implement	22	11%	13	15%	12	30%
Definitely will not implement	2	1%	3	3%	1	3%

**1.6 At least one member of the audit committee is considered a "financial expert"**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	192	92%	81	91%	31	76%
Plan to implement in the next 12 months	2	1%	1	1%	0	0%
Plan to implement, but in more than 12 months	2	1%	1	1%	1	2%
Undecided	7	3%	1	1%	6	15%
Unlikely to implement	5	2%	5	6%	3	7%
Definitely will not implement	0	0%	0	0%	0	0%

**2.1 The audit committee has oversight of your institution's annual financial statement audit**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	201	98%	57	93%	35	97%
Plan to implement in the next 12 months	0	0%	0	0%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	4	2%	3	5%	0	0%
Unlikely to implement	0	0%	1	2%	0	0%
Definitely will not implement	0	0%	0	0%	1	3%

**2.2 The audit committee is involved in the selection of external auditors**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	203	98%	46	96%	29	91%
Plan to implement in the next 12 months	1	0%	0	0%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	2	1%	0	0%	3	9%
Unlikely to implement	0	0%	2	4%	0	0%
Definitely will not implement	1	0%	0	0%	0	0%

**2.3 The audit committee evaluates the performance of the external auditors through a formal process**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	126	62%	28	58%	13	42%
Plan to implement in the next 12 months	8	4%	1	2%	1	3%
Plan to implement, but in more than 12 months	4	2%	1	2%	0	0%
Undecided	43	21%	14	29%	7	23%
Unlikely to implement	21	10%	4	8%	9	29%
Definitely will not implement	0	0%	0	0%	1	3%

**2.4 The audit engagement letter is addressed to the audit committee rather than internal management**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	151	75%	27	54%	24	73%
Plan to implement in the next 12 months	7	3%	3	6%	1	3%
Plan to implement, but in more than 12 months	3	1%	1	2%	0	0%
Undecided	23	11%	5	10%	2	6%
Unlikely to implement	13	6%	10	20%	4	12%
Definitely will not implement	5	2%	4	8%	2	6%

**2.5 The external auditors report the audit results directly to the audit committee**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	200	98%	50	83%	34	94%
Plan to implement in the next 12 months	0	0%	1	2%	0	0%
Plan to implement, but in more than 12 months	2	1%	0	0%	0	0%
Undecided	1	0%	2	3%	0	0%
Unlikely to implement	0	0%	4	7%	2	6%
Definitely will not implement	1	0%	3	5%	0	0%

**2.6 The audit committee pre-approves non-audit services performed by the independent auditor**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	143	71%	25	54%	17	57%
Plan to implement in the next 12 months	6	3%	0	0%	1	3%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	30	15%	10	22%	4	13%
Unlikely to implement	18	9%	8	17%	4	13%
Definitely will not implement	4	2%	3	7%	1	3%

**2.7 The external audit firm rotates the lead audit partner**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	133	62%	38	64%	23	52%
Plan to implement in the next 12 months	8	4%	1	2%	1	2%
Plan to implement, but in more than 12 months	8	4%	1	2%	1	2%
Undecided	38	18%	6	10%	10	23%
Unlikely to implement	24	11%	7	12%	7	16%
Definitely will not implement	4	2%	6	10%	1	2%

**2.8 Does your institution have a policy for rotating external audit firms?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	42	19%	24	48%	21	49%
No	178	81%	26	52%	22	51%

**2.9 In addition to the financial statement audit, what additional work, if any, does your external audit firm perform? (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Internal control review	58	27%	18	20%	26	43%
Fraud investigations	14	7%	8	9%	7	12%
Tax work	137	64%	9	10%	11	18%
IT systems implementations	6	3%	4	4%	1	2%
Indirect costs rate analysis	4	2%	2	2%	2	3%
Our external audit firm does not perform additional work	46	21%	17	19%	14	23%
N/A -- we are a public institution that uses a state auditor	0	0%	50	56%	17	28%
Other	30	14%	10	11%	7	12%

**3.1 Your institution has a code of ethics policy for senior management**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	145	67%	70	71%	38	62%
Plan to implement in the next 12 months	25	11%	11	11%	9	15%
Plan to implement, but in more than 12 months	7	3%	1	1%	1	2%
Undecided	36	17%	13	13%	10	16%
Unlikely to implement	5	2%	3	3%	2	3%
Definitely will not implement	0	0%	0	0%	1	2%

**3.2 Your institution has a code of ethics policy for staff below the level of senior management**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	123	56%	67	69%	34	56%
Plan to implement in the next 12 months	25	11%	10	10%	8	13%
Plan to implement, but in more than 12 months	12	6%	2	2%	2	3%
Undecided	48	22%	12	12%	14	23%
Unlikely to implement	9	4%	6	6%	2	3%
Definitely will not implement	1	0%	0	0%	1	2%

**3.3 Does your institution require the governing board to approve the code of ethics policy?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	122	56%	52	56%	44	73%
No	94	44%	41	44%	16	27%

**3.4 Does your institution provide ethics training?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	27	12%	46	47%	17	28%
No	190	88%	51	53%	44	72%

**3.5 Please indicate which groups are required to attend the training (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Executive management	18	75%	31	84%	16	89%
Senior management	18	75%	33	89%	15	83%
Staff	15	63%	27	73%	12	67%
Deans	13	54%	29	78%	13	72%
Faculty department or unit heads	9	38%	23	62%	10	56%
Faculty	7	29%	18	49%	7	39%
Other	3	13%	6	16%	5	28%

**3.6 Your institution has a conflict of interest policy**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	193	88%	91	94%	45	76%
Plan to implement in the next 12 months	16	7%	3	3%	4	7%
Plan to implement, but in more than 12 months	3	1%	0	0%	0	0%
Undecided	8	4%	3	3%	8	14%
Unlikely to implement	0	0%	0	0%	1	2%
Definitely will not implement	0	0%	0	0%	1	2%

**3.7 Your institution has a conflict of interest policy for staff below the level of senior management**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	146	67%	85	89%	35	58%
Plan to implement in the next 12 months	21	10%	3	3%	3	5%
Plan to implement, but in more than 12 months	11	5%	1	1%	2	3%
Undecided	30	14%	6	6%	13	22%
Unlikely to implement	9	4%	1	1%	6	10%
Definitely will not implement	1	0%	0	0%	1	2%

**3.8 Does your institution require the governing board to approve the conflict of interest policy(ies)?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	170	77%	58	62%	47	78%
No	50	23%	36	38%	13	22%

Sarbanes-Oxley Act of 2002: Recommendations for Higher Education  
Follow-Up Survey

**3.9 Does your institution provide conflict of interest training?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	25	11%	37	38%	13	22%
No	196	89%	60	62%	46	78%

**3.10 Please indicate which groups are required to attend the training (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Executive management	20	87%	29	91%	12	86%
Senior management	19	83%	30	94%	10	71%
Staff	13	57%	26	81%	7	50%
Deans	13	57%	28	88%	8	57%
Faculty department or unit heads	12	52%	26	81%	4	29%
Faculty	9	39%	18	56%	4	29%
Other	2	9%	3	9%	4	29%

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**4.1 Your institution has a confidential complaint mechanism for employees**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	136	62%	74	76%	36	60%
Plan to implement in the next 12 months	22	10%	7	7%	4	7%
Plan to implement, but in more than 12 months	12	5%	2	2%	1	2%
Undecided	44	20%	12	12%	14	23%
Unlikely to implement	6	3%	3	3%	4	7%
Definitely will not implement	0	0%	0	0%	1	2%

**4.2 What type of formal complaint mechanism does your institution use? (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Hotline - Externally administered	52	39%	43	59%	8	24%
Hotline - Internally administered	25	19%	16	22%	4	12%
Dedicated phone or fax number	18	13%	23	32%	0	0%
Dedicated email address	25	19%	18	25%	3	9%
Dedicated mailing address	12	9%	10	14%	2	6%
Suggestion box	15	11%	11	15%	6	18%
Other	32	24%	11	15%	18	53%

**4.3 What was the most important driver of your institution's decision to implement a formal complaint mechanism?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
The Sarbanes-Oxley Act	51	38%	15	21%	6	17%
Federal regulation	5	4%	7	10%	1	3%
Fraud	5	4%	5	7%	1	3%
Internal control enhancement	28	21%	21	30%	7	20%
External audit recommendation	9	7%	2	3%	2	6%
Internal audit recommendation	5	4%	6	8%	2	6%
Institution's general counsel	4	3%	3	4%	2	6%
Institution's HR department	17	13%	1	1%	13	37%
Other	6	5%	11	15%	1	3%



**4.4 What violation categories does your institution's formal complaint mechanism capture? (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Human resources	105	78%	61	85%	30	88%
Accounting and finance	124	93%	68	94%	29	85%
Regulatory	97	72%	62	86%	23	68%
Environmental health and safety	87	65%	55	76%	26	76%
Academic affairs	65	49%	43	60%	24	71%
Information technology	75	56%	49	68%	23	68%
Athletics	51	38%	44	61%	15	44%
Research	48	36%	46	64%	7	21%
Other	6	4%	3	4%	3	9%

**4.5 Please indicate who reviews the nature and disposition of complaining mechanism submissions (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Human resources	65	49%	34	47%	18	55%
Board of directors	18	13%	6	8%	9	27%
Audit committee	57	43%	17	23%	5	15%
Legal counsel	46	34%	30	41%	12	36%
Internal audit	33	25%	58	79%	10	30%
Other	40	30%	21	29%	12	36%

**4.6 How is the data from your complaint reporting mechanism used? (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
To benchmark complaint activity	24	18%	24	34%	4	12%
Management decisions are made from the data	57	43%	33	46%	15	45%
To mitigate future risk	89	67%	58	82%	26	79%
To inform training	45	34%	33	46%	10	30%
To inform policy	66	50%	42	59%	14	42%
For reports to audit committees and/or board	68	51%	36	51%	11	33%
Other	11	8%	3	4%	0	0%

**5.1 Managers with fiscal responsibility are required to certify financial results for which they are responsible**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	84	39%	54	56%	31	53%
Plan to implement in the next 12 months	6	3%	5	5%	2	3%
Plan to implement, but in more than 12 months	6	3%	2	2%	0	0%
Undecided	60	28%	23	24%	9	16%
Unlikely to implement	54	25%	9	9%	15	26%
Definitely will not implement	5	2%	4	4%	1	2%

**5.2 The CFO publicly certifies financial statement results**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	103	48%	70	72%	34	59%
Plan to implement in the next 12 months	2	1%	2	2%	4	7%
Plan to implement, but in more than 12 months	3	1%	0	0%	0	0%
Undecided	63	29%	14	14%	9	16%
Unlikely to implement	41	19%	8	8%	10	17%
Definitely will not implement	4	2%	3	3%	1	2%

**5.3 The CEO (president/chancellor) publicly certifies financial statement results**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	77	36%	58	60%	31	53%
Plan to implement in the next 12 months	0	0%	3	3%	4	7%
Plan to implement, but in more than 12 months	3	1%	0	0%	0	0%
Undecided	71	33%	19	20%	11	19%
Unlikely to implement	56	26%	12	13%	10	17%
Definitely will not implement	6	3%	4	4%	2	3%

**5.4 The CFO signs the Form 990 Tax Return**

	<b>Independent 4-year</b>		<b>Public 4-year</b>		<b>2-year Institutions</b>	
	<b>N</b>	<b>%</b>	<b>N</b>	<b>%</b>	<b>N</b>	<b>%</b>
Yes	191	88%	47	53%	22	42%
Plan to implement in the next 12 months	3	1%	3	3%	1	2%
Plan to implement, but in more than 12 months	0	0%	0	0%	1	2%
Undecided	11	5%	12	13%	9	17%
Unlikely to implement	11	5%	14	16%	6	11%
Definitely will not implement	2	1%	13	15%	14	26%

**6.1 How is your institution approaching an assessment of internal controls over financial reporting? (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Using the internal auditors	49	23%	72	73%	16	28%
Using the external auditors	116	53%	56	57%	33	58%
Outsourcing to a third party	24	11%	9	9%	5	9%
Using internal resources other than internal auditors	91	42%	42	43%	24	42%
No plans to assess	13	6%	3	3%	1	2%
Other	12	6%	6	6%	7	12%

**6.2 Management periodically reports on internal controls to the audit committee**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	119	55%	44	45%	21	36%
Plan to implement in the next 12 months	18	8%	1	1%	5	9%
Plan to implement, but in more than 12 months	11	5%	3	3%	1	2%
Undecided	49	22%	19	20%	12	21%
Unlikely to implement	15	7%	8	8%	9	16%
Definitely will not implement	0	0%	1	1%	2	3%
N/A -- the internal auditors report on such controls to the audit committee	6	3%	21	22%	8	14%

**6.3 Senior management is required to assert to the adequacy of internal controls (over financial reporting) as such controls relate to the financial statements**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	107	49%	67	71%	30	52%
Plan to implement in the next 12 months	14	6%	4	4%	2	3%
Plan to implement, but in more than 12 months	9	4%	0	0%	3	5%
Undecided	66	30%	20	21%	16	28%
Unlikely to implement	20	9%	3	3%	7	12%
Definitely will not implement	1	0%	1	1%	0	0%

**7.1 Were any control deficiencies identified in your most recent financial statement audit?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	77	35%	29	30%	11	19%
No	136	62%	59	61%	43	74%
Don't know yet	5	2%	9	9%	4	7%

**7.2 Did any control deficiencies rise to the level of a significant deficiency?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	39	51%	16	55%	3	27%
No	37	48%	13	45%	8	73%
Don't know yet	1	1%	0	0%	0	0%

**7.3 Did your institution have any material weaknesses?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	18	23%	8	28%	2	18%
No	59	77%	21	72%	9	82%
Don't know yet	0	0%	0	0%	0	0%

**7.4 In your institution's Circular A-133 compliance audit, did the number of control deficiencies exceed the typical or average number of reportable conditions noted in past audits?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes, by more than 50 percent	9	4%	5	5%	1	2%
Yes, but by less than 50 percent	11	5%	5	5%	3	5%
No	182	83%	68	69%	48	84%
Don't know yet	17	8%	20	20%	5	9%

**7.5 How did SAS 112 affect the length of time to complete your audit?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Increased the length of time to complete our audit	65	30%	24	25%	18	31%
Decreased the length of time to complete our audit	3	1%	1	1%	0	0%
Length of time stayed approximately the same	107	49%	40	41%	18	31%
Unable to determine at this time	45	20%	32	33%	21	36%

**8.1 Does your institution have an internal audit function?**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes, we have an in house internal audit function	49	22%	81	83%	19	33%
Yes, we outsource our internal audit function	10	5%	3	3%	3	5%
Yes, your internal audit function is a combination of in house and outsourced	7	3%	3	3%	4	7%
No, we do not have an internal audit function	154	70%	11	11%	31	53%

**8.2 Your audit committee evaluates the performance of the internal auditors**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	49	77%	58	69%	7	32%
Plan to implement in the next 12 months	1	2%	2	2%	0	0%
Plan to implement, but in more than 12 months	2	3%	0	0%	0	0%
Undecided	8	13%	8	10%	5	23%
Unlikely to implement	3	5%	12	14%	7	32%
Definitely will not implement	1	2%	4	5%	3	14%

**8.3 The internal auditors report directly to the audit committee**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Yes	44	69%	53	64%	10	42%
Plan to implement in the next 12 months	0	0%	1	1%	0	0%
Plan to implement, but in more than 12 months	1	2%	0	0%	0	0%
Undecided	9	14%	7	8%	5	21%
Unlikely to implement	9	14%	17	20%	6	25%
Definitely will not implement	1	2%	5	6%	3	13%

**8.4 Please indicate which SOX-related functions your internal audit area performs (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Assessment of organizational governance such as audit committee surveys	63	29%	24	25%	6	10%
Support to external auditors for financial statement audit	39	18%	49	51%	15	25%
Assessment of compliance with code of ethics	34	16%	37	38%	10	16%
Investigations of confidential complaints	47	22%	78	80%	20	33%
Assurance to support the financial certification process	17	8%	29	30%	10	16%
Assessment of internal controls over financial reporting	47	22%	67	69%	19	31%
Internal audits of financial statements	21	10%	30	31%	13	21%



**9.1 Where does responsibility for Sarbanes-Oxley implementation practices reside at your institution? (check all that apply)**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Office of the CFO	189	86%	65	66%	40	70%
Office of the Controller	79	36%	39	40%	15	26%
Internal audit department	19	9%	29	30%	5	9%
General Counsel	20	9%	12	12%	3	5%
Office of the President/Chancellor	20	9%	13	13%	11	19%
System office	1	0%	20	20%	8	14%
No role/responsibility	16	7%	15	15%	6	11%
Other	4	2%	3	3%	3	5%

**9.2 In general, what factors played a role in the planning/implementation of new policies (or procedures) at your institution related to issues addressed in this survey? (i.e. governance, external auditors, ethics, confidential complaint mechanisms, financial certifications, and internal controls) check all that apply**

	Independent 4-year		Public 4-year		2-year Institutions	
	N	%	N	%	N	%
Senior management	189	87%	76	78%	39	68%
Board of directors	153	70%	58	60%	25	44%
NACUBO Advisory Report 2003-03, The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education	92	42%	37	38%	17	30%
Professional development programs addressing the Sarbanes-Oxley Act	53	24%	22	23%	9	16%
Governor or state legislature	7	3%	27	28%	12	21%
Technology ventures	2	1%	7	7%	0	0%
The student loan controversy	12	6%	9	9%	4	7%
SAS 112	70	32%	26	27%	17	30%
Media	8	4%	0	0%	1	2%
N/A - no new policies or procedures have been planned or implemented	8	4%	7	7%	7	12%
Other	8	4%	7	7%	3	5%

NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS



# RESEARCH

## **The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education**

### **Follow-Up Survey Results by FTE**

Responses collected  
December 2007 – January 2008

Number of responding institutions: 429

**1.1 Are you a public institution where the audit committee represents a number of institutions within your system?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	35	49%	25	24%	11	6%
No	37	51%	78	76%	175	94%

**1.2 An Audit committee exists at your institution**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	70	92%	97	90%	178	92%
Plan to implement in the next 12 months	1	1%	1	1%	2	1%
Plan to implement, but in more than 12 months	0	0%	0	0%	1	1%
Undecided	1	1%	1	1%	5	3%
Unlikely to implement	3	4%	7	6%	8	4%
Definitely will not implement	1	1%	2	2%	0	0%

**1.3 The audit committee is independent, meaning that management representatives do not have voting rights on the committee**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	69	99%	95	98%	168	95%
Plan to implement in the next 12 months	0	0%	0	0%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	1	1%	1	1%	2	1%
Unlikely to implement	0	0%	1	1%	4	2%
Definitely will not implement	0	0%	0	0%	3	2%

**1.4 An audit committee charter exists**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	56	80%	74	79%	113	65%
Plan to implement in the next 12 months	0	0%	4	4%	13	8%
Plan to implement, but in more than 12 months	0	0%	2	2%	0	0%
Undecided	9	13%	8	9%	31	18%
Unlikely to implement	4	6%	5	5%	15	9%
Definitely will not implement	1	1%	1	1%	1	1%

**1.5 The audit committee is required to perform a self-assessment against the responsibilities outlined in their charter**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	20	29%	39	42%	49	29%
Plan to implement in the next 12 months	4	6%	7	8%	13	8%
Plan to implement, but in more than 12 months	2	3%	4	4%	6	4%
Undecided	30	43%	29	31%	74	44%
Unlikely to implement	11	16%	13	14%	23	14%
Definitely will not implement	2	3%	1	1%	3	2%

**1.6 At least one member of the audit committee is considered a "financial expert"**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	63	90%	79	82%	165	94%
Plan to implement in the next 12 months	0	0%	2	2%	1	1%
Plan to implement, but in more than 12 months	0	0%	4	4%	0	0%
Undecided	2	3%	4	4%	8	5%
Unlikely to implement	5	7%	7	7%	2	1%
Definitely will not implement	0	0%	0	0%	0	0%

**2.1 The audit committee has oversight of your institution's annual financial statement audit**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	46	92%	85	100%	166	97%
Plan to implement in the next 12 months	0	0%	0	0%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	3	6%	0	0%	4	2%
Unlikely to implement	1	2%	0	0%	0	0%
Definitely will not implement	0	0%	0	0%	1	1%

**2.2 The audit committee is involved in the selection of external auditors**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	39	93%	76	96%	166	98%
Plan to implement in the next 12 months	0	0%	1	1%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	1	2%	1	1%	3	2%
Unlikely to implement	2	5%	1	1%	0	0%
Definitely will not implement	0	0%	0	0%	1	1%

**2.3 The audit committee evaluates the performance of the external auditors through a formal process**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	24	56%	55	71%	88	53%
Plan to implement in the next 12 months	0	0%	1	1%	9	5%
Plan to implement, but in more than 12 months	0	0%	1	1%	4	2%
Undecided	12	28%	12	16%	43	26%
Unlikely to implement	7	16%	8	10%	20	12%
Definitely will not implement	0	0%	0	0%	1	1%

**2.4 The audit engagement letter is addressed to the audit committee rather than internal management**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	26	60%	54	70%	125	74%
Plan to implement in the next 12 months	1	2%	4	5%	6	4%
Plan to implement, but in more than 12 months	0	0%	3	4%	1	1%
Undecided	5	12%	5	6%	20	12%
Unlikely to implement	7	16%	9	12%	12	7%
Definitely will not implement	4	9%	2	3%	5	3%

**2.5 The external auditors report the audit results directly to the audit committee**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	48	92%	76	93%	164	96%
Plan to implement in the next 12 months	1	2%	0	0%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	2	1%
Undecided	1	2%	1	1%	1	1%
Unlikely to implement	1	2%	3	4%	2	1%
Definitely will not implement	1	2%	2	2%	1	1%

**2.6 The audit committee pre-approves non-audit services performed by the independent auditor**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	27	63%	54	73%	107	65%
Plan to implement in the next 12 months	0	0%	2	3%	5	3%
Plan to implement, but in more than 12 months	0	0%	0	0%	0	0%
Undecided	8	19%	10	14%	28	17%
Unlikely to implement	5	12%	8	11%	19	12%
Definitely will not implement	3	7%	0	0%	5	3%

**2.7 The external audit firm rotates the lead audit partner**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	41	77%	58	67%	98	54%
Plan to implement in the next 12 months	0	0%	6	7%	4	2%
Plan to implement, but in more than 12 months	0	0%	4	5%	8	4%
Undecided	3	6%	10	12%	41	22%
Unlikely to implement	5	9%	6	7%	27	15%
Definitely will not implement	4	8%	2	2%	5	3%

**2.8 Does your institution have a policy for rotating external audit firms?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	22	47%	29	34%	38	21%
No	25	53%	56	66%	147	79%

**2.9 In addition to the financial statement audit, what additional work, if any, does your external audit firm perform? (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Internal control review	11	16%	27	25%	65	34%
Fraud investigations	8	11%	5	5%	17	9%
Tax work	14	20%	37	35%	107	55%
IT systems implementations	4	6%	1	1%	6	3%
Indirect costs rate analysis	1	1%	1	1%	6	3%
Our external audit firm does not perform additional work	22	31%	25	24%	32	17%
N/A -- we are a public institution that uses a state auditor	26	37%	26	25%	15	8%
Other	12	17%	9	8%	27	14%

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**3.1 Your institution has a code of ethics policy for senior management**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	51	68%	77	71%	128	65%
Plan to implement in the next 12 months	14	19%	8	7%	23	12%
Plan to implement, but in more than 12 months	0	0%	3	3%	6	3%
Undecided	9	12%	16	15%	35	18%
Unlikely to implement	1	1%	4	4%	5	3%
Definitely will not implement	0	0%	0	0%	1	1%

**3.2 Your institution has a code of ethics policy for staff below the level of senior management**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	49	65%	67	63%	111	56%
Plan to implement in the next 12 months	13	17%	9	8%	21	11%
Plan to implement, but in more than 12 months	1	1%	5	5%	10	5%
Undecided	10	13%	19	18%	46	23%
Unlikely to implement	2	3%	7	7%	8	4%
Definitely will not implement	0	0%	0	0%	2	1%

**3.3 Does your institution require the governing board to approve the code of ethics policy?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	41	57%	64	59%	114	59%
No	31	43%	44	41%	79	41%

**3.4 Does your institution provide ethics training?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	34	45%	32	29%	24	12%
No	41	55%	77	71%	171	88%



**3.5 Please indicate which groups are required to attend the training (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Executive management	20	80%	26	81%	19	86%
Senior management	20	80%	28	88%	18	82%
Staff	17	68%	20	63%	17	77%
Deans	17	68%	21	66%	17	77%
Faculty department or unit heads	12	48%	16	50%	14	64%
Faculty	9	36%	11	34%	12	55%
Other	6	24%	1	3%	7	32%

**3.6 Your institution has a conflict of interest policy**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	69	92%	98	91%	165	84%
Plan to implement in the next 12 months	3	4%	4	4%	16	8%
Plan to implement, but in more than 12 months	0	0%	0	0%	3	2%
Undecided	3	4%	5	5%	12	6%
Unlikely to implement	0	0%	1	1%	0	0%
Definitely will not implement	0	0%	0	0%	1	1%

**3.7 Your institution has a conflict of interest policy for staff below the level of senior management**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	64	85%	77	72%	128	65%
Plan to implement in the next 12 months	3	4%	7	7%	17	9%
Plan to implement, but in more than 12 months	1	1%	5	5%	8	4%
Undecided	5	7%	13	12%	32	16%
Unlikely to implement	2	3%	5	5%	9	5%
Definitely will not implement	0	0%	0	0%	2	1%

**3.8 Does your institution require the governing board to approve the conflict of interest policy(ies)?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	45	61%	80	75%	152	77%
No	29	39%	27	25%	45	23%

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**3.9 Does your institution provide conflict of interest training?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	29	39%	21	19%	25	13%
No	46	61%	88	81%	172	87%

**3.10 Please indicate which groups are required to attend the training (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Executive management	21	84%	18	90%	22	92%
Senior management	20	80%	17	85%	22	92%
Staff	17	68%	13	65%	16	67%
Deans	19	76%	15	75%	15	63%
Faculty department or unit heads	18	72%	13	65%	11	46%
Faculty	11	44%	9	45%	11	46%
Other	4	16%	2	10%	3	13%

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**4.1 Your institution has a confidential complaint mechanism for employees**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	61	80%	75	69%	111	56%
Plan to implement in the next 12 months	2	3%	9	8%	22	11%
Plan to implement, but in more than 12 months	1	1%	1	1%	13	7%
Undecided	9	12%	21	19%	43	22%
Unlikely to implement	3	4%	3	3%	7	4%
Definitely will not implement	0	0%	0	0%	1	1%

**4.2 What type of formal complaint mechanism does your institution use? (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Hotline - Externally administered	37	62%	30	41%	36	33%
Hotline - Internally administered	16	27%	17	23%	12	11%
Dedicated phone or fax number	19	32%	9	12%	13	12%
Dedicated email address	15	25%	13	18%	19	17%
Dedicated mailing address	8	13%	5	7%	11	10%
Suggestion box	9	15%	8	11%	15	14%
Other	8	13%	14	19%	1	1%

**4.3 What was the most important driver of your institution's decision to implement a formal complaint mechanism?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
The Sarbanes-Oxley Act	15	26%	20	28%	38	35%
Federal regulation	6	10%	4	6%	3	3%
Fraud	3	5%	5	7%	3	3%
Internal control enhancement	12	21%	23	32%	21	19%
External audit recommendation	2	3%	3	4%	8	7%
Internal audit recommendation	8	14%	3	4%	2	2%
Institution's general counsel	2	3%	2	3%	5	5%
Institution's HR department	2	3%	6	8%	23	21%
Other	8	14%	5	7%	5	5%

**4.4 What violation categories does your institution's formal complaint mechanism capture? (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Human resources	48	80%	57	79%	91	83%
Accounting and finance	56	93%	67	93%	98	90%
Regulatory	52	87%	57	79%	73	67%
Environmental health and safety	48	80%	51	71%	69	63%
Academic affairs	37	62%	34	47%	61	56%
Information technology	43	72%	42	58%	62	57%
Athletics	39	65%	30	42%	41	38%
Research	43	72%	25	35%	33	30%
Other	6	10%	1	1%	6	6%

**4.5 Please indicate who reviews the nature and disposition of complaining mechanism submissions (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Human resources	25	42%	29	40%	63	58%
Board of directors	3	5%	10	14%	20	18%
Audit committee	14	23%	27	38%	39	36%
Legal counsel	27	45%	36	50%	25	23%
Internal audit	46	77%	44	61%	12	11%
Other	19	32%	19	26%	35	32%

**4.6 How is the data from your complaint reporting mechanism used? (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
To benchmark complaint activity	20	34%	9	13%	23	21%
Management decisions are made from the data	28	47%	26	37%	51	47%
To mitigate future risk	52	88%	50	70%	71	66%
To inform training	31	53%	18	25%	39	36%
To inform policy	38	64%	30	42%	54	50%
For reports to audit committees and/or board	31	53%	38	54%	46	43%
Other	3	5%	2	3%	10	9%

**5.1 Managers with fiscal responsibility are required to certify financial results for which they are responsible**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	38	50%	51	49%	82	42%
Plan to implement in the next 12 months	4	5%	7	7%	2	1%
Plan to implement, but in more than 12 months	1	1%	3	3%	4	2%
Undecided	20	26%	21	20%	51	26%
Unlikely to implement	11	14%	21	20%	48	25%
Definitely will not implement	2	3%	1	1%	7	4%

**5.2 The CFO publicly certifies financial statement results**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	50	66%	62	59%	99	51%
Plan to implement in the next 12 months	2	3%	4	4%	2	1%
Plan to implement, but in more than 12 months	0	0%	1	1%	2	1%
Undecided	15	20%	20	19%	51	26%
Unlikely to implement	8	11%	18	17%	33	17%
Definitely will not implement	1	1%	0	0%	7	4%

**5.3 The CEO (president/chancellor) publicly certifies financial statement results**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	39	51%	54	52%	76	40%
Plan to implement in the next 12 months	3	4%	3	3%	1	1%
Plan to implement, but in more than 12 months	0	0%	1	1%	2	1%
Undecided	18	24%	23	22%	60	31%
Unlikely to implement	16	21%	22	21%	41	21%
Definitely will not implement	0	0%	1	1%	11	6%

**5.4 The CFO signs the Form 990 Tax Return**

	<b>10,000 or more FTE</b>		<b>3,000 - 9,999 FTE</b>		<b>Less than 3,000 FTE</b>	
	<b>N</b>	<b>%</b>	<b>N</b>	<b>%</b>	<b>N</b>	<b>%</b>
Yes	37	54%	69	70%	154	79%
Plan to implement in the next 12 months	2	3%	4	4%	1	1%
Plan to implement, but in more than 12 months	0	0%	0	0%	1	1%
Undecided	10	14%	8	8%	16	8%
Unlikely to implement	11	16%	8	8%	12	6%
Definitely will not implement	9	13%	10	10%	10	5%

**6.1 How is your institution approaching an assessment of internal controls over financial reporting? (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Using the internal auditors	63	83%	50	47%	28	14%
Using the external auditors	44	58%	44	42%	120	62%
Outsourcing to a third party	8	11%	15	14%	15	8%
Using internal resources other than internal auditors	35	46%	44	42%	79	41%
No plans to assess	3	4%	5	5%	9	5%
Other	6	8%	10	9%	9	5%

**6.2 Management periodically reports on internal controls to the audit committee**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	33	43%	56	53%	97	50%
Plan to implement in the next 12 months	2	3%	9	8%	13	7%
Plan to implement, but in more than 12 months	1	1%	5	5%	9	5%
Undecided	18	24%	16	15%	48	25%
Unlikely to implement	6	8%	8	8%	18	9%
Definitely will not implement	1	1%	1	1%	1	1%
N/A -- the internal auditors report on such controls to the audit committee	15	20%	11	10%	9	5%

**6.3 Senior management is required to assert to the adequacy of internal controls (over financial reporting) as such controls relate to the financial statements**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	50	67%	55	51%	103	54%
Plan to implement in the next 12 months	2	3%	7	7%	11	6%
Plan to implement, but in more than 12 months	0	0%	5	5%	7	4%
Undecided	18	24%	32	30%	52	27%
Unlikely to implement	5	7%	7	7%	18	9%
Definitely will not implement	0	0%	1	1%	1	1%

**7.1 Were any control deficiencies identified in your most recent financial statement audit?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	29	38%	27	25%	63	32%
No	42	55%	71	67%	127	65%
Don't know yet	5	7%	8	8%	5	3%

**7.2 Did any control deficiencies rise to the level of a significant deficiency?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	13	45%	13	48%	33	52%
No	16	55%	14	52%	29	46%
Don't know yet	0	0%	0	0%	1	2%

**7.3 Did your institution have any material weaknesses?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	4	14%	6	22%	19	30%
No	25	86%	21	78%	44	70%
Don't know yet	0	0%	0	0%	0	0%

**7.4 In your institution's Circular A-133 compliance audit, did the number of control deficiencies exceed the typical or average number of reportable conditions noted in past audits?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes, by more than 50 percent	2	3%	6	6%	7	4%
Yes, but by less than 50 percent	3	4%	5	5%	11	6%
No	53	71%	85	79%	164	84%
Don't know yet	17	23%	12	11%	13	7%



**7.5 How did SAS 112 affect the length of time to complete your audit?**

	<b>10,000 or more FTE</b>		<b>3,000 - 9,999 FTE</b>		<b>Less than 3,000 FTE</b>	
	<b>N</b>	<b>%</b>	<b>N</b>	<b>%</b>	<b>N</b>	<b>%</b>
Increased the length of time to complete our audit	19	25%	30	28%	58	30%
Decreased the length of time to complete our audit	1	1%	0	0%	3	2%
Length of time stayed approximately the same	36	48%	44	41%	88	45%
Unable to determine at this time	19	25%	33	31%	47	24%

**8.1 Does your institution have an internal audit function?**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes, we have an in house internal audit function	67	89%	61	56%	25	13%
Yes, we outsource our internal audit function	2	3%	9	8%	5	3%
Yes, your internal audit function is a combination of in house and outsourced	4	5%	4	4%	6	3%
No, we do not have an internal audit function	2	3%	34	31%	160	82%

**8.2 Your audit committee evaluates the performance of the internal auditors**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	46	65%	50	71%	20	61%
Plan to implement in the next 12 months	1	1%	1	1%	1	3%
Plan to implement, but in more than 12 months	0	0%	2	3%	1	3%
Undecided	9	13%	5	7%	7	21%
Unlikely to implement	12	17%	9	13%	2	6%
Definitely will not implement	3	4%	3	4%	2	6%

**8.3 The internal auditors report directly to the audit committee**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Yes	42	60%	51	72%	16	47%
Plan to implement in the next 12 months	1	1%	0	0%	0	0%
Plan to implement, but in more than 12 months	0	0%	0	0%	1	3%
Undecided	7	10%	8	11%	6	18%
Unlikely to implement	18	26%	9	13%	7	21%
Definitely will not implement	2	3%	3	4%	4	12%

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**8.4 Please indicate which SOX-related functions your internal audit area performs (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Assessment of organizational governance such as audit committee surveys	17	24%	20	28%	12	35%
Support to external auditors for financial statement audit	38	54%	47	65%	20	59%
Assessment of compliance with code of ethics	31	44%	34	47%	17	50%
Investigations of confidential complaints	66	94%	62	86%	19	56%
Assurance to support the financial certification process	21	30%	18	25%	17	50%
Assessment of internal controls over financial reporting	54	77%	53	74%	30	88%
Internal audits of financial statements	25	36%	29	40%	13	38%

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**9.1 Where does responsibility for Sarbanes-Oxley implementation practices reside at your institution? (check all that apply)**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Office of the CFO	51	68%	75	69%	170	87%
Office of the Controller	35	47%	38	35%	60	31%
Internal audit department	25	33%	23	21%	6	3%
General Counsel	10	13%	15	14%	11	6%
Office of the President/Chancellor	10	13%	12	11%	23	12%
System office	14	19%	10	9%	6	3%
No role/responsibility	15	20%	11	10%	39	20%
Other	4	5%	1	1%	6	3%

**9.2 In general, what factors played a role in the planning/implementation of new policies (or procedures) at your institution related to issues addressed in this survey? (i.e. governance, external auditors, ethics, confidential complaint mechanisms, financial certifications, and internal controls) check all that apply**

	10,000 or more FTE		3,000 - 9,999 FTE		Less than 3,000 FTE	
	N	%	N	%	N	%
Senior management	59	80%	84	79%	164	84%
Board of directors	44	59%	73	68%	121	62%
NACUBO Advisory Report 2003-03, The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education	30	41%	44	41%	74	38%
Professional development programs addressing the Sarbanes-Oxley Act	19	26%	20	19%	46	24%
Governor or state legislature	16	22%	20	19%	11	6%
Technology ventures	5	7%	4	4%	0	0%
The student loan controversy	7	9%	5	5%	13	7%
SAS 112	22	30%	33	31%	60	31%
Media	2	3%	3	3%	4	2%
N/A - no new policies or procedures have been planned or implemented	5	7%	8	7%	9	5%
Other	10	14%	5	5%	5	3%