



Advisory Report

NOVEMBER 20, 2003

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

This report addresses recommendations of the National Association of College and University Business Officers (NACUBO) with respect to issues raised by the Sarbanes-Oxley Act of 2002 (Act). While the Act does not apply to institutions of higher education or other public or not-for-profit entities, the concerns it covers are universal. They are in the forefront of issues many governing board members deal with in their corporate activities. The recommendations provided in this report address how institutions might choose to deal with issues such as auditor independence, corporate responsibility, enhanced financial disclosures, accountability, and certification of financial results.

The purpose of this report is to provide emerging best practice guidance for higher education institutions, as many colleges and universities are considering the new standards for publicly traded companies and deciding which aspects to implement. NACUBO believes that institutions of higher education should look at the Sarbanes-Oxley Act as a framework to help evaluate overall financial risks, and not simply comply with accountability concepts that stem from structures, and circumstances that differ fundamentally from the stewardship responsibilities and public obligations they face. The report was prepared by NACUBO's Accounting Principles Council (APC), in consultation with several public accounting firms and other campus administrators. The recommendations are the result of APC research and collaboration with colleagues during the year since passage of the Act.

NACUBO and the APC will continue to monitor interpretation of the Act and gather feedback from higher education administrators, trustees, standard-setting bodies, and government officials. If necessary, the guidance in the Advisory Report will be

updated to reflect changing wisdom and practice. NACUBO is also interested in learning about other ways that institutions have addressed accountability and governance issues on their campuses. Contact information is provided at the end of the report.

Executive Summary

Because the business office continually seeks to enhance institutional accountability and responsibility, certain provisions of the Sarbanes-Oxley Act have relevance to higher education. The guidance in this advisory report is intended to assist presidents, chief financial officers, and trustees with interpretation of the Act. The guidance focuses on three main areas: independent auditors, senior management, and audit committees. NACUBO's recommendations are summarized below.

Independent Auditors

- The board's audit committee should receive the audit engagement letter and take direct responsibility for appointing, compensating, and overseeing the audit.
- Institutions should prohibit their independent auditors from providing nonaudit services barred by the Act. When extenuating circumstances exist, the board's audit committee should approve such nonaudit services in advance.
- The lead audit partner should be rotated every seven years, with a timeout of two years.

Senior Management

- Senior financial managers should adopt a code of ethics and consider methods to ensure compliance.

- A confidential complaint mechanism should be made available to employees to communicate concerns about accounting, auditing, or internal control processes.
- Institutions should consider assessing the need for disclosures required by section 302 of the Act. Section 302 requires the chief executive officer (CEO) and the chief financial officer (CFO) to assert that the financial statements have no material misstatements or omissions and that they have evaluated “disclosure controls and procedures.” Large decentralized institutions should consider requiring section 302 assertions by business unit leaders responsible for financial results.
- Section 404 of the Act addresses internal controls, which are fundamental to sound financial reporting. A recommended business practice is to document and evaluate internal controls over a planned time period.

Audit Committees

- The board of directors should have an audit committee or its equivalent.
- The audit committee should exercise direct control over the external auditors.
- Members of the audit committee must be independent, and management should not be voting members of the audit committee.
- The audit committee should have a charter that includes role and authority language.
- At least one financial expert should be included on the audit committee.

Introduction

The Sarbanes-Oxley Act of 2002 was enacted as a formal response to unprecedented corporate and accounting scandals. Its purpose is to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws. As such, the Act applies officially, or in a legal sense, only to Securities and Exchange Commission (SEC) registrants or publicly traded companies. Although colleges and universities are not subject to the Act’s provisions, it is relevant to institutions of higher education for the following reasons:

- Trustees of colleges and universities may expect institutions to adopt certain aspects of the Act as best practices.

- Several states are considering adopting variations of the Act and applying it to certain not-for-profit organizations domiciled in the state.
- Bond rating agencies and directors and officers’ liability insurers may consider governance aspects of the Act in their underwriting and/or pricing policies.

Colleges and universities that receive federal funding must adhere to new General Accounting Office standards related to auditor independence. GAO standards for independence are in some cases more restrictive than the standards in the Act.

This report summarizes and discusses relevant provisions of the Act that apply to the following three groups in higher education:

- Independent Auditors
- Senior Management
- Audit Committees

A checklist that references all relevant titles and sections of the Act, with corresponding recommended best practices for higher education, is also provided beginning on page 6. Knowing the Act is designed for SEC registrants, the summary of requirements explains in plain language the provisions deemed to have the most relevance for colleges and universities. The intent is to provide discussion and insight related to the higher education best practice guidance on the checklist.

Discussion

Independent Auditors

The Act imposes specific requirements to ensure that auditors remain independent. Independent external auditors are prohibited from providing any of a range of nonaudit services to their audit clients, including actuarial services, bookkeeping services, internal audit outsourcing services, and system implementation services. The general theory is that external auditors cannot perform management functions or be involved in any activity that they might later be required to audit.

The GAO issued new independence standards in January 2003 that also limit the services that an independent auditor can provide. The GAO uses two “overarching principles”:

- Auditors should not perform management functions or make management decisions.

- Auditors should not audit their own work or provide nonaudit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Higher education institutions that receive federal funding must follow the GAO government auditing standards, or their annual A-133 audit reports will not be accepted. GAO standards for independence are in some cases more restrictive than the standards in the Act.

The Act requires the audit committee to approve audit or nonaudit services before they are rendered. Discussions about the use of external auditors for nonaudit services might include:

- What is management's rationale for using the firm?
- Is this an exclusive service that other firms cannot provide?
- Was the work competitively bid?
- Could the work impair the auditor's ability to provide the external audit?
- Might an objective third party conclude that the audit firm is not independent?

The Act does not require companies to change audit firms periodically but recommends significant efforts to preserve the independence of the external audit firm. The Act also directed the GAO to study mandatory rotation of external audit firms, but does not mandate rotation of external audit partners (both lead and concurring partners). The Act requires rotation after five years, with a five-year timeout period during which the former audit partners can have no decision-making authority with respect to the audit.

In the nonprofit environment, external audit firms have traditionally rotated partners after 10 years. The limited availability of audit firms with knowledge of higher education, and of experienced partners within those firms, could make a five-year rotation difficult to implement. In addition, because nonprofit organizations do not typically have the same frequency or intensity of partner involvement as public companies, it is reasonable to consider a longer time period before rotation. Consequently, NACUBO recommends rotation of the lead partner every seven years, with a two-year timeout provision. Institutions of higher education should work with their audit firms on the issue of partner rotation and document any difficulties.

Senior Management

The Act requires a code of ethics for senior financial managers. Recently finalized rules from the SEC require that the code of ethics address:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports that the registrant files with the SEC;
- compliance with applicable government laws, rules, and regulations;
- the prompt reporting of code violations to an appropriate person or persons identified in the code; and
- accountability for adherence to the code.

The concept of a code of business ethics for higher education is not new. In 1993 NACUBO adopted a code of ethics in recognition of the role that business officers play in ensuring high standards of accountability for the resources society entrusts to higher education. A copy of the NACUBO Code of Ethics is provided at the end of this report.

Careful consideration ought to be given to accountability for adherence to a code of ethics and related enforcement. Institutions should implement a signoff by senior leaders acknowledging receipt of the code of ethics. In higher education, the process of enforcement and the level of compliance will likely vary by institution type (public or independent) and complexity (size, number of programs, number of departments, extent of decentralization, etc.).

Institutions are encouraged to inventory and assess current procedures and policies. Coordination of units responsible for administering policies will help meet the challenge of enforcement. For example, conflict of interest policies for researchers and general outside teaching/consulting policies may already exist. If the current inventory of policies and procedures fails to address ethics and/or conflicts of interest, management should consider establishing policies appropriate for the institution.

Once this is accomplished, emphasis should shift to documenting compliance procedures. Senior management in the business office should consider how other areas enforce policies and should strive for

consistent enforcement across the institution. Finally, the audit committee (or equivalent) of the board of directors should review the code of ethics and the compliance procedures to ensure adequacy.

Section 301 of the Act requires the establishment of a confidential complaint mechanism for employee concerns about accounting, internal control, or auditing matters. NACUBO recommends that institutions publicize the complaint mechanism and have it periodically reviewed by the audit committee. Institutions could incorporate the new complaint mechanism within existing human resource communication policies. Colleges and universities should also consider establishing hot lines, anonymous voicemail, and anonymous e-mail or secure suggestion drop boxes to facilitate the complaint process. Regardless of the specific mechanisms selected, there should be a process for communicating with employees, receiving information, and addressing identified concerns.

Section 302 of the Act requires CEO and CFO assertions that extend beyond financial statement compliance with generally accepted accounting principles (GAAP). The Act requires the CEO and CFO to certify that the financial statements have no material misstatements or omissions. The certification also acknowledges responsibility for establishing and maintaining “disclosure controls and procedures,” a new term that refers to the quality of a company’s overall disclosures (such as the notes to the financial statements, management discussion and analysis, or selected financial data). This requires a detailed evaluation of financial reporting and disclosure processes before the assertion is made.

Institutions should begin assessing the additional assertions suggested in Section 302. NACUBO believes that most institutions would benefit from developing a plan for documenting their financial reporting process and assessing the adequacy of controls over both financial reporting and financial disclosures. However, be aware that the new certifications are extensive.

Institutions planning for additional certifications should consider the extent to which their financial operations are decentralized, as an emerging practice known as subcertification may be required. Subcertification requires division or school officials to sign off on subsets of financial results or information as a basis of reliance by senior officials. Organizations should evaluate the divisions’ accountability

for financial results. If sub-certification is adopted, each business units’ responsibility for financial reporting should be clearly defined and policies established.

Perhaps the most far-reaching provision of the Act is a requirement under section 404 that the senior officers of a public company certify the adequacy of the systems of internal control. Further, the management assertion must be audited and certified by the external auditor. Since the Act is not binding on educational institutions, an alternative would be for management to provide the assertions and testing without the external audit attestation.

Identifying, designing, and maintaining controls and procedures that safeguard assets and minimize risk are sound business practices. A recommended business practice is to start planning how an internal control assessment might be conducted. The effort to document the existence and adequacy of the controls would require a major institutional commitment. Institutions should reference a well-accepted model for internal controls, such as that published by the Committee of Sponsoring Organizations (COSO) in 1992. NACUBO is not aware of any institutions of higher education that have committed to provide the assertions on financial reporting (section 302) and internal controls (section 404). We will continue to monitor this situation and provide updates to the NACUBO membership.

Audit Committees

The Act sets very high expectations concerning the background and responsibilities of the audit committee of the board of directors. The audit committee is required to take direct control of independent auditors; be responsible for appointing, compensating, and overseeing them; and preapproving all services. The Act requires the audit committee to be independent. Management or employees may not serve on the committee. Members of the committee may not receive consulting, advisory or other fees from the institution.

At least one member of the audit committee is expected to possess financial expertise. Recently issued final rules from the SEC require that this person have the following attributes:

- an understanding of generally accepted accounting principles and financial statements

- the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves
- experience in preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to the issues reasonably expected to be raised by the registrant's financial statements (or experience actively supervising one or more persons engaged in such activities)
- an understanding of internal controls and procedures for financial reporting
- an understanding of audit committee functions

The SEC's final rules allow some flexibility in how audit committee members might acquire this expertise, including:

- education and experience as a principal financial officer, principal accounting officer, controller, or public accounting auditor
- experience actively supervising the above positions
- experience overseeing or assessing the performance of companies
- other relevant experience

The Act suggests that the entire board of trustees determine whether the designated financial expert possesses the necessary expertise.

NACUBO recommends colleges and universities that do not have separate audit committees assign requisite responsibilities to an existing committee such as the finance committee. However, such a committee must take on audit committee composition and accountability. For equivalent or combined committees, the name should be changed to reflect the audit oversight function, for example, the "Finance and Audit Committee." Assigning these duties to a committee does not relieve the whole board of oversight responsibility. Boards that do not operate using a committee structure should assume direct responsibility for oversight of audits. Higher education institutions should consider the following factors to ensure sufficient expertise on the audit committee:

- familiarity of committee members with estimates, accruals, and reserves relevant to higher education
- training audit committee members and retaining financial expertise
- recruiting financial experts

- current committee members' longevity and experience with a given institution can be considered "other relevant experience"

Colleges and universities should also consider rotating the individual in the role of financial expert when feasible.

Conclusion

This guidance considers elements of governance, ethics, business process, and accountability raised by the Sarbanes Oxley Act of 2002 that are relevant to institutions of higher education. Institutions should carefully consider the substance of these elements and determine, with their boards, which actions best suit their situation. If any of the recommended steps are considered unsuitable, burdensome, or cost prohibitive, NACUBO recommends that an explanation be prepared for the institution's board of trustees to review.

NACUBO is very interested in learning about steps that institutions have taken to increase accountability and governance. To share information, provide comments on these recommendations, or for questions, contact Sue Menditto at sue.menditto@nacubo.org or 202-861-2542.

Checklist for Higher Education

The following section contains a checklist addressing issues of particular relevance to higher education. The guidance is considered best practice for higher education. The issue will continue to be monitored by NACUBO and the Accounting Principles Council and additional guidance may be provided if appropriate.

Section	Sarbanes-Oxley Act of 2002	NACUBO Recommendations
Title I	Public Company Accounting Oversight Board	
101 - 109	Describes public company accounting oversight board duties.	<i>Not applicable</i>
Title II	Auditor Independence	
201	<p>Public accounting firms are prohibited from performing these nonaudit services to financial statement audit clients:</p> <ol style="list-style-type: none"> (1) Bookkeeping or other services related to the accounting records or financial statements; (2) Financial system design and implementation; (3) Appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (4) Actuarial services; (5) Internal auditing outsourcing services; (6) Management or human resource functions; (7) Broker or dealer, investment adviser, or investment banking services; (8) Legal services and expert services unrelated to the audit; (9) Any other service the Accounting Oversight Board determines, by regulation, is impermissible. <p>A registered public accounting firm may engage in any other service, including tax services for an audit client, but <i>only if the Audit Committee approves the activity in advance.</i></p>	Institutions should prohibit their independent auditors from providing the nonaudit services prohibited by the Act unless extenuating circumstances exist and the audit committee approves the work in advance.
202	The audit committee must pre-approve all services provided by the auditor.	Institutions should require pre-approval by the audit committee for all prohibited, nonaudit services performed by the independent auditor.
203	The lead (or coordinating) audit partner and the reviewing audit partner of the public accounting firm must rotate off the audit every five years.	Institutions should require a rotation of the lead partner every seven years with a timeout of two years.
204	<p>The public accounting firm must report to the audit committee:</p> <ol style="list-style-type: none"> (1) All critical accounting policies and practices used by the client that have been discussed with management; (2) All alternative treatments of financial information, ramifications of such use, and the treatment preferred by the public accounting firm; (3) Other material written communication between the public accounting firm and management, such as the management letter or schedule of unadjusted differences. 	<p>Audit committee oversight is critical to ensure the independence of the audit decisions.</p> <p>The audit engagement letter should be addressed to the audit committee rather than internal management.</p>
205	Conforming amendments to the SEC Act of 1934.	<i>Not applicable</i>

Section	Sarbanes-Oxley Act of 2002	NACUBO Recommendations
206	The public accounting firm cannot have employed the CEO, controller, CFO, chief accounting officer, or any person in an equivalent position, during the one-year period preceding the audit.	Institutions should carefully consider the benefits of employing a CFO or controller who has worked for the auditing firm within the last year and consider how the position may relate to the institution's external audit. To forego the one-year waiting period, institutions should document the benefits and risks and seek board approval.
207	The GAO will do a study on the potential effects of mandatory rotation of public accounting firms.	The current emphasis is on rotation of audit partners (section 203) rather than rotation of firms. The audit committee should annually evaluate the performance of the external auditor. In addition, the committee should consider periodically re-competing the selection of the external audit firm.
208 - 209	SEC final authority for Section 10A and considerations by appropriate State regulatory authorities.	<i>Not applicable</i>
Title III	Corporate Responsibility	
301	<ol style="list-style-type: none"> (1) The Commission may prohibit the listing of securities of any firm found not to be in compliance with paragraphs 2 - 6 of this section. (2) The audit committee shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by its company and the public accounting firm shall report directly to the audit committee. (3) Each member of the audit committee shall be a member of the Board of Directors and shall otherwise be independent. Independent is defined as not receiving, other than for service on the Board of Directors, any consulting, advisory, or other compensatory fee from the company, and not being an affiliated person of the company. (4) The audit committee shall establish procedures for: <ol style="list-style-type: none"> (a) The receipt, retention, and treatment of complaints received by the company regarding accounting, internal controls and auditing matters. (b) The confidential, anonymous submission by employees of questionable accounting or auditing matters. (5) The Audit Committee shall have the authority to engage independent counsel or other advisors, as necessary to carry out its duties. (6) Each company shall provide appropriate funding as determined by the Audit Committee for payment to the public accounting firm and any advisors employed by the Audit Committee under paragraph 5 above. 	<p>Institutions that do not have an audit committee should assign the audit function to another committee of the board of trustees, for example, the finance committee, or to the board as a whole. Institutions that assign audit committee functions to another committee should add "audit" to the committee title, for example, "Finance and Audit" committee.</p> <ol style="list-style-type: none"> (1) Not applicable (2) Audit committee involvement is critical in the selection of auditors and the performance of the audit. (3) Independence of audit committee members is important. Management representatives should not be voting members of the committee. (4) A good practice would be the establishment of confidential complaint mechanisms for employees; for example, a hot line, anonymous e-mail/voicemail, secure complaint boxes, or extending existing employee grievance processes or communication channels to the institution's internal auditors. The audit committee should review the nature and disposition of reported matters. (5) The audit committee should have all necessary authority contained in its charter. (6) The charter should also specify that appropriate funding be available for the audit committee.
302	<p>The CEO and CFO shall certify along with the annual audit report that:</p> <ol style="list-style-type: none"> (1) They have reviewed the report; (2) Based on their knowledge, the report does not contain any untrue statement of a material fact or omission of a material fact that makes the statements misleading; (3) Based on their knowledge, the financial statements 	<p>The provisions of the Act extend the current audit representation letter responsibilities. If institutions publicly disclose financial statements, they should consider these assertions. However, be warned that assertion 4 includes new and complex affirmations on the adequacy of internal controls over both financial reporting and financial disclosures.</p> <p>The degree of decentralization of financial operations is an important consideration for higher education. Business units'</p>

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	<p>present in all material respects the financial condition and results of operations;</p> <p>(4) They are responsible for establishing and maintaining internal controls, ensuring that material information relating to the company and its consolidated subsidiaries is made known to officers and others within those entities; have evaluated the effectiveness of internal controls within 90 days prior to the report; and have presented their conclusions about the effectiveness of their internal controls based on their evaluation as of that date;</p> <p>(5) They have disclosed to the auditors and the audit committee all significant deficiencies and material weaknesses in the internal controls that could adversely affect the company's ability to record, process, summarize, and report financial data;</p> <p>(6) They have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions.</p> <p>Reincorporating outside of the United States does not lessen the requirements of Section 302.</p>	<p>responsibility for financial reporting should be clearly defined, including policies for those activities. Institutions that are decentralized should consider implementing “sub-certification” requirements from financial leaders responsible for the financial results of units, departments, or schools. The sub-certification provides assurance on the underlying numbers and controls.</p> <p>Institutions should start documenting their financial reporting process; and identifying and evaluating the adequacy of controls over financial reporting and other financial disclosures.</p> <p>The audit committee should consider periodic inquiries of financial executives on the adequacy of controls.</p>
303	It is unlawful for any officer or director of a company to take an action to fraudulently influence, coerce, manipulate, or mislead an auditor engaged in the performance of an audit for the purpose of rendering the financial statements materially misleading.	This should be addressed in the institution’s code of conduct/code of ethics.
304	If an accounting restatement is necessary due to misconduct, the CEO and CFO shall reimburse the company for any bonus or other incentive or equity-based compensation received by that person during the 12-month period following the issuance of the financial statements, as well as reimburse the company for any profits realized from the sale of securities of the company during that same 12-month period.	<i>Not applicable.</i> However, the audit committee may want to review compensation arrangements for the CEO and CFO. Incentives related to financial results should be disclosed to the audit committee.
305	The SEC may issue an order to prohibit, conditionally or unconditionally, permanently or temporarily, any person who has violated section 10(b) of the 1934 Act from acting as an officer or director of a company if the SEC has found that such person is unfit.	<i>Not applicable.</i> However, institutions should consider any SEC action in connection with hiring officers and nominating trustees; and ensure that employment contracts of senior officers allow removal for financial impropriety.
306 - 308	Concerns sales of stock, fair funds for investors and attorneys practicing before the SEC.	<i>Not applicable</i>
Title IV	Enhanced Financial Disclosures	
401	SEC shall study off-balance sheet disclosures to determine their extent and whether GAAP results reflect the economics of such transactions.	Higher education should follow current and appropriate accounting standard guidance (i.e. FASB, GASB).
402	In general, it shall be unlawful for a company to extend personal loans to any director or executive officer.	The audit committee should be aware of and review policies on personal loans and understand that housing assistance included as part of compensation is not a personal loan.
403	Directors, officers, and 10%+ owners must report designated equity security transactions by the end of the second business day following the day the transaction	The audit committee should be aware of and review policies on ownership interests in related ventures or start-ups. Existing conflict of interest policies can be leveraged and

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	was executed.	should be reviewed with the audit committee.
404	<p>Each annual report shall contain an internal control report, which:</p> <ol style="list-style-type: none"> (1) States the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and (2) Contains an assessment, as of the end of the fiscal year, of the effectiveness of the internal control structure and procedures of the company for financial reporting. <p>The public accounting firm shall attest to and report on the internal control assessment made by management.</p>	<p>Identifying, designing, and maintaining controls and procedures that safeguard assets and minimize risk is sound business practice. A good business practice would be to start planning how an internal control assessment might be conducted. A few institutions have started doing risk assessments and documenting key financial processes. The audit committee should consider independence issues if contemplating using the external auditor for this review function. For reference, institutions can obtain a copy of the Committee of Sponsoring Organizations (COSO) model of an internal control framework. The COSO model is considered the most widely accepted model for controls.</p> <p>Institutions with internal audit departments should consider using them to periodically report on internal controls to the audit committee in addition to reporting to management. These activities should be coordinated with the risk assessment and internal control initiatives described above.</p> <p>The results of the internal control assessment should be tested to ensure compliance. A positive assertion on controls would require a large sustained effort and would require the external auditor to perform an attestation on internal controls, which would be expensive and time consuming. NACUBO does not recommend external auditor attestation or audit of internal controls. An alternative would be for management to provide the assertions and testing without the external audit attestation.</p> <p>NACUBO encourages institutions to take this topic seriously and start planning how an internal control assessment might be conducted. NACUBO will monitor the actions of institutions and communicate discoveries. At this point NACUBO and the APC are not aware of any institutions that have committed to this positive assertion on controls.</p>
405	Sections 401, 402, and 404 do not apply to any investment company registered under section 8 of the Investment Company Act of 1940.	<i>Not applicable</i>
406	Requires each company to disclose whether it has adopted a code of ethics for its senior financial officers and the contents of the code of ethics.	A best practice is the adoption of a code of ethics for senior financial officers. Subsequently, the audit committee should review the adequacy of the code and periodically review how compliance is assured.
407	<p>Companies are required to disclose whether at least one member of the audit committee is a "financial expert."</p> <p>The final rule also provides a definition of a financial expert. In the final rule, recognition was given that an audit committee financial expert can acquire the requisite attributes of an expert in many different ways and that experience, in addition to education, is an important consideration.</p>	<p>A best practice would be the inclusion of at least one financial expert on the audit committee. Institutions should consider the following in defining financial expertise:</p> <ul style="list-style-type: none"> • familiarity with estimates, accruals, and reserves relevant to higher education • longevity and experience with a given institution can be considered "other relevant experience" <p>Colleges and universities should also consider rotating the financial expert and begin planning for the process and cost of</p>

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		recruiting, training, and retaining financial expertise. The recruitment and retention of a financial expert by public institutions might be limited when alumni or elected officials appoint the board.
408 - 409	Addresses enhanced and real time disclosure by issuers of securities.	<i>Not applicable</i>
Title V	Analyst Conflicts of Interest	
501	Treatment of security analysts by registered securities associations and national security exchanges.	<i>Not applicable</i>
Title VI	Commission Resources and Authority	
601 - 604	Appearance and practice before the SEC, funding, federal court authority and qualifications of brokers and dealers.	<i>Not applicable</i>
Title VII	Studies and Reports	
701 - 705	Concerns studies regarding accounting firms, credit rating agencies, violators, violations, investment banks, financial advisors, and enforcement of securities laws.	<i>Not applicable</i>
Title VIII	Corporate and Criminal Fraud Accountability	
801 - 807	Discusses securities fraud, penalties, statute of limitations, sentencing, and employee protection.	<i>Not applicable</i> , however regarding section 802, a good practice would be to ensure that documents and records sent or received in connection with the audit are retained for seven years.
Title IX	White Collar Crime Penalty Enhancements	
901 - 906	This section advances criminal penalties for fraudulent acts and the US Department of Justice jurisdiction of financial statement certification. The certification requirement under section 906 is separate from the requirement under section 302.	<i>Not applicable</i>
Title X	Corporate Tax Returns	
1001	The chief executive officer, per the “sense of the senate,” should sign the federal income tax return of a corporation.	Institutions should review the level of authority of signers on the various tax returns; a senior financial manager with financial accountability for the information presented on the tax return should sign the return.
Title XI	Corporate Fraud Accountability	
1001 - 1004	Discusses fines, consequences, and sentencing for individuals and issuers.	<i>Not applicable</i>
1005	Gives the SEC the authority to prohibit anyone convicted of securities fraud from being an officer or director of any publicly traded company.	Institutions should consider securities fraud convictions relevant in background checks for new employees.
1006 - 1007	Addresses criminal penalties under the SEC Act of 1934 and penalties for retaliation against informants.	<i>Not applicable</i>

NACUBO Code of Ethics

On April 15, 1993 the NACUBO Board of Directors adopted a new code of ethics, which is presented below:

Institutions of higher education are entrusted by society with great resources and commensurately great responsibilities for creation, dissemination, and preservation of knowledge. College and university business officers play a key role in assuring that high standards of ethical practice attend to the custody and use of these resources. The business officer's personal and professional conduct reflects on his or her institution, the collective profession, and the higher education enterprise at large. To guide business officers in setting and practicing high standards of ethical conduct, the National Association of College and University Business Officers has devised the following Code of Ethics. NACUBO embraces the values expressed in this Code and advocates their observance by its members.

The business officer's conduct should be characterized by integrity and dignity, and he or she should expect and encourage such conduct by others.

The business officer should adopt and be faithful to personal values that

- accord respect to self and others;
- preserve honesty in actions and utterances;
- give fair and just treatment to all;
- accept intellectual and moral responsibility;
- aspire to achieve quality;
- refuse conflict, or the appearance of conflict, between personal and institutional interests; and
- engender forthright expression of one's own views and tolerance for the views of others.

The business officer should act with competence and should strive to advance competence, both in self and in others.

The business officer should understand and support his or her institution's objectives and policies, should be capable of interpreting them within and beyond the institution, and should contribute constructively to their ongoing evaluation and reformulation.

The business officer should communicate to institutional colleagues the content of this Code of Ethics and should strive to ensure that the standards of professional conduct contained therein are met.

In discharging his or her duties in accordance with this Code of Ethics, the business officer should enjoy the following rights:

- the right to work in a professional and supportive environment;
- the right to have a clear, written statement of the conditions of his or her employment, procedures for professional review, and a job description outlining duties and responsibilities;
- within the scope of his or her authority and policy, the right to exercise judgment and perform duties without disruption or harassment; and
- freedom of conscience and the right to refuse to engage in actions that violate the ethical principles contained in this Code or provisions of law.