

Sarbanes-Oxley
and the
Nonprofit Sector



Take Three



Sarbanes & Nonprofit Organizations



□ Internal Control Based on the COSO Study


- What is COSO
 - Definition of Internal Control
 - Fundamental Concepts
- 



Sarbanes & Nonprofit Organizations



□ COSO – Committee of Sponsoring Organizations of the Treadway Commission

- Original – *Internal Control – Integrated Framework* (1992)
 - Reissued in 1994 with addendum for Reporting to External Parties
- 




Sarbanes & Nonprofit Organizations



□ Internal Control

A process affected by an entity's board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:



- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations



Sarbanes & Nonprofit Organizations



- **Effectiveness and Efficiency of Operations**

Effectiveness is doing things the right way – serving its customers well.



Efficiency is doing the right thing the right way – the proper management of the financial resources of the entity and the economic application of resources to the objectives of the organization.




Sarbanes & Nonprofit Organizations



□ Reliability of Financial Reporting

Requires:

- 
- Accurate accounting records
 - Proper timing and classification
 - Financial reporting controls



Sarbanes & Nonprofit Organizations

- 
- **Compliance with Applicable Laws and Regulations**

IRS

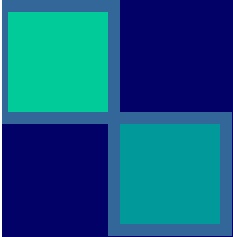

State Governments

GAO





Sarbanes & Nonprofit Organizations


- 
- **Internal Control:**
 - **Is a process**
 - **Is effected by people**
 - **Provides only reasonable assurance**
- 



Sarbanes & Nonprofit Organizations



□ Components of COSO

- Monitoring
 - Information and Communication
 - Control Activities
 - Risk Assessment
 - Control Environment
- 



Sarbanes & Nonprofit Organizations



□ Financial Statement Assertions

- Existence or Occurrence
 - Completeness
 - Rights and Obligations
 - Valuation or Allocation
 - Presentation and Disclosure
 - Safeguarding
- 