

Sarbanes-Oxley for Nonprofit Boards

REVIEWED BY RAYMOND J. BROEK, CPA, WITHUMSMITH+BROWN GLOBAL ASSURANCE

While certainly not a light read, *Sarbanes-Oxley for Nonprofit Boards* is a must read for current or soon-to-be nonprofit board members. Author Peggy M. Jackson is a nationally recognized lecturer in risk management and Sarbanes-Oxley (SOX) compliance who has co-authored several books dealing with SOX and managing risk in nonprofit organizations.

This book effectively demonstrates that SOX is not merely for public companies. While only two of the specific SOX requirements apply to nonprofit organizations, its practices and expectations are becoming de facto best practices for many nonprofits. Furthermore, recent high-profile scandals involving the American Red Cross and United Way have shifted the attention of lawmakers to the integrity and transparency with which these charitable institutions are managed.

The first two chapters spend substantial time discussing SOX, its background and, just as important, the current legislative environment for nonprofits. The author makes a very important point: "Responsibilities have always existed for nonprofit governance." However, it is SOX — together with increased emphasis on enforcement by the Internal Revenue Service and certain current and proposed legislation at the state level — that is increasing the awareness of these responsibilities and requiring nonprofit boards to "conduct their operations in a responsible, conscientious and transparent fashion."

Chapter three highlights the only two SOX requirements that actually apply to nonprofit organizations: implementing whistleblower protection and document preservation policies. There is also a list of SOX best practices that nonprofit boards should implement and valuable information enumerating the various benefits (operating, marketing and strategic) to the organization beyond

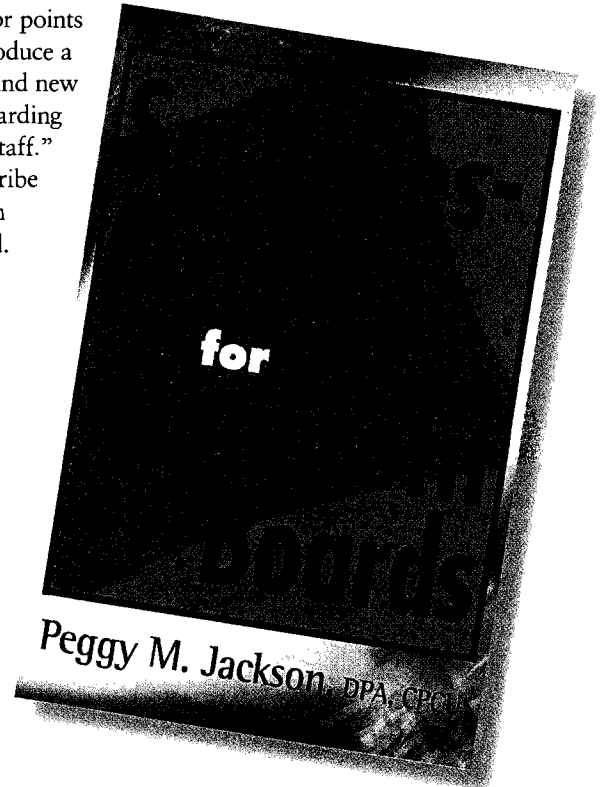
simply compliance. The author points out, "SOX best practices introduce a new level of professionalism and new performance expectations regarding nonprofit management and staff."

Subsequent chapters describe how a nonprofit's culture can lead to a dysfunctional board. The book cites examples of dysfunction and then gets somewhat repetitive in its suggested improvements. Regardless, it does provide some helpful and practical checklists to assist boards in their self-improvement processes.

As a board member of a very small nonprofit, I was especially interested in the last chapter. Jackson takes an initially hard stance that all nonprofits, regardless of size, are expected to be "fully accountable to their donors, their community and the law," which, of course, sounds like Mom and apple pie. However, she also admits that SOX best practices can and should be scaled to suit the needs and resources of smaller nonprofits. She then provides recommendations on how to strengthen a small board, which is helpful and relevant to nonprofit boards of all sizes.

I'd recommend this book for all nonprofit board members who want their boards and management to function more professionally, ethically and with due care and diligence. Isn't that what SOX is all about? ★★★

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Book Report Guide

- ★★★★ Instant classic
- ★★★ Great addition to your bookshelf
- ★★ Offers some good insights
- ★ Not much of a resource
- 0 Don't bother