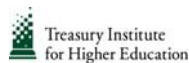


Sarbanes-Oxley: Where is Higher Education and what is Financial Sub Certification?

Kathleen T. McNeely, Assistant Vice
President for Finance



Agenda

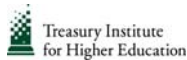
- ◆ Review of NACUBO Sarbanes-Oxley Survey
- ◆ Financial Sub Certification
 - What certifications should you have?
 - Who should sign the certifications?
 - What communication process is necessary?
- ◆ A thought provoking quiz



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NACUBO Sarbanes-Oxley Member Survey



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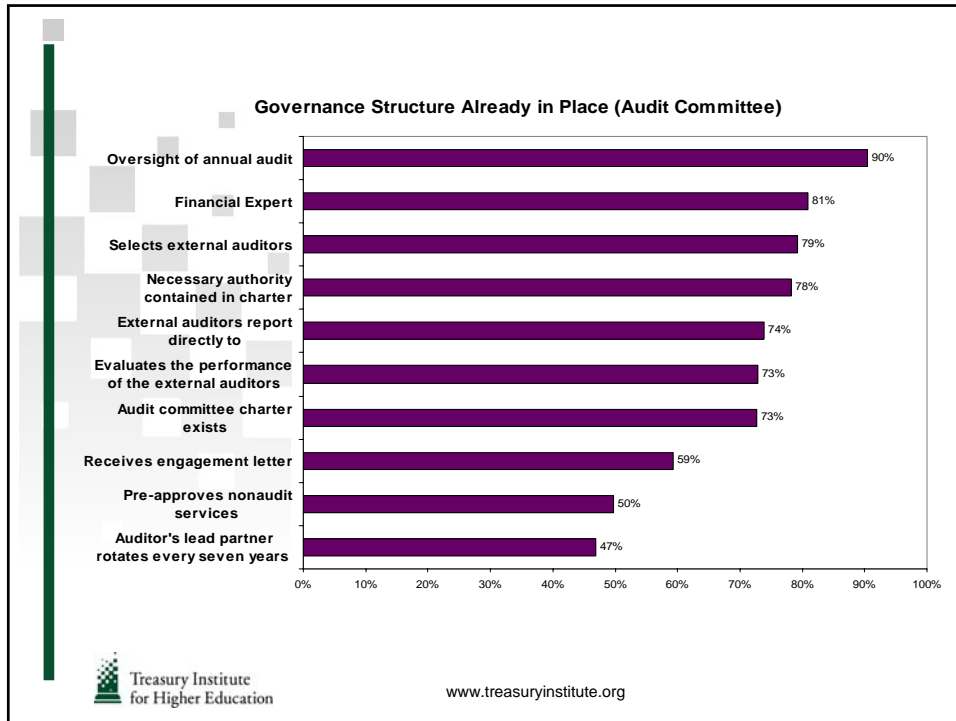


Sarbanes-Oxley Member Survey Highlights

- ◆ NACUBO Advisory Report 2003-3, *The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education*
- ◆ 353 responses
- ◆ Audit committees
- ◆ External auditor independence
- ◆ Senior management



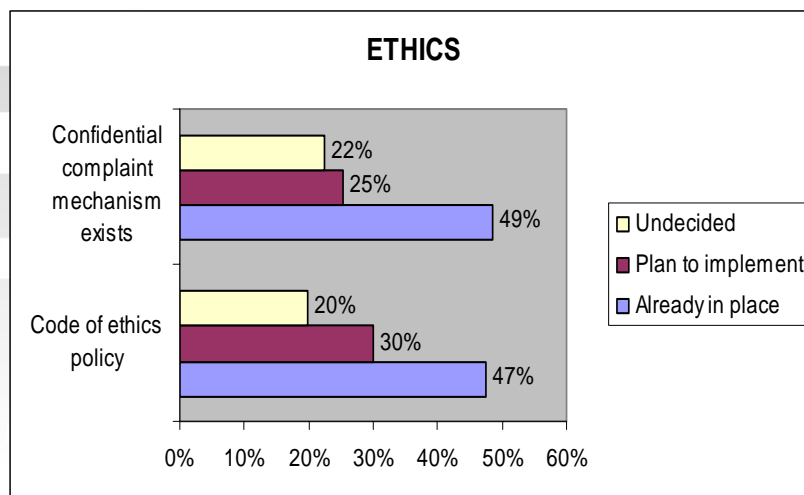
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- ## Governance
- ◆ Notable differences between public and independent institutions
 - ◆ 50% of public institution respondents use state auditors
 - ◆ Majority of public institutions have appointed Boards
- 
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Senior Management

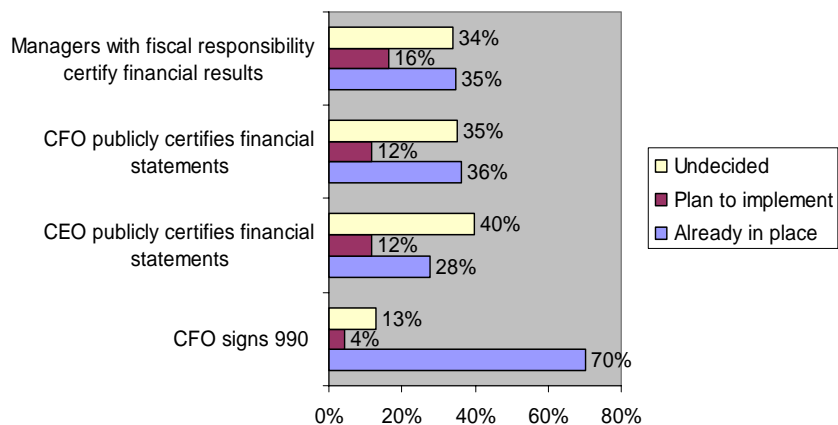
- ◆ **Ethics** – senior financial managers should adopt a code of ethics and methods to ensure compliance; institutions should make a confidential complaint mechanism available to employees
- ◆ **Certifications** – large decentralized institutions should consider requiring certifications by employees with fiscal responsibility at each unit
- ◆ **Internal Controls** – institutions should begin identifying controls over financial reporting and disclosures and evaluating their accuracy



Senior Management - Ethics

- ◆ 47% have a code of ethics
- ◆ 49% have confidential complaint mechanisms to protect employee whistleblowers
- ◆ By 2006, an additional 30% will have a code of ethics and an additional 25% will have a confidential complaint mechanism

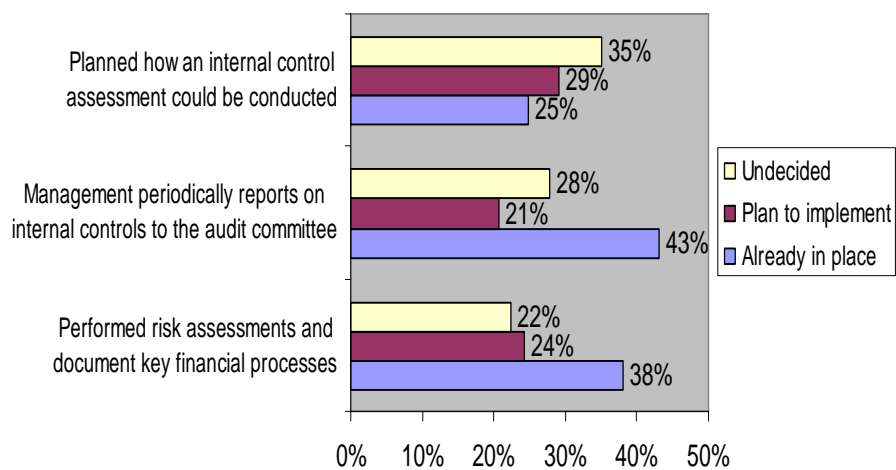
CERTIFICATIONS



Senior Management - Certification

- ◆ 36% are certified by CFO; more at large institutions
- ◆ 35% are certified by managers with fiscal responsibility
- ◆ Only 28% have CEO sign
- ◆ Relatively few institutions have plans to adopt; by 2006 certifications will not be the rule at a majority of institutions

CONTROLS



Senior Management – Internal Controls

- ◆ Management reports to audit committee on internal controls
 - 43%; additional 21% plan to implement
- ◆ Perform risk assessment and document key financial processes related to these assessments
 - 38%; additional 24% plan to implement
- ◆ Planned an overall assessment of internal controls
 - 25%; additional 29% plan to implement

Sarbanes Oxley – Other Activities at NACUBO

- ◆ May, 2005 *Business Officer* article
- ◆ Full descriptive survey results at www.nacubo.org/x44
- ◆ Survey follow up interviews
- ◆ SOX Summit – June 1
- ◆ Leading Practices: A Three-year Retrospective



Financial Sub Certification



Sub-Certification

- ◆ NACUBO Advisory Notice recommends that large decentralized institutions consider a sub certification process
- ◆ Sub certification is having units at a lower level certify to certain ascertains on the accuracy of the units financial statements

Examples of certifications

- ◆ Is the data accurate and timely
- ◆ Is a solid internal control process in place
- ◆ Are financial policies and procedures being followed
- ◆ Are inventories well maintained
- ◆ Any plans or intentions that may affect carrying value or classifications
- ◆ Any joint ventures or guarantees
- ◆ Compliance with applicable laws and regulations
- ◆ Are all accruals recorded and accurate

Examples of certifications

- ◆ In compliance with all aspects of contractual agreements
- ◆ Have all items been disclosed that should be:
 - Contracts
 - Conflict of interest
 - Communications with regulatory agencies
 - Fraud
 - Misappropriation of assets
 - Shortages or irregularities

Certification Must

The signature cannot ever be
100% in the know so always add
for all certifications:

***“to the best of our knowledge
and belief”***

Signatures on Certification

- ◆ Identify who is responsible
- ◆ Remember that internal controls indicate that *management* is responsible for internal controls
- ◆ Think about the leadership
 - Deans, Vice Presidents and Directors
- ◆ Think about your business officers
- ◆ Two signatures is not a bad idea, just like the CEO and CFO sharing the responsibility

Quiz

- ◆ Do all relevant faculty/staff at your institution understand what internal controls are?
- ◆ Have responsibilities for fiscal management been defined?
- ◆ Do you have financial training for pertinent staff?
- ◆ Is financial data easily accessible for solid decision making?
- ◆ Do you have a culture of accountability?

Questions?