

# "To **SOX** or **Not** to **SOX**?" - That is the Question for Non-Profits

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Why would legislation intended for profit oriented public companies find its way into non-profit conversations? The answer, in a nutshell, is transparency.

On July 30, 2002, the American Competitiveness and Corporate Accountability Act of 2002, commonly known as the Sarbanes-Oxley Act (or SOX), was signed into law.

## In a nutshell

The primary intent of legislations such as SOX is to improve transparency, accountability and responsibility of executives and boards of corporations in particular in the context of the allocation, usage and reporting of funds that come from such sources as public investors, charitable donations and other sources from outside the corporation.

## Sections of SOX that Apply to NPOs

Two sections of the SOX Act are most applicable to non-profits:

1

**Whistle-blower Protection:** SOX provides new protections for whistle-blowers, making it illegal for a corporate entity to retaliate against any employee who reports to law enforcement any suspected illegal activity by their employer.

2

**Document Destruction:** SOX makes it illegal to cover up, falsify, destroy or alter any document or accounting entry to prevent or obstruct its use in an official proceeding (e.g. federal investigation or bankruptcy proceedings).

## A Look at "Who's Doing What?"

Several surveys have been conducted by various organizations since the passing of the Sarbanes-Oxley Act to gauge the response from non-profits. Here are a few interesting findings:

