



SOX

Why Sarbanes-Oxley? Corporate accountability concerns at:

Enron	Adelphia	Arthur Andersen
IMClone	Global Crossing	WorldCom
Tyco	Dynegy	Citigroup

At this time SOX applies only to publicly traded corporations and does not apply to nonprofit or private institutions.

IMPLICATIONS OF SARBANES-OXLEY

The Sarbanes-Oxley (SOX) Act responds to corporate governance scandals that came to light in 2000–2001. The act does not apply directly to institutions of higher education. Some institutions of higher education are voluntarily adopting financial and auditing measures which increase accountability in the spirit of SOX.

Some SOX standards affecting covered corporations are:

- Independent (external) auditors are prevented from providing any non-audit services to the institution
- Senior financial managers must adopt and adhere to a code of professional conduct
- A confidential mechanism for collecting employee reports of questionable auditing and accounting practices must be put in place
- An audit committee, or finance committee with audit duties, comprised of independent members of the board of directors, is responsible for oversight of external auditors
- The audit committee should include at least one member qualified as a financial expert
- Audit committee standards should be established
- Protections for employees reporting procedural concerns should be strengthened
- Personal loans from the corporation to directors and officers are prohibited
- Senior management must annually assess the corporation's internal financial control procedures
- Written policies on document retention and handling should be in place

HOW DOES THIS AFFECT MY WORK?

Sarbanes-Oxley standards should have little affect on the day-to-day work of most MCC employees.

- Qualified staff members may be asked to provide information to MCC's audit committee
- Employees should follow current and appropriate accounting standards involving their work
- Employees that question the appropriateness of MCC accounting practices should report their concerns confidentially to the Office of General Counsel for the college
- Employees should be aware of any MCC guidelines pertaining to document retention and handling in their specific offices

AT A GLANCE

Title: The Sarbanes-Oxley Act

Signed into Law: 2002

Official Oversight: Securities and Exchange Commission, Public Company Accounting Oversight Board
<http://www.sec.gov>

Issues Addressed:

- Improving the accuracy and reliability of corporate disclosures
- Improving investor confidence
- Prohibiting conduct shown to be detrimental in many recent corporate failures
- Increasing civil and criminal penalties for individuals violating the Act's requirements

Organizations Covered:

Publicly traded companies, audit firms

MCC Units Affected:

Senior Management
 Audit Committee
 Independent Auditors

Who to Contact:

Contact the Office of the General Counsel at **585-292-2108** with any questions related to the Sarbanes-Oxley Act