

## NEWS

# Nonprofits take note

Organizations voluntarily adapt SOX practices to ward off problems

By Sujata Srinivasan

**I**n June 2005, close on the heels of implementing the Sarbanes-Oxley (SOX) statute for publicly traded companies, the Connecticut General Assembly passed Senate Bill 946/HB 6515, requiring charities to submit an annual financial report to the Department of Consumer Protection.

With the state government holding nonprofit organizations to higher accounting standards, several Connecticut nonprofits are voluntarily shoring up their operations under SOX guidelines.

Brewster Perkins, executive vice president of Hartford-based insurance firm Hilb, Rogal & Hobbs, advises nonprofits to re-evaluate their processes so that a SOX-like law is not imposed upon them.

"Nonprofits are recognizing that donors, the state attorney general and the legislature are not putting up with inefficiency," he says.

The Hartford-based Connecticut Council for Philanthropy will separate its finance and audit committees in March of this year, although it is not mandated to do so under the law. "All nonprofits should voluntarily adapt some pieces of SOX. That's just good practice," says Nancy Roberts, president of the organization.

Nonprofits like hers incur no additional costs in doing so, since they share with each other processes that work. They also have access to best

practices from board members who work at profit organizations.

"A lot of best practices from SOX are now finding their way into not-for-profits and other entities," says Art Renner, executive director of Connecticut Society of Certified Public Accountants.

"The same people [who] are directors of public companies are also involved in civic and charitable groups. They are bringing the best practices that are being adapted in the public company arena, saying 'If it's good over there, it's good over here.'"

Chester-based William Graustein Memorial Foundation, which has assets of more than \$100 million, reorganized its operations based on SOX guidelines. "We looked at our conflict of interest statements and tightened it up," says David Nee, executive director. "We now require each person in the organization, whether trustee or staff, to disclose any connection, at a board level or otherwise, to an outside organization that could end up doing business with us."

Perkins points out that many nonprofits, such as the Memorial Foundation, are cognizant of the fact that they must do the same things that for-profit companies do under SOX because they are the recipients of public, grant and state monies.

"SOX is sending a message to board volunteers that if they do not manage their nonprofits professionally, there are going to be very dire consequences," he says. ■