

Sarbanes-Oxley's impact on nonprofits

The Sarbanes-Oxley Act was enacted in 2002 in response to the accounting scandals of Enron and others. It is well known that it has resulted in dramatic changes in governance and accounting practices for public companies.

Far less publicized, but in many ways just as significant, is the impact Sarbanes-Oxley is having on nonprofits, many of which are headquartered in the Washington metropolitan area.

While the Act was written essentially to police publicly traded companies, many nonprofits are nevertheless looking at it as a catalyst to implement governance reforms. Sarbanes-Oxley provisions regarding retaliation against whistleblowers and its document-destruction prohibitions apply to everyone, so at a minimum, all nonprofits should have appropriate policies to ensure compliance with the law.

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