

A United Way Guide to Sarbanes – Oxley



United Way of America

what matters.™

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Endorsed by NPC – June, 2005

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UNITED WAY OF AMERICA GUIDE TO SARBANES - OXLEY

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EXECUTIVE SUMMARY

In the wake of the collapse of multi-billion dollar corporations like Enron and WorldCom, the 107th Congress of the United States of America set about to create sweeping new legislation to reform financial reporting and governance of publicly traded companies. The resulting law was passed on January 23, 2002 and is called the Sarbanes-Oxley Act (SOX). At about the same time, several well publicized “scandals” hit the not-for-profit sector, including United Way, which started both the Senate Finance Committee and several State Legislatures thinking about enacting laws similar to SOX for the not-for-profit sector. While only one state (California) has passed such legislation as of the date of this writing, such legislation continues to be actively debated and it is likely that the not-for-profit sector will eventually be required to comply with tighter regulations.

While SOX contains only two provisions that are required for non-profits, the United Way system remains committed to our pledge of being a leader in the not-for-profit sector and constantly seek to identify new ways to improve our individual and collective transparency, accountability, and quality in governance. For this reason, United Way of America overwhelmingly adopted more stringent membership requirements in 2002 known as the Eligibility Criteria for Initial and Sustained Membership in the United Way System (part of a document titled Strengthening the United Way System). In addition, United Way of America initiated work on revision and updating of the United Way Standards of Excellence.

This document complements the aforementioned and in it the Financial Issues Committee (FIC) of United Way of America has set about to examine the finer details of SOX and create a collection of guidelines for how United Way members can and should voluntarily comply with SOX.

Following is a brief overview of the SOX legislation and how each section is addressed in this guideline:

Title I addresses public company accounting and oversight boards. The FIC found that this section offered little direct application for United Ways as the principles enumerated in this section were specific for-profit principles. Thus, no recommendations are made relative to this section.

Title II: addresses auditor independence which has direct application to United Ways in areas such as non-audit services, auditor rotation, and staff conflicts of interest. The document makes specific recommendations relative to this section.

Title III: addresses corporate responsibility which has direct application to United Ways in areas such as Audit Committee responsibilities, CEO & CFO responsibility for financial reporting, and misleading information. The document makes specific recommendations relative to this section.

Title IV: addresses enhanced financial disclosure which has direct application to United Ways in areas such as loans to executives, internal control reports, and codes of ethics for CFOs. The document makes specific recommendations relative to this section.

Title V: addresses conflicts of interest for securities analysts. The FIC found that this section offered little direct application for United Ways as the principles enumerated in this section were specific to securities analysts. Thus, no recommendations are made relative to this section.

Title VI: addresses resources and authority of the Securities Exchange Commission (SEC). The FIC found that this section offered little direct application for United Ways as the principles enumerated in this section were specific to the SEC. Thus, no recommendations are made relative to this section.

Title VII: addresses studies and reports to be made by the SEC. The FIC found that this section offered little direct application for United Ways as the principles enumerated in this section were specific to the SEC. Thus, no recommendations are made relative to this section.

Title VIII: addresses corporate and criminal fraud accountability which has direct application to United Ways in areas such as document destruction and whistle blower protection policies (both mandated for all entities, for-profit and not-for-profit). The document makes specific recommendations relative to this section.

Title IX: addresses white-collar crime penalties and requires no additional commentary.

Title X: addresses corporate tax returns. The FIC found that this section offered little direct application for United Ways as the principles enumerated in this section were specific for-profit principles. Thus, no recommendations are made relative to this section.

Title XI: addresses corporate fraud and accountability of publicly traded companies. The FIC found that this section offered little direct application for United Ways as the principles enumerated in this section were specific for-profit principles. Thus, no recommendations are made relative to this section.

In creating this document, FIC examined the entire SOX legislation, separated out those sections that have no direct application to the not-for-profit sector, and then debated how United Ways may best implement policies consistent with the spirit and intent of SOX.

This document includes a variety of samples as attachments offered to assist United Way members in development and implementation of new policies and procedures that will align with these guidelines.

At the end of this document can be found an appendix containing the basis for conclusions made by FIC in drafting these guidelines. This appendix is included to assist the reader in understanding why the recommendations were made and the logic used by FIC for proposing policies not fully in alignment with SOX.

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UNITED WAY OF AMERICA GUIDE TO SARBANES - OXLEY

INTRODUCTION

As the business and social climate in the Nation continues to change, so must the United Way system continue to change and improve in response to Government regulation, donor demands, and media criticism. As is true with the development of any guideline, significant research and due diligence must precede defining a best or most representative method of doing business. It must be understood that the end result may ultimately be a policy that differs from what any single/individual United Way might choose. These guidelines have been created from the perspective of what is in the best interest of and makes the most sense for the entire United Way system.

Since the passage of the Sarbanes-Oxley legislation, United Way of America (UWA) has been re-examining the governance and financial practices of itself and its members. As a result of that examination UWA has set the bar higher by updating a set of guidelines called the United Way Standards of Excellence, which seeks to establish United Way “best practices” in the following areas of operation:

- Community Engagement
- Resource Development & Investment
- Relationship Building & Brand Management
- Organizational Leadership & Planning
- Operations (Fiscal Accountability & Business Management)
- Governance

This document, A United Way Guide to Sarbanes-Oxley was developed by the UWA Financial Issues Committee (FIC) and is intended to serve as a complement to the Standards of Excellence.

The Sarbanes-Oxley legislation (SOX), while for the most part not mandatory for not-for-profit organizations, does contain many sections that ought to be considered for adoption by United Ways. The FIC has endeavored here to pull out of SOX those sections that are most applicable to not-for-profits in general and set forth recommendations for how United Way member organizations can best apply them individually. The main body of this guide summarizes specific sections of SOX and then recommends what is believed to be a United Way’s best response to it.

While application of these guidelines are voluntary at this time, several states have begun to draft legislation containing many of the components of SOX that would be specifically applicable to not-for-profits in their state. FIC has considered the details of known state legislation in developing these guidelines but FIC did not incorporate the specifics of each state’s legislation into this document. Thus, each United Way member is reminded that adopting the policies recommended in this document does not necessarily guarantee compliance with state laws.

SARBANES - OXLEY ACT BY SECTION - **GUIDANCE**

Section # and Description	Recommendation for United Ways
<p>201: Restrictions on Non-Audit Services The independent auditor may not perform the following non-audit services: 1) bookkeeping or other services, 2) financial information systems design and implementation, 3) appraisal or valuation services, fairness opinions, or contribution in-kind reports, 4) actuarial services, 5) internal auditing outsourcing services, 6) management functions or human resources, 7) broker, dealer, investment advisor or investment banking services, 8) legal services and expert services unrelated to the audit. Tax services are allowed if approved by the audit committee.</p>	<p>All United Ways should comply with this section and prohibit their independent auditors from providing non-audit services as described in section 201. Any additional accounting services required should be provided by another independent firm and not the current auditors.</p>
<p>202: Pre-approval of Audit and Non-Audit Services All auditing services and non-auditing services provided by the auditors shall be pre-approved by the audit committee.</p>	<p>All United Ways should comply with this section and have an audit committee that pre-approves all audit and non-audit services provided by any accounting firm. It is preferable that a pre-audit meeting be held with the audit committee and auditors to discuss audit scope and procedures.</p>
<p>203: Audit Partner Rotation The lead audit partner or coordinating partner must rotate off the audit every 5 years.</p>	<p>All United Ways should comply with this section and have a rotation policy requiring a change in lead <u>or</u> reviewing audit partners every 5 years.</p>
<p>204: Auditor Reports to Audit Committee The auditors are required to report to the audit committee prior to the filing of the report: (a) all critical accounting policies and practices, (b) all alternative treatments within GAAP related to material items discussed with the client, and (c) other material written communications between the auditor and client management.</p>	<p>All United Ways should comply with this section and ensure that appropriate information is shared by the auditors with the audit committee. UWA Membership Requirement H requires that a management letter be requested from the auditors, and if one is not warranted, a written letter to that effect shall be obtained.</p>
<p>206: Conflicts of Interest The CEO, Controller, CFO, Chief Accounting Officer or equivalent cannot have been employed by the company's audit firm and participated in the organization's audit during the 1 year period preceding the audit.</p>	<p>All United Ways should comply with this section to ensure independence in the audit process and should not employ an auditing firm if their CEO or key Finance staff has worked there and participated in the United Way audit in the past year.</p>

Section # and Description	Recommendation for United Ways
<p>301: Audit Committee Responsibilities</p> <p>Each member of the audit committee shall be a member of the Board of Directors, and shall otherwise be independent. The audit committee must be responsible for the appointment, compensation and oversight of the work of the independent auditor, including the resolution of disagreements between the independent auditor and management regarding financial reporting. The audit committee should be authorized, and given adequate resources, to engage independent counsel and other advisors as it deems necessary to carry out its duties. The audit committee must establish procedures for the receipt, retention and treatment of complaints regarding accounting, controls or auditing matters and for confidential submission of concerns by employees.</p>	<p>All United Ways should have an active, independent Audit Committee and organizational by-laws should include a general definition of Audit Committee responsibilities. The Audit Committee should adopt a charter which outlines specific responsibilities including those noted in Section 301 (see attached sample charters).</p> <p>If it is not feasible for <u>all</u> members of the Audit Committee to be Board members, then at least the chair of the Audit Committee and a majority of the total members of the committee must be Board members.</p> <p>The audit committee may include members of the organization’s management provided that management personnel are not voting members of the committee (e.g. must be “ex-officio”). As such, it is appropriate and proper to excuse management personnel from parts of the meeting when their presence represents a conflict of interest.</p> <p>It is preferable that the audit committee is separate from the Finance Committee, but this is not a SOX requirement and may not be practical for some United Ways.</p>
<p>302: CEO / CFO Responsibility for Financial Reports</p> <p>The CEO and CFO must certify that: (a) they have reviewed the report, (b) the report does not contain any misrepresentation, (c) the financial information in the report is fairly presented, (d) they are responsible for “disclosure controls and procedures,” (e) they have reported any deficiencies in internal controls and fraud involving management to the audit committee, and (f) they have indicated any material changes in internal controls.</p> <p>A violation must be knowing and intentional to give rise to liability.</p>	<p>All United Ways should comply with this section and ensure that the CEO and CFO sign a certification statement regarding the annual financial statements (see attached sample) which will also cover the Form 990. The certification should include verification that, items (a) through (f) are true, to the best of their knowledge. Consider additional certification (“sub-assurance”) from VP of Resource Development for accuracy of revenue (pledges).</p>

Section # and Description	Recommendation for United Ways
<p>303: Improper Influence on Conduct of Audits Organization officers shall not take any action to fraudulently influence, coerce, manipulate, or mislead the auditors for the purpose of rendering the financial statements materially misleading.</p>	<p>All United Ways should comply with this section.</p>
<p>304: Forfeiture of Bonuses If the organization is required to restate its financial statements because of material non-compliance with any financial reporting requirement resulting from misconduct, then the CEO and CFO will be required to reimburse any bonus or other incentive-based compensation they received during the 12 months following the issuance of the financial reports embodying the non-compliance.</p>	<p>All United Ways should comply with this section and require the CEO and CFO to reimburse any incentive bonuses if financial statements are required to be restated due to material non-compliance with any financial reporting requirement resulting from misconduct.</p>
<p>401: Material Correcting Adjustments Financial reports shall be prepared in accordance with GAAP and shall reflect all material correction adjustments that have been identified by the auditors.</p>	<p>All United Ways should comply with this section and prepare financial reports in accordance with GAAP.</p>
<p>401a: Material Off-Balance Sheet Transactions Organizations must disclose all material off-balance sheet transactions and other relationships with unconsolidated entities that may have a material current or future effect on financial condition.</p>	<p>All United Ways should comply with this section and disclose any material off-balance sheet transactions or other relationships that have a material effect on financial condition.</p>
<p>402a: Prohibition on Loans or Credit to Executives Organizations shall not extend credit, directly or indirectly, to any director or executive officer.</p>	<p>All United Ways should comply with this section and should prohibit loans (or the equivalent) to directors or executives and have a policy restricting or severely limiting loans to staff.</p>

Section # and Description	Recommendation for United Ways
<p>404a: Internal Control Reports Each annual report shall contain an “internal control report” stating that management is responsible for an adequate internal control structure, and an assessment by management of the controls’ effectiveness.</p> <p>404b: Auditors Attest to Internal Control Assessment Independent auditors shall attest to, and report on, the assessment of internal controls made by management</p>	<p>All United Ways should ensure that their financial policies, procedures and internal controls are documented and monitored to verify operational compliance. (see sample listing of suggested policies)</p> <p>These policies, procedures and controls should be reviewed by the Audit Committee and/or Finance Committee at least every 3 years, in conjunction with the self-assessment required by Membership Requirement I.</p> <p>The Audit Committee should evaluate the cost/benefit of periodic external review and testing of the effectiveness of the organization’s internal controls.</p>
<p>406: Code of Ethics for Senior Financial Officers Organization shall adopt a Code of Ethics for Senior Financial Officers. The Code of Ethics shall include such standards as are reasonably necessary to promote – 1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; 2) full, fair, accurate, timely and understandable disclosure in periodic reports; and 3) compliance with applicable governmental rules and regulations.</p>	<p>All United Ways should comply with this section and ensure that items listed in section 406 are included in the organization’s Code of Ethics and Conflict of Interest as required in Membership Requirement G. (see Membership Requirement G materials for sample policies)</p> <p>If the organization’s Code of Ethics does not include all items (1-3) in section 406, then the CFO should sign a separate Code incorporating these specific items.</p>
<p>407: Audit Committee – Financial Expertise Organization shall disclose whether at least one member of its audit committee is a “financial expert”. Definition of “financial expert”: an individual who has (through education and/or experience): 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in the preparation and auditing of financial statements and the application of such principles as accounting for estimates, accruals and reserves; 3) experience with internal accounting controls; and 4) an understanding of audit committee functions.</p>	<p>All United Ways should ensure that their Audit Committee includes at least one financial expert as described in section 407.</p>

Section # and Description	Recommendation for United Ways
<p>802: Document Destruction Individuals shall not knowingly alter, destroy, mutilate, etc. documents with the intent to impede, obstruct, or influence an investigation of any department or agency of the United States.</p>	<p>Legal requirement for all non-profits. All United Ways must comply with this section and have a document destruction / non-destruction policy in place. (see sample policy attached)</p>
<p>806: Whistle Blower Protection It is unlawful to discharge, demote, suspend, threaten, harass, or discriminate in any other manner against any employee who provides information regarding conduct the employee reasonably believes constitutes financial fraud or a violation of laws.</p>	<p>Legal requirement for all non-profits. All United Ways must comply with this section and have a policy in place for reporting, communicating, and follow-up of any fraud or illegal misconduct. (see sample policies attached)</p>

SAMPLES

SAMPLE 1: Audit Committee Charter

The functions and responsibilities of the Audit Sub-Committee shall be to:

1. Evaluate the performance of independent auditors and recommend to the Board of Directors the appointment and, as warranted, the replacement of the independent auditors. Insure rotation of lead and reviewing partners every 5 years.
2. Discuss with the independent auditors the following matters:
 - a. Scope, results of the audit and the management letter
 - b. Accounting principles, policies and reporting practices
 - c. Adequacy of the organization's internal controls (together with management)
 - d. Provision of tax services (any other non-audit services must be provided by a separate firm and not the current auditors)
3. Ensure that the independent auditors submit periodic reports to the Audit Sub-Committee delineating all relationships between the independent auditors and United Way
4. Oversee the internal audit function, including, but not limited to, the following:
 - a. discussion of the adequacy of internal controls
 - b. periodic review of check registers
 - c. periodic review of cash disbursement documentation
 - d. periodic review of canceled checks
 - e. periodic review of bank reconciliations
5. Meet no less than ____ times per year to fulfill the above responsibilities.
6. Ensure that a Whistle Blower policy has been established, communicated to staff, and is functioning as intended.

While the Audit Sub-Committee has the responsibilities and functions set forth in this Charter, it is not the duty of the Audit Sub-Committee to plan or conduct audits or to determine that the financial statements are complete, accurate and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.

This Audit Sub-Committee charter was adopted by the Board of Directors of United Way on the ____ day of _____, 200__.

Jane Doe, Secretary

SAMPLE 2: Audit Committee Charter

The Board of Directors of United Way has constituted and established an Audit Committee (the “Committee”) with authority, responsibility, and specific duties as described in this Audit Committee Charter.

This charter will be applicable to transactions affecting the United Way, its subsidiaries, and its foundation.

COMPOSITION

The Committee will be appointed annually by the Board of Directors (the “Board”). The Chairman of the Committee will be appointed by the Chairman of the Board and approved by the Executive Committee.

The Committee shall be comprised of at least five individuals, all of whom are independent of management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member. The majority of the members of the Committee shall have a basic understanding of finance and accounting. The Chairman of the Committee will be a member of the Board and have accounting or related financial management expertise.

COMMITTEE POWERS AND RESPONSIBILITIES

The Committee’s powers and responsibilities shall include the following:

Financial Reporting Process

- Recommend to the Board the independent accountants to be nominated, review the compensation of the independent accountants and evaluate the performance, including the length of service, and on-going qualifications of the independent accountants. If so determined by the Committee, recommend that the Board replace the independent accountants. Ensure the rotation of the lead and reviewing audit partners every 5 years.
- Review the experience and qualifications of the senior members of the independent accountant team and the quality control procedures of the independent accountants.
- Approve the retention of any separate independent accountants for any non-audit service and the fee for such service. Tax services may be provided by the current auditors if approved by the Audit Committee, any additional accounting services must be provided by a separate independent firm.
- Approve any hiring by United Way of employees of the independent accountants who were engaged on United Way’s account. Ensure audit firm is changed for at least one year if this hiring occurs.
- Ask for any discussion with the independent accountants’ national office regarding issues on which it was consulted by United Way’s audit team on matters of accounting standards or interpretations thereof, audit quality, or consistency.

- Confirm and assure the independence of the independent accountants, including a review of the nature of all services and related fees provided by the independent accountants. The independent accountants will provide a written statement regarding relationships and independence to the Committee at least annually.
- Review with the independent accountants, prior to the initiation of the annual audit, the independent accountants' process for identifying and responding to key audit and internal control risks, and the scope and approach of the audit to assure completeness of coverage of key business controls and risk areas.
- Serve as a channel of communication between the independent accountants and the Board and/or management of United Way. The independent accountants are ultimately accountable to the Audit Committee the Board.
- Instruct the independent accountants to report directly to the Committee any problems or difficulties incurred in connection with the audit, including any restrictions on the scope of activities or access to required information, or any disagreements with management.
- Review the financial statements and footnotes included in the annual report, including:
 - The independent accountants' audit of the financial statements and their report thereon.
 - Any significant changes required in the independent accountants' audit plan.
 - The existence of significant estimates and judgments underlying the financial statements, including the rationale behind those estimates as well as the details on material accruals and reserves.
 - The critical accounting policies used in the financial statements, an analysis of the effect of alternative methods of applying generally accepted accounting principles on United Way's financial statements and a description of any transactions as to which management obtained Statement on Auditing Standards No. 50 letters, or as amended by Statement on Auditing Standards No. 97.
 - Insider and affiliated party transactions and potential conflicts of interest.
 - Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- Review significant reports, if any, prepared by internal auditors, or external providers, together with management's response and follow up to these reports.
- Review the appointment, performance and replacement of the senior executive or external provider, responsible for internal auditing.
- Review with management and the independent accountants the effect of regulatory and United Way of America membership requirements related to the audited financial statements.
- Review the financial statement certification by the CFO and the CEO.

- Review with management and the external preparer, the United Way's IRS Form 990 prior to releasing the 990 to the public, including the results of the reviews of the Form 990 by the independent accountants.
- Review with management and the independent accountants any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raises issues regarding United Way's financial statements or accounting policies.
- Review with United Way's management and/or legal counsel legal matters that may have a material impact on the financial statements, United Way's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

System of Internal Controls

- Review United Way's process for assessing significant risks or exposures and the steps management has taken to minimize such risks to United Way. Consider and review with management and the independent accountants:
 - The effectiveness of, or weaknesses in, United Way's internal controls including the status and adequacy of management information systems and other information and security, the overall control environment and accounting and financial controls.
 - Any related significant findings and recommendations of the independent accountants, together with management's response thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls.
- Review internal processes for determining and managing key financial statement risk areas.
- Review United Way's process for determining risks and exposures from asserted and unasserted litigation and claims and from noncompliance with laws and regulations.

LIMITATION ON COMMITTEE DUTIES

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to determine that United Way's financial statements are complete and accurate or to determine that such statements are in accordance with generally accepted accounting principles. United Way's management is responsible for the preparation of United Way's financial statements in accordance with generally accepted accounting principles and United Way's internal controls. United Way's independent accountants are responsible for the audit work on United Way's financial statements. United Way's management is responsible for compliance with laws and regulations and compliance with United Way's policies and procedures.

MEETINGS

The Committee will meet at least semi-annually, or more frequently as necessary to carry out its responsibilities. In addition, the Committee, or at a minimum, the Committee Chairman, will meet with management and the independent accountants prior to the release of United Way's annual financial statements or to discuss the results of any review or audit as applicable. The Chairman of the Committee and/or management may call meetings as deemed necessary. In addition, the Committee will make itself available to the independent accountants of United Way as requested by such independent accountants.

All meetings of the Committee shall be held pursuant to the Bylaws of United Way with regard to notice and waiver thereof, and written minutes of each meeting shall be duly filed in United Way's records. Reports of meetings of the Committee, including committee actions and recommendations, shall be made to the Board at its next regularly scheduled meeting following the Committee meeting.

REVIEW OF CHARTER

The Committee will review this Charter on an annual basis, and will submit any revisions to the charter to the Board for approval.

SAMPLE 3: CEO/CFO Financial Statement Certification

CERTIFICATIONS

I hereby certify that:

1. I have read the audited financial statements and related IRS Form 990 of United Way of _____ for the year ended _____, 20XX.
2. Based on my knowledge, these financial statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of United Way of _____ as of, and for the period ended _____, 20XX.

President and Chief Executive Officer

Date

VP of Finance and Chief Financial Officer

Date

Note: if timing precludes simultaneous certification of the audit and 990, separate certifications should be made.

SAMPLE 4: Internal Control Policies Listing

Sec. # Tab # Description

I. Structure

1. Organizational Chart
2. Fiduciary Committee Mandate & Governance
3. Departmental Business Plan/Goals/Code of Ethics
4. Vice President of Finance Job Description
5. Senior Finance Associate Job Description
6. Accounts Receivable Associate Job Description
7. Accounts Payable/Payroll/HR Associate Job Description
8. Human Resources Consultant Contract

II. Contribution Revenue

1. Mail Policy & Procedures
2. Stock Gift Policy & Procedures
3. Campaign Summary Policy
4. Cashiering Policy & Procedures
5. Deposit Policy – Mail Receipts
6. Deposit Policy – Miscellaneous Receipts
7. Credit Note Policy
8. Write-off Policy
9. Pledge Processing Policy (*including fully paid gift policy*)
10. Pledge Loss Estimate Policy
11. Collections Policy

III. Grant Revenue

1. Request for Funding Policy
2. Grant Administration Policy
3. Funding Request Policy

IV. Expenditures

1. New Vendor Approval Policy
2. Electronic Purchase Orders Policy
3. Business Expense Policy
4. Receiving Log Policy
5. Inventory Policy
6. Capital Expenditures Policy
7. Check Signing/Electronic Funds Transfer Policy
8. Monthly Allocation Payment Policy
9. Payables Audit Policy
10. Bank Reconciliation Policy

Sec. # Tab # Description

V.

Payroll

1. New Hire Policy
2. Change Policy
3. Termination Policy
4. Timekeeping Policy
5. Payroll Policy
6. Direct Deposit Policy
7. FLEX Plan Policy
8. 401(k) Plan Policy
9. Payroll Review Policy
10. Mandatory Vacation Policy
11. Service Auditor Review Policy
12. Personnel Records Retention Policy

VI.

General Ledger

1. Payroll Standard Journal Entries
2. Receivables Upload Journal Entries
3. Accrual & Standard Adjustment Entries
4. Month End Adjustment Entries
5. Year End Adjustment Entries
6. Records Retention Guide

VII.

System Security

1. Pledge Processing software
2. Accounting software

VIII.

Investments/Reserves/Endowment

1. Permanent Endowment Policy
2. Quasi-Endowment Policy
3. Stabilization Reserve Policy
4. Idle Operational Cash
5. Capital Improvements Fund Policy

IX.

Financial Statements / Reporting

1. Monthly Budget Reports to Departments
2. Monthly Reports to Finance Committee
3. Quarterly Reports to Board
4. Budget Projection Updates
5. Annual Budget Preparation

SAMPLE 6: Whistleblower Protection Policy

COMPLAINT PROCEDURES FOR FINANCIAL, ACCOUNTING AND AUDIT MATTERS

United Way (“United Way”) is committed to fair, accurate and transparent accounting of its financial matters and expects all employees, officers, directors and agents to act in accordance with the highest ethical standards in the performance of their responsibilities. It requires full compliance with all applicable laws and regulations, accounting standards, accounting controls and audit practices. United Way relies on all employees, officers, directors and agents of the Company to conduct themselves in accordance with the requirements and spirit of this policy and to report any suspected violations of this policy or other questionable financial, accounting or audit matters without fear of retaliation.

Reporting Complaints, Concerns or Questionable Financial Practices

Any person or employee who has complaints or concerns about United Way’s accounting, internal accounting controls or auditing matters, or who becomes aware of questionable accounting or auditing matters, is strongly encouraged to report such matters to the Audit Committee of the Company.

To raise complaints or concerns about or report a questionable accounting or auditing matter to the Audit Committee, employees should **(Describe methods, including method that permits anonymous reporting – telephone hot line, website or email address, street mailing address)**

In order to facilitate a complete investigation, employees should be prepared to provide as many details as possible, including a description of the questionable practice or behavior, the names of any persons involved, the names of possible witnesses, dates, times, places, and any other available details. The Company encourages all employees with complaints or concerns to come forward with information and prohibits retaliation against employees raising concerns. However, if an employee feels more comfortable doing so, reports may be made anonymously in the manner described above.

Supervisors and managers who become aware of any questionable accounting or auditing matters, or who receive complaints or concerns from other employees, must immediately report them directly to the Audit Committee in accordance with this policy. Supervisors and managers who receive complaints of questionable accounting or auditing matters must consult with the Audit Committee before undertaking an investigation or other action. The Audit Committee has final responsibility and authority for the investigation and handling of any concerns or complaints relating to accounting and auditing practices.

Any supervisor or manager who fails to report allegations of questionable accounting or auditing practices in accordance with this policy or who otherwise fails to deal properly with such allegations may be subject to disciplinary action.

Investigation and Response

The Audit Committee will oversee the receipt and handling of allegations of questionable accounting or auditing matters, including directing an appropriate investigation and response. Based on its investigation, the Audit Committee will direct United Way to take prompt and appropriate corrective action in response to the complaint or concern if necessary to ensure compliance with legal and ethical requirements relating to financial, accounting and audit matters of the Company. If the Audit Committee determines that a particular complaint or concern is not covered by this policy, it will refer the complaint or concern to the Vice President – Human Resources at the Company for appropriate handling and response.

Confidentiality and Non-retaliation

Reports of questionable accounting or audit practices will be kept confidential to the extent possible consistent with the Audit Committee's obligation to investigate and correct unlawful or unethical accounting or audit practices. In order to ensure confidentiality, an employee may elect to make a complaint anonymously.

United Way will not retaliate or take any form of reprisal against any person who makes a report pursuant to this policy or who participates in an investigation regarding a violation of the applicable securities laws, rules or regulations, or any provision of other laws regarding fraud against shareholders. Any such retaliation or reprisal by a Company employee is forbidden. Any employee who retaliates against another employee or a witness as described above will be subject to discipline, up to and including discharge. Employees who believe they are subject to retaliation because they have made a report or participated in an investigation should report such suspected retaliation to the Audit Committee in the same manner as described above for the reporting of questionable practices.

Questions about this policy should be directed to the Chair of the Audit Committee by sending information to *[name, address, and email address].*

Appendix A - Basis for Conclusions

Introduction: This appendix summarizes considerations that the United Way of America Financial Issues Committee (FIC) members deemed significant in reaching the conclusions in this document. It includes reasons for accepting certain views and rejecting others. Individual FIC members gave greater weight to some factors than others.

Benefits and Costs: The charge given to the FIC by UWA is to establish standards and guidelines for financial accounting and reporting that will bring greater consistency, comparability and transparency to the United Way system. In fulfilling that mission the FIC strives to determine if a proposed standard or guideline will fill a significant need and that the cost to implement the standard can be justified in relation to the overall resulting benefits. Because there is no common gauge by which to judge objectively the costs to implement a specific recommendation against the need to improve information in financial reporting, the FIC's assessment of the costs and benefits of issuing a recommendation is unavoidably subjective. Moreover, because the costs to implement a new recommendation are not borne directly by those who derive the benefits of improved reporting, the FIC must balance the diverse and often conflicting needs of preparers, donors, creditors and others who use our financial reports.

United Ways throughout the system currently provide various types of financial information that differs in form and content. The FIC believes that the implementation of these recommendations will fill a significant need for information that is comprehensive, understandable, useful for decision-making by current and future donors, resource providers, other UW's, staff, volunteers, media representatives and the general public.

The FIC concluded that the overall benefits of the information provided by applying these recommendations justify the costs that their implementation may impose. Although there will be transitional costs as United Way organizations apply the recommendations of this document, the FIC believes that United Ways generally have the information systems that are needed to meet these recommendations and that the ongoing costs should not be significantly greater than for existing policies.

Complementary Nature of Various Documents: The UW system has Membership Requirements and Standards of Excellence which support many of the components of the Sarbanes Oxley Act. This document is intended to explain sections of SOX that have direct application to United Ways and provide recommendations / guidance for how each member can voluntarily comply. There are however certain aspects of SOX that, if implemented exactly as enumerated in SOX, would have an adverse effect on United Ways. In such cases, FIC sought to interpret the spirit and intent of Congress in imposing the specific requirement on our for-profit counterparts and developed recommendations that mitigate the adverse effects while maintaining the positive impact on accountability.

State Requirements Vary: At the date of release of this document, several states like California, Texas, Massachusetts, and New York were in the process of debating and enacting many aspects of SOX for application to the not-for-profit sector. In addition, the US Senate Finance Committee was actively engaging leadership organizations of the not-for-profit sector (e.g. United Way of America, the Red Cross, etc.) in discussion of many of the concepts of SOX with a goal of enacting similar legislation. Because of all the differences between these various regulations and the uncertainty surrounding the ultimate resolution of all these activities, the committee focused on the SOX legislation itself rather than attempting to create

comprehensive guidance that would incorporate everything being considered. Until such time as the various legislative bodies reach conclusion on these issues, it is important that each Local United Way monitor their own state's legislation. FIC will continue to monitor developments at the national level and periodically update this document as new legislation is enacted.

Strong Internal Controls: Section 404 of SOX, specifically mandates internal control audits for publicly held corporations and some respondents questioned whether such should also be mandatory for United Ways. However, the committee recognized that, within our UW system, there are widely varying organization sizes and different business cases so the committee purposely tried not to be prescriptive, especially in the area of internal control reports (section 404), where "one size fits all" is not reasonable or feasible. The committee did however conclude that the key to successful implementation of these guidelines is for each Local United Way to maintain an emphasis on creating strong internal controls. Regardless of whether it is done by an external auditor or some internal group (staff and/or volunteers), every LUW should prepare a risk assessment and evaluate internal controls in those areas where the potential for misstatement of financial information or misuse of funds is high and take steps to mitigate those risks.

Code of Ethics for CFOs: The committee considered whether or not Section 406 mandated a Code of Ethics specifically for the CFO of an Organization, separate from the general code of ethics for all Organization staff. The committee concluded that provided that specific points enumerated in section 406 are included in the organization's Code of Ethics, a single Code of Ethics is sufficient for all staff. However, lacking incorporation of the specific points from section 406, the committee recommends that the CFO sign both the general organizational Code of Ethics and one in conformance with section 406. For purposes of these guidelines, a CFO is defined as the staff with lead financial responsibility – this may be the Finance Director, Controller, VP of Finance, or the Executive Director.

Pre-Audit Meeting with the Auditor: The committee considered whether Section 204 implied that the auditors should also meet with the Audit Committee prior to the audit. This practice would allow the auditors and the Audit Committee to discuss the scope of the audit and any specific procedures to be performed. The committee concluded that while not specifically required under Section 204, this practice improves the ability of the Audit Committee to carry out its fiduciary responsibility and is strongly recommended.

Legal Expertise: Some respondents to the exposure draft suggested that United Ways should also consider having at least one member of the Audit Committee who possesses "Legal Expertise". The committee considers having a "legal expert" on the Audit Committee or ensuring that the Audit committee has access to such expertise, when needed, to be a best practice. However, this was not included as a recommendation in the document because this practice goes beyond the Sarbanes Oxley legislation.

Loans or Credit to Executives: Some respondents to the exposure draft questioned the intent of this section and if it includes travel advances and certain, short-term, loans made to accommodate relocation. It is the belief of the committee that in general, travel advances are not considered "loans" under Sarbanes Oxley but if they are not timely repaid or allowed to accumulate, they could be considered loans and thus policies should be in place to assure this does not occur. With regard to loans to accommodate relocation, the committee believes that, they are considered "loans" under Sarbanes Oxley and should be avoided.