

PROCEDURE NO. 413.1

Area: Finance

Adopted: April 7, 2004

Certified by _____

Dr. Adolphus Andrews
Executive Vice President and
Chief Financial Officer

Revisions Approved:
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Subject: CHECKLIST FOR MAINTAINING INSTITUTIONAL FINANCIAL ACCOUNTABILITY AND RESPONSIBILITY (The Sarbanes-Oxley Act of 2002)

The following checklist addresses sections of the Sarbanes-Oxley Act of 2002 that are relevant to Central State University.

Section	Sarbanes-Oxley Act of 2002
Title II	Auditor Independence
201	<p>The external public accounting firm which performs the annual financial statement audit is prohibited from performing these non-audit services:</p> <ul style="list-style-type: none">(1) bookkeeping or other services related to the accounting records or financial statements;(2) financial system 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 or human resource functions;(7) broker or dealer, investment adviser, or investment banking services;(8) legal services and expert services unrelated to the audit; and(9) any other service the Audit Committee determines, by regulation, is impermissible. <p>A registered public accounting firm may engage in any other service, including tax services for an audit client, but <i>only if the Audit Committee approves the activity in advance.</i></p>
202	The Audit Committee must pre-approve all services provided by the auditor.
203	<p>The lead (or coordinating) audit partner and the reviewing audit partner of the public accounting firm must rotate off the audit at least every seven years. Central State University will effect this rotation every five years.</p> <p>The Audit Committee shall periodically evaluate the performance of the external auditor.</p>

Section	Sarbanes-Oxley Act of 2002
204	<p>The audit engagement letter should be addressed to the Audit Committee rather than internal management.</p> <p>At the conclusion of the annual audit, the public accounting firm must report to the audit committee:</p> <ol style="list-style-type: none"> (1) all critical accounting policies and practices used by the client that have been discussed with management; (2) all alternative treatments of financial information, ramifications of such use, and the treatment preferred by the public accounting firm; and (3) other material written communication between the public accounting firm and management, such as the management letter or schedule of unadjusted differences.
206	<p>The public accounting firm cannot have employed the University CEO, controller, CFO, chief accounting officer, or any person in an equivalent position, during the one-year period preceding the audit.</p>
Title III	Corporate Responsibility
301	<ol style="list-style-type: none"> (1) The Audit Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by the University and the public accounting firm shall report directly to the Audit Committee. (2) Each member of the Audit Committee shall be a member of the Board of Directors and shall otherwise be independent. “Independent” is defined as not receiving, other than for service on the Board of Directors, any consulting, advisory, or other compensatory fee from the University, and not being an affiliated person of the University. (3) The Audit Committee accepts responsibility to establish procedures for: <ol style="list-style-type: none"> (a) the receipt, retention, and treatment of complaints received by the University regarding accounting, internal controls and auditing matters; (b) the confidential, anonymous submission by employees of questionable accounting or auditing matters; and (c) the Audit Committee’s review of the nature and disposition of reported matters. (4) The Audit Committee shall provide appropriate funding and have the authority to engage independent counsel or other advisors, as necessary, to carry out its duties.

Section	Sarbanes-Oxley Act of 2002
302	<p>By signing the annual audit representation letter, the CEO and CFO shall certify that:</p> <ol style="list-style-type: none"> (1) they have reviewed the audit report; (2) based on their knowledge, the report does not contain any untrue statement of a material fact or omission of a material fact that makes the statements misleading; (3) based on their knowledge, the financial statements present in all material respects the financial condition and results of operations; (4) they are responsible for establishing and maintaining internal controls, ensuring that material information relating to the University is made known to officers; (5) they have disclosed to the auditors and the Audit Committee all significant deficiencies and material weaknesses in the internal controls that could adversely affect the University's ability to record, process, summarize, and report financial data; and (6) they have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions.
Title IV	Enhanced Financial Disclosures
401	The University should follow current and appropriate accounting standard guidance (i.e., FASB and GASB) relating to off-balance sheet and related party disclosures.
402	The University will not extend personal loans to any director or executive officer.
403	The Audit Committee should be aware of and review policies on ownership interests in related ventures or start-ups.
404	<p>Annually, the University will review internal control evaluations and report to the Audit Committee:</p> <ol style="list-style-type: none"> (1) internal audit testing of internal control procedure compliance and a summary of findings; (2) internal control evaluations and recommendations; (3) management risk analysis; and (4) internal audit plan and risk evaluations for the next fiscal year. <p>Internal controls are related to procedures and management responsibility for achieving organizational goals, safeguarding assets, and financial reporting accuracy.</p> <p>As necessary, management shall report key activities and internal control review results for goal(s) selected by the Board of Trustees from the University's strategic plan.</p>
406	The University shall annually disclose to its Board of Trustees that the University has adopted a code of ethics for its senior financial officers. The Audit Committee should review the adequacy of the code and periodically review how compliance is assured.

Section	Sarbanes-Oxley Act of 2002
407	<p>The University shall annually disclose to its Board of Trustees whether at least one member of the audit committee is a "financial expert." Financial expertise can be defined as:</p> <ul style="list-style-type: none">• familiarity with estimates, accruals, and reserves relevant to higher education;• longevity and experience with the University or other higher education institutions; and/or• other relevant experience.
802	<p>University management will not knowingly destroy, alter, or conceal records or make false entry in records or documents. In addition, any records associated with an audit shall be retained for seven years.</p>