



## Virtues of Tax-Exempt Organizations: Transparency, Accountability and Disclosure

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### New IRS Tax Exempt and Government Entities Commissioner Makes Non-Profit Governance a High Priority

Recent remarks of the new IRS Tax Exempt and Government Entities (TE/GE) Commissioner indicate that the IRS will be subjecting not-for-profit organizations to heightened scrutiny with regard to their policies and actions in corporate governance. Speaking before a group at the Georgetown University Law Center, Sarah Hall Ingram, recently appointed TE/GE Commissioner, stated that the “IRS has a clear, unambiguous role to play in governance,” and that the IRS, through its agents, would be examining the governance practices and internal controls of tax-exempt organizations.

While acknowledging that a set of uniform corporate governance rules would not be appropriate given the diversity and variety of non-profit organizations, the TE/GE Commissioner stated that she expected all organizations to develop systems, safeguards, and controls to minimize the risk of events occurring that contravene the requirements for tax-exemption. The TE/GE Commissioner outlined the following guiding principles for good governance: a clearly defined mission; an engaged, informed and independent Board of Directors; proper use and safeguarding of assets; and transparency.

To promote this focus on good governance, the IRS will ask its agents to fill out a check list regarding each organization’s governance practices and internal controls. What exactly is to be done with this checklist remains to be seen, but based on the TE/GE Commissioner’s remarks, a certain amount of follow-up and further investigation will

be conducted by the agents for each area in which an organization is deemed to be noncompliant. As part of this examination by agents, the TE/GE Commissioner has established a goal to provide uniform and measured training about governance to its determination and examination agents. Training has begun in certain areas and the training materials are available on the Charities and Non-Profits page of the IRS’ website at [www.irs.gov](http://www.irs.gov).

These remarks underscore the importance of non-profit organizations to be more transparent in their dealings and, in particular, to be sensitive to issues of concern to the IRS such as conflicts of interest among board members. Now more than ever, non-profit organizations must ensure that their boards do more than simply rubber stamp decisions of management. Board members must be engaged, informed, and committed to acting in the best interests of the organizations they lead.

In light of the IRS’ focus on governance, all non-profit organizations should consider reviewing their governance principles, policies and documents to ensure that they are in line with the guiding principles articulated by the TE/GE Commissioner – a clearly defined mission; an engaged, informed and independent Board; proper use and safeguarding of assets; and transparency.

A complete copy of the TE/GE Commissioner’s remarks is available at [http://www.irs.gov/pub/irs-tege/ingram\\_gtown\\_governance\\_062309.pdf](http://www.irs.gov/pub/irs-tege/ingram_gtown_governance_062309.pdf).

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