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IRS Focuses on Good Governance Practices

The IRS released a Governance Check Sheet and related Governance Project Guide in December 2009 for the purpose of educating its agents about data it seeks to capture regarding the governance practices and internal controls of tax-exempt organizations. The data will be used to assess compliance with tax regulations, but will also apparently be included in a long-term IRS study to assess the relationships between good governance practices and increased tax compliance. The IRS has emphasized numerous times in recent years the importance of good governance, and the release of these tools is another example of the IRS' intent to continue with that focus.

The Governance Check Sheet is a tool to be completed by IRS agents, which poses questions concerning, among others, the following matters:

- Does the organization's mission statement include reference to its charitable purpose?
- Do the organization's bylaws address the composition, duties, qualifications and voting rights of the organization's governing body members and officers?
- How often does the full board meet and is a quorum achieved?
- Is the rebuttable presumption procedure followed by the organization?
- Does the organization rely upon comparability data in making compensation determinations?
- Did the organization's voting board members have family or business relationships with other voting or non-voting board members, officers, directors or key employees?
- Did the organization utilize its conflict of interest policy?
- Are there systems in place to ensure assets of the organization are used properly in support of the charitable mission of the organization?

We recommend that tax exempt organizations review and complete the Governance Check Sheet to determine how it would answer the questions posed. The Check Sheet is a useful tool to evaluate an organization's governance procedures and activities. It can be found at http://www.irs.gov/pub/irs-tege/governance_check_sheet.pdf

If you need assistance or have general questions, please contact Ann Hollenbeck or any member of the Honigman Health Care Department.