

THE PANEL ON THE NONPROFIT SECTOR RECOMMENDATIONS

In the midst of financial scandals involving several prominent companies in 2002 and 2003, the media began focusing on allegations of questionable conduct by trustees and executives of public charities. In some cases the alleged abuses were clear violations of the law. In others the issue was whether certain practices met the high ethical standards expected of the charitable sector. These disclosures caught the attention of Congress. In September 2004 the chairman of the Senate Finance Committee, Senator Charles Grassley (R-IA), and the ranking member, Senator Max Baucus (D-MT), sent a letter to the Independent Sector (a national coalition of several hundred public charities) encouraging it to assemble an independent group of leaders from the charitable community to consider and recommend actions “to strengthen governance, ethical conduct, and accountability within public charities and private foundations.” The Senate Finance Committee leadership requested a final report in 2005.

The Independent Sector responded by creating a Panel on the Nonprofit Sector, consisting of 24 leaders of public charities. The panel embarked upon a wide-ranging examination of how to strengthen the governance, accountability, and ethical standards of public charities. It convened several public hearings, obtained valuable input from advisory groups and work groups, and consulted with dozens of professionals. The panel’s final report was submitted to the Senate Finance Committee in 2005. It consists of nearly 100 recommendations for changes to be adopted by Congress, the IRS, or charities themselves. These recommendations included the following:

Charitable organizations that pay for or reimburse travel expenses of board members, officers, employees, consultants, volunteers, or others traveling to conduct the business of the organization should establish and implement policies that provide clear guidance on their travel rules, including the types of expenses that can be reimbursed and the documentation required to receive reimbursement. Such policies should require that travel on behalf of the charitable organization is to be undertaken in a cost-effective manner. The travel policy should be provided to and adhered to by anyone traveling on behalf of the organization. . . .

Charitable organizations should not pay for nor reimburse travel expenditures (not including de minimis expenses of those attending an activity such as a meal function of the organization) for spouses, dependents, or others who are accompanying individuals conducting business for the organization unless they, too, are conducting business for the organization.