

Keep strident review of non-profits: As I See It

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By Stephen F. Gambescia

Revelations that staff in the determinations unit of the Internal Revenue Service provided higher order screening of applicants who had politically sounding names is disturbing. What good could come of this egregious government action is we become better educated about the purpose, activities, and oversight of our third sector. Nonprofits are ubiquitous and touch most of us on a daily basis; therefore, getting to know them better benefits all.

Nonprofits, often referred to as “charity, welfare, or voluntary” organizations have been part of the American fabric since its founding. Alex de Tocqueville in his often quoted "*Democracy in America*" was enamored that Americans quickly “formed a society” to solve social, welfare, and civic concerns. Ironically, as relevant as the nonprofits may be, they are actually not so well understood by the general public and even those working in nonprofits and the other two sectors (government and private for-profit).

Regardless of how the current IRS debacle plays out, we all (federal agencies, legislators, general public and nonprofit leaders) should be strident in the review of nonprofits from gestation to planned obsolescence. Nonprofits by virtue of their important function and favored status in public affairs should be circumspect about keeping to their mission and playing by the regulatory rules.

While even a student of nonprofits can become uncertain of what rules in the 30 or more sections of the IRS code apply to the several types of nonprofits, most understand that these organizations are exempt, in defined combinations, from paying taxes (e.g. sales, income, estate) to local, state, and the federal government. That is big money. That is money that governments, private enterprises, and citizens could use, especially if the exemption is unwarranted. Thus we need to be strident in the review of nonprofits during their lifecycle.

Investigations and subsequent reports periodically emerge at the national or state level that show significant numbers of nonprofits who have lost their way. Some probably should not have been given privileged status from the beginning, as they were disingenuous about their purpose. Some have strayed from appropriate activities to achieve their goals.

How nonprofits misbehave extends beyond keeping to the letter of the laws and regulations. Their governance and actions can be guided by a culture that covertly is political partisan. We expect nonprofits to be influential in the public policy making process as their goals and actions to improve the human condition are inextricably linked to government entities. However, some of the best known are not partisan neutral.

Their partisan bent is not easily detected and official oversight entities are unlikely to ring-them-up for being enamored by one party affiliation or another. It is evident in the norms and mores of the multiplicity of actions where one party is clearly the in group and anyone affiliated with the other party is the out group, regardless of the public policy stance.

We could be dismissive of this critique noting that these associations are self selective and those not comfortable with the political party bent can join another group. However, many of us join these associations because we believe strongly in the cause or it is an important reference group for work (e.g. professional association, business association) or we believe in civic engagement.

Nonprofits of all kinds should be beyond reproach in their lifecycle and work strictly in parameters given to them by law. Get to know more about nonprofits and their purpose, activities, and help guard them against even tacit political partisanship.

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