



June 18, 2010

## [IRS Requirements for Board Members of Nonprofits](#)

It is not uncommon for nonprofit organizations to have dealings with their board members. This is completely acceptable, according to Jennifer Chandler of the National Association of Nonprofits so long as the IRS rules pertaining to these are adhered to.

One of the regulations is that there has to be proper reporting of all business dealings between nonprofits and board members. As such, it has been disclosed that Western Pennsylvania hospitals have obtained real estate, legal, insurance and advertising services through their board members in the fiscal year ended June 30, 2009.

The area's two largest healthcare firms, UPMC and West Penn Allegheny reported they had business dealings amounting to \$10 million and \$5 million with their board members or top executives respectively. The two organizations cited in-place reporting and monitoring systems to avert or minimize any conflict of interest. Likewise, five other major healthcare providers who had business dealings with board members also did the same. They all reported that their dealings were above board and transactions were at fair market value.

Another instance was at Ohio Valley General Hospital where tax returns show that the CEO's son and daughter-in-law are on the hospital's payroll. The CEO, William F. Provenzano is not a voting member of the hospital board and thus did not have a say in negotiating the employment contracts of his son and daughter-in-law. The CEO drew \$530,010 in salary and benefits last year, including an expense for a country club fee. His son, Dr. David Provenzano as the Medical Director of the Pain Center of the hospital, was paid \$613,781 in salary and benefits whereas the CEO's daughter-in-law, Dr. Dana Dellapiazzo, an anesthesiologist, earned \$130,525.

Another nonprofit, Excelsa Health that operates the Westmoreland Regional Hospital along with two other hospitals, engaged a company partly owned by its CEO David Gallatin for direct mail services. The company, Mailing Specialists, was paid \$253,835 for services relating to processing the hospital's mail and sending it to the post office with the necessary bar coding. Excelsa also reported that board member Dr. Robert Whipkey was employed by Westmoreland Emergency Medicine where Excelsa paid \$683,250.

Washington Hospital paid \$212,071 for advertising services to Observer-Reporter newspaper that is owned by board member Thomas Northrop. Another board member, John Campbell is an

owner of Campbell Insurance Agency through which the hospital bought its insurance. The hospital declared payment of \$308,185 in insurance premiums to the Agency.

In its latest report, Jefferson Regional Medical Center in Jefferson Hills, paid \$151,940 in legal fees to board member Gregory Harbaugh's legal firm. Harbaugh says that he intentionally does not handle any matter pertaining to the Medical Center and his law firm in order to ensure there is no conflict of interest.