

Attachment A-8: TDC Form 990 Assessment and Corrective Action Process

The MIT Accreditation Assessment Committee identified as a very serious threat to TDC the indication that IRS Form 990 submittals may not have been performed for 2 or 3 years. Therefore, in this document, TDC House Corporation and the TDC Alumni Advisory Board present their collective response to this potentially serious situation.

The content of this response is as follows:

- Responsibilities for TDC Alumnus Leading This Effort
- Advice from Lawyer (circa 1978)
- Plan for Assessment and Corrective Action
- Progress Report (November 8th, 2008)

Responsibilities for TDC Alumnus Leading This Effort

TDC Alumni Advisory Board Treasurer Advisor, Michael Perfit '77 (and former Chapter Treasurer), has agreed to take on a leadership role in this regard. He has made progress, described in another sub-section below.

The following items represent the duties that Brother Perfit has taken on, as put forth by TDC Alumni Advisory Board "Task Master", Jack Chaney '76 (and former Chapter President).

- Hire an accountant, based on recommendations from TDC House Corporation At-Large (and former Treasurer and President, and former Chapter President, and AILG Chair) Dan Geer '72 and from MIT Accreditation Assessment Committee member, Bob Ferrara. (See the sub-section below that includes recommended accountants.) Work with Brother Adlerman on an appropriate fee.
- Work interactively with the accountant to determine the situation, and help him as he works to propose best way to resolve. This involves hours of time for the accountant to talk with previous and current treasure – house and HC. Expect to find no person knows the whole situation. Expect some information is lost.
- You will need to help by identifying people, how to contact them, and helping motivate them if they are slow or non responsive.
- You will need to help keep the focus on facts, and avoid defensive behavior by those who may feel some guilt for this gap. We need their knowledge to unravel the knot...
- Once the situation is understood, then work with the accountant to develop a proposed response.
- Expect your part is to ask critical questions, offer ideas and be part of developing consensus on proposal. Identify stakeholders and participants.
- Involve Brothers Adlerman and Chen (Treasurers, for House Corporation and the Chapter).
- Get approval from House Corporation and confirmation from MIT's Bob Ferrara and the FSILG Office.

- Assist in negotiations with IRS if required (my guess – this will be a critical discussion to avoid a big penalty).
- Agree on IRS negotiation approach.
- Participate in negotiation if appropriate.
- Potentially help develop the response plan to pay the penalties.
- Write a brief report to House Corporation, for future use, if needed.

Advice from Lawyer (circa 1978)

TDC House Corporation Treasurer, Ed Adlerman '93, in scanning through the Treasury files sent along from the prior Treasurer, found an old letter (circa 1978) from a lawyer that described to MIT the best ways of setting up the tax structure for an AILG. Based on this, Brother Adlerman surmised that the current TDC setup seems correct, with one tax ID number shared between TDC House Corporation and the Chapter, along with one of each tax form (990 - non-profit return, 940 - employer return).

Here is a quote from the lawyer's recommendation letter:

"...the simplest structural solution will in most cases be the best: a single corporation qualifying as a social club under IRC S501(c)(7), with at least two classes of members (student and alumni). The fraternity house would be owned by this corporation, with no intervening entity. The articles and by-laws of the corporation would be drawn in such a way as to ensure that the alumni members would retain control over the house, assuming that was desired....this structure does not prevent the taxation of investment and non-member source income as unrelated business income, but it at least does not result in double taxation. It has the advantage of minimizing the number of returns and reports required, and my experience with fraternities indicates that this is a very important consideration."

Plan for Assessment and Corrective Action

TDC House Corporation Treasurer, Ed Adlerman '93, submitted a draft plan for assessment and corrective action to TDC House Corporation. From the email communications on this subject, the following "working plan" was compiled.

- Initial Tasks:
 - Compile all submitted IRS forms from the Chapter and House Corporation.
 - Contact, interview, and hire an accountant.
 - Explain the situation, and provide a copy of the 2005 forms (990 and 990-T) and any other discovered IRS forms.
 - File some immediate forms (extension, change of address, etc.).
 - Resolve questions about using the same EIN as the undergraduate chapter.
 - Set strategy for submittal of any missing IRS forms.

- Work Tasks:
 - Obtain end-of-year documents for 2006/2007 from TDC bank accounts (Citizens Bank) and investment accounts (Scudder). This shouldn't be too difficult.
 - Retrieve information on other accounts/investments that were closed down during that period.
 - Obtain a yearly summary for 2006/2007 expenses/deposits from Stewart Howe Alumni Service, noting that donations over \$5000 have to be explicitly listed (i.e. name and addresses).
 - Document what the expenses and deposits in our bank accounts actually were. Luckily, it appears we have all the deposit and checking receipts for those periods till now. However, some of the documentation on each is cryptic. This will probably require going through each by hand, and possibly contacting the House Corporation Treasurers at the time to understand the transactions.
 - Information will be obtained by the FCI coop site regarding what we wrote checks for.
 - Document our mortgage payments (principal vs. interest).
 - Turn over all discovered information to the hired accountant, and interact with the accountant as advice is given and forms filled out.
 - Review, approve, sign, and deliver the missing submittals.
 - Track the submittal-review process.
 - Write documentation as part of the “officer’s manuals” campus-wide effort.

Progress Report (November 8th, 2008)

TDC House Corporation Member-at-Large Dan Geer provided the following two recommended accountants, and then Brother Perfit opened up discussions with one of them (see next passage below the two accountants’ contact information).

1. The accountant I use and which the FSILG Cooperative uses

NM Alfred C. Torrasi, C.P.A.
 NN Fred
 CT +1.978.985.7960
 WO LaPointe, Torrasi & Stanley
 WS 555 Turnpike Street, #47
 WC North Andover, Mass. 01845
 WT +1.978.794.5700
 WU <http://www.ltsco.org/>
 EM ftorrasi@ltsco.org
 FX +1.978.794.8155

2. The accountant that Chi Phi and the AILG use

NM Gary M. Locarno, Attorney/C.P.A.
NN Gary
CT +1.617.201.3992
WS 400 Commonwealth Avenue
WC Boston, Massachusetts 02215
WT +1.617.262.0700
WU <http://www.gmlassoc.com>
EM gml@gmlassoc.com
FX +1.617.262.6651

I would be happy to provide introduction to either; in both cases (Cooperative and AILG), I was the one who got things set up with these gentlemen in the first place. Both are entirely pragmatic and will need no explanation of "What is an ILG?", etc.

-- Dan

From: Michael Adam Perfit [michael@michaelandkevin.com]
Sent: Wednesday, November 05, 2008 6:11 AM
To: eadlerman@mac.com
Cc: Schreiber, Robert
Subject: Project 990

Follow Up Flag: Follow up
Flag Status: Green
Ed,

I met with Fred Torrisi yesterday. I believe that he will be able to help us. Until he can get his arms around the project, he is unable to estimate costs. Once we have gathered enough data so that he can estimate the project, he will give us a quote and a project plan.

The 2004 Form 990 is for a partial year from January 04 through July 04. We suspect that this is an initial return on the new EIN. The numbers on it appear to be estimates.

The 2005 return is undated but appears to have been filed on time. It appears to be a consolidated return for both House Corp and the Undergraduates. It is based on a calendar year.

The 2006 return also appears to be on fiscal year from August to July. The forms have obvious errors that may result in the officers being chased for back taxes on their expense accounts. Apparently, the Undergraduates listed each officer's budget as an expense account. The 2006 return also appears to be a consolidated return for both House Corp and the Undergraduates.

The next Undergraduate return is due on December 15, 2008. This gives us five weeks to figure out what we should be doing. We could file an extension but before we do, I would like to have a plan in place to sort all this out. In the long run, it now appears that House Corp should file the 990 forms with consolidated results for both House Corp and the Undergraduates.

Fred has asked for the following additional information:

1. A few prior year's House Corp returns
2. Any House Corp accounting statements for 2005 and subsequent years:
 - a. Copies for bank statements from Jan 2005 forward
 - b. Copies of check registers from Jan 2005 forward
3. Any Undergraduate accounting statements from 2005 and subsequent years
 - a. Copies of bank statements from Jan 2005 forward
 - b. Copies of check registers from Jan 2005 forward

The next House Corp return is due on May 15, 2009. It is critically important that this be filed properly because TDC could lose its tax exempt status.

Finally, on another matter the payroll data provided is incomplete. The W2's are only for a couple of quarters. I would like to know, did we have a paid cook throughout 2007? Were there any changes in personnel? What about the period prior to going onto Paychex?

That should just about cover it. Ed, when can you get me the House Corp information for Fred? I'll talk with the undergraduates this week-end.

Michael
