



Treasury Inspector General for Tax Administration Office of Audit

ENSURING THE QUALITY ASSURANCE PROCESSES ARE CONSISTENTLY FOLLOWED REMAINS A SIGNIFICANT CHALLENGE FOR THE VOLUNTEER PROGRAM

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Highlights

Highlights of Report Number: 2009-40-128 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Volunteer Program plays an increasingly important role in achieving the IRS' goal of improving taxpayer service and facilitating participation in the tax system. It provides no-cost Federal tax return preparation and electronic filing directed toward underserved segments of individual taxpayers, including low-income to moderate-income, elderly, disabled, and limited-English-proficient taxpayers. However, the quality assurance process needs some improvements and is still not consistently followed. Incorrectly prepared tax returns can increase the risk of taxpayers receiving erroneous tax refunds by not receiving credits to which they are entitled or receiving additional credits for which they do not qualify.

WHY TIGTA DID THE AUDIT

This audit was a followup to prior TIGTA reviews to determine whether taxpayers receive quality service, including the accurate preparation of their income tax returns, when visiting IRS Volunteer Program sites. This review included tax returns prepared at community-based Volunteer Income Tax Assistance sites and Tax Counseling for the Elderly sites sponsored by the AARP.

WHAT TIGTA FOUND

The accuracy rates for tax returns prepared at Volunteer Program sites decreased for the first time in five filing seasons. Of the 49 tax returns prepared for our auditors by Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites in the 2009 Filing Season, 29 (59 percent) were prepared correctly and 20 (41 percent) were prepared incorrectly. During the filing season, some volunteers did not consistently use the required intake and interview process or perform a quality review to ensure that an accurate tax return was prepared. Also, the IRS-developed intake sheet was not

effective to ensure that taxpayers received the additional property tax deduction when appropriate.

Improvements are also needed to the quality assurance process used to monitor Program effectiveness. Results showed that quality review procedures were not consistently followed and did not always conform to applicable guidelines in place to ensure the effectiveness of the tax return review process. In addition, a random sample of 43 of the 679 Post Reviews showed that 6 (14 percent) quality review files lacked sufficient taxpayer information to support the reviewers' conclusions.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, 1) begin trending accuracy rates by site and tax topic to identify patterns and concerns in which to focus education, training, and accountability; 2) ensure that all new tax law topics and questions pertaining to filing status are incorporated into the IRS intake sheet and augment the process for IRS approval of locally developed intake sheets to ensure completeness and consistency of information gathered from taxpayers during the tax return preparation process; 3) ensure that quality reviews completed at the volunteer sites are selected by the IRS quality reviewer, samples are random, and complete documentation is obtained; and 4) require that quality review training be revised based on results of the 2009 Filing Season to better ensure that tax returns are randomly selected and all quality reviews are consistently supported by sufficient documentation.

IRS officials agreed with three recommendations and partially agreed with one recommendation. The IRS plans to incorporate new tax law topics and questions pertaining to filing status into the IRS intake sheet. In addition, it plans to augment the process for approving locally developed intake sheets. To further mitigate the risk of incomplete or inconsistent information gathering, the IRS plans to require for the 2010 Filing Season that all grant recipients use its intake sheet.

The IRS agreed in part with Recommendation one, noting that it captures an accuracy rate by tax topic, but did not agree to trend accuracy rates by site because this would increase the number of reviews conducted at each site. The IRS cited a lack of resources to accomplish the reviews, particularly considering that it has more than 12,000 volunteer sites. However, TIGTA does not believe additional reviews would be required. The IRS should capture the accuracy rate by site for the reviews required to achieve a statistical sample.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2009reports/200940128fr.pdf>.

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