



Office of Audit

**Treasury
Inspector
General for Tax
Administration**



Recovery Act

THE INTERNAL REVENUE SERVICE SHOULD STRENGTHEN PROCESSES FOR MANAGING RECOVERY ACT FUNDS USED FOR THE HEALTH COVERAGE TAX CREDIT

Issued on September 13, 2010

Highlights

Highlights of Report Number: 2010-21-110 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

Taxpayers need assurance the Internal Revenue Service (IRS) properly administers the Health Coverage Tax Credit Program to ensure the enhancements required by the American Recovery and Reinvestment Act (Recovery Act) are provided. In addition, taxpayers need to know that Recovery Act funds are properly accounted for and their use is transparent.

WHY TIGTA DID THE AUDIT

The Recovery Act legislation mandates provisions designed to improve and expand the Health Coverage Tax Credit Program. This Program is responsible for providing income tax credits to subsidize health insurance coverage for taxpayers who, under specific circumstances, are displaced from their jobs and lose health insurance coverage benefits. Our review assessed the extent to which the Health Coverage Tax Credit Program Office complied with provisions of the Recovery Act and provided complete accountability and traceability of Recovery Act funding.

WHAT TIGTA FOUND

The IRS successfully delivered upgrades to the Health Coverage Tax Credit Program as required by the Recovery Act. These upgrades included raising the credit to 80 percent of the covered health insurance premiums, allowing family members to continue receiving benefits after certain life events, and expanding taxpayer eligibility in the Program.

The IRS also took actions to implement recommendations related to project development activities made in a prior audit.

However, improvements are needed to strengthen accountability and transparency over the \$80 million in Recovery Act funds that the IRS received for improvements to the Health Coverage Tax Credit Program. Specifically, subcontractor invoices listed third-party vendor purchases without having receipts or other comparable documentation to support the charges, and a work request has not been completed and issued to the Health Coverage Tax Credit contractor for enhancements to the Health Coverage Tax Credit Program.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, require the Health Coverage Tax Credit Program Office to 1) ensure the Contracting Officer's Technical Representative completes the Voucher Review Checklist for all future contractor invoices prior to authorizing payments, 2) develop internal procedures that provide for complete financial accountability and traceability when subcontractor invoices are paid with Recovery Act funds, and 3) complete and provide a work order to the Health Coverage Tax Credit contractor for subsequent enhancements to the Health Coverage Tax Credit Program.

The IRS agreed with Recommendations 1 and 3, stating it plans to implement the recommended corrective actions. Additionally, the IRS agreed with the intent of the outcome measure. However, the IRS disagreed with the recommendation that the Health Coverage Tax Credit Program Office develop internal procedures for the use of Recovery Act funds. The IRS stated the Health Coverage Tax Credit Program Office follows all Federal guidance and that Recovery Act fund policies should not be internal to the Health Coverage Tax Credit Program.

Our recommendation was that Health Coverage Tax Credit Program-specific guidance needed to be established to supplement existing guidance related to review and payment of contractor invoices. TIGTA believes this additional guidance would help ensure consistency in processing invoices.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201021110fr.pdf>

Email Address: inquiries@tigta.treas.gov
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