



Treasury Inspector General for Tax Administration Office of Audit

THE TAXPAYER ADVOCATE SERVICE CAN MORE EFFECTIVELY ENSURE LOW INCOME TAXPAYER CLINICS ARE APPROPRIATELY USING GRANT FUNDS

Issued on July 19, 2011

Highlights

Highlights of Report Number: 2011-10-067 to the Internal Revenue Service National Taxpayer Advocate.

IMPACT ON TAXPAYERS

The goal of the Low Income Taxpayer Clinic (LITC) program is to provide low-income taxpayers who are involved in controversies with the Internal Revenue Service (IRS) with free or nominal cost legal assistance and to provide taxpayers for whom English is a second language with education on their taxpayer rights and responsibilities. Taxpayer Advocate Service (TAS) personnel did not perform in-depth analyses during their site visits to the LITCs to independently validate that the clinics met the legal requirements for the funds received. Without performing comprehensive reviews of the clinics, taxpayers cannot be assured that their tax money is being used to assist qualified taxpayers involved in tax controversies with the IRS, as intended by Congress.

WHY TIGTA DID THE AUDIT

This audit was initiated to evaluate the actions taken by TAS management to improve the administration of the LITC grant program and determine whether those actions resolved conditions identified in prior TIGTA audits.

Congress designated the IRS to provide administrative oversight and guidance for the LITC program. From this program's inception in 1999 through April 2003, the Wage and Investment Division had this responsibility within the IRS. In May 2003, the IRS Commissioner transferred this responsibility to the TAS.

WHAT TIGTA FOUND

Our review identified that while additional procedures and controls have been implemented since our last audit, the TAS can take additional actions to more effectively ensure the LITCs are using grant funds appropriately. Specifically, TAS personnel did not perform in-depth analyses during their site visits to the LITCs to independently validate that the clinics met the program requirements for the funds received. As a result, there is an increased risk that clinics could be

using taxpayer funds to assist taxpayers in ways not intended by Congress.

TIGTA also determined that TAS management has not implemented a process to prioritize its visitations and primarily visits new clinics or those that have not been visited in the prior three years. A methodology where TAS personnel prioritize which clinics to visit based on their analysis of available information could enable the TAS to identify those clinics that may not be adhering to LITC program requirements.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the National Taxpayer Advocate develop and implement revised procedures to require more comprehensive site visits, require that all clinics capture and maintain a minimum level of information to support income and controversy determinations, and develop and document a process for identifying which clinics will be selected for site visits.

In their response, TAS management partially agreed with our recommendations. Management stated they have begun implementing significant changes to the site assistance visit process. However, they stated it would be inappropriate to verify client incomes and amounts in controversy absent clear, specific statutory authority. Without this verification, TIGTA remains concerned that the TAS is not fully ensuring that clinics are using taxpayer funds for their intended purpose. Also, the TAS did not agree to develop and document a formalized process to identify clinics for visitation. TIGTA believes that a documented process will assist the TAS in focusing its limited resources on the clinics most in need of assistance and/or oversight.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2011reports/201110067fr.pdf>

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