



*The Taxpayer Advocate Service
Can More Effectively Ensure
Low Income Taxpayer Clinics Are
Appropriately Using Grant Funds*

July 19, 2011

Reference Number: 2011-10-067

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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HIGHLIGHTS

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

Highlights

Final Report issued on July 19, 2011

Highlights of Reference 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 the 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 in which 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, stating that 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 the TAS is not fully ensuring clinics are using taxpayer funds for their intended purpose. The TAS did not agree to develop and document a formalized process to identify clinics for visitation. TIGTA believes a documented process will assist the TAS in focusing its limited resources on the clinics most in need of assistance and/or oversight.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

July 19, 2011

MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE

Michael R. Phillips

FROM:

Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – The Taxpayer Advocate Service Can More Effectively Ensure Low Income Taxpayer Clinics Are Appropriately Using Grant Funds (Audit # 201010003)

This report presents the results of our review of Low Income Taxpayer Clinic (LITC) program. The overall objective of this review was to evaluate the actions taken by Taxpayer Advocate Service management to improve the administration of the LITC grant program and determine whether those actions resolved conditions identified in prior Treasury Inspector General for Tax Administration audits. This audit is included in our Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations. This is a follow-up review to a Fiscal Year 2005 Treasury Inspector General for Tax Administration report, which found significant weaknesses in complying with the legal requirements of the LITC program.

Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations) at (202) 622-8500.



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Abbreviations

IRS	Internal Revenue Service
LITC	Low Income Taxpayer Clinic
TAS	Taxpayer Advocate Service
TIGTA	Treasury Inspector General for Tax Administration



The Taxpayer Advocate Service Can More Effectively Ensure Low Income Taxpayer Clinics Are Appropriately Using Grant Funds

Background

The Low Income Taxpayer Clinic (hereafter referred to as the LITC or clinic) grant program was initiated under a provision of the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998.¹ With this program, Congress wanted to offer free or nominal cost legal assistance to low-income taxpayers who are involved in controversies with the IRS. Each year, clinics wanting to participate in the LITC program submit an application package to the IRS. If accepted, the IRS provides the clinics with grant funds to assist low-income taxpayers in their area for up to 3 years. The LITCs also provide education on their taxpayer rights and responsibilities to taxpayers for whom English is a second language.

Since the inception of the program, the total funding awarded for LITC program grants has increased significantly, from \$1.5 million in 1999 to \$9.5 million in 2009. The numbers of clinics and the areas represented have also increased.² Figure 1 shows the funding awarded, number of clinics, and areas represented each year since inception of the program.

Figure 1: LITC Program Grant Funding, Clinics, and Areas Represented (1999–2009)

Year	Grant Funding Awarded	Number of Clinics	States/Territories Represented
1999	\$1.5 million	34	19
2000	\$4.4 million	70	33
2001	\$6 million	102	39
2002	\$7 million	127	43
2003	\$7 million	138	49
2004	\$7.5 million	134	51
2005	\$7.4 million	145	51
2006	\$8 million	150	52
2007	\$8 million	154	52
2008	\$8.6 million	154	53
2009	\$9.5 million	162	52

Source: Internal Revenue Bulletins and News Releases.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

² Areas include the 50 States, District of Columbia, Puerto Rico, and Guam.



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Low Income Taxpayer Clinic Grant Application Package and Guidelines (Publication 3319) explains the LITC program requirements and award process. The LITC program is not intended to help taxpayers prepare their tax returns. Clinics are only allowed to prepare tax returns if it is ancillary to the education of a taxpayer for whom English is a second language and/or when it is necessary to resolve a taxpayer's controversy with the IRS. Grantees may include accredited law, business, or accounting schools or a nonprofit organization. Clinics must submit interim and year-end financial reports along with a description of their goals, strategy, and program results to the IRS. Failure to provide this required information can result in the loss of grant funding. Clinics with an approved program plan can receive grant funding for up to a 3-year period.

Clinics that receive grant funding to represent taxpayers in controversies must ensure the amount in controversy generally does not exceed \$50,000 per taxable year.³ In addition, these clinics must ensure that at least 90 percent of the taxpayers they represent have incomes which do not exceed 250 percent of the poverty level. The poverty level is based on the size of the family unit and is published annually by the Department of Health and Human Services. Figure 2 shows the 2009 poverty levels and maximum taxpayer income amounts for the LITC program.

Figure 2: 2009 Poverty Levels and Maximum Taxpayer Income for the LITC Program

Size of Family Unit	Poverty Level⁴	Maximum Taxpayer Income for the LITC Program
1	\$10,830	\$27,075
2	\$14,570	\$36,425
3	\$18,310	\$45,775
4	\$22,050	\$55,125
For each additional person, add	\$3,740	\$9,350

Source: *The 2009 Health and Human Services Poverty Guidelines.*

In addition to its responsibility for granting funds to the LITCs, the IRS is also required to provide administrative oversight and guidance for the LITC program. From the 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

³ Internal Revenue Code Sections 7463 and 7526.

⁴ The poverty levels for Alaska and Hawaii are higher than the 48 contiguous States, Washington, D.C., and Puerto Rico.



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Taxpayer Advocate Service (TAS). To monitor the operations of the LITCs, the TAS relies upon information submitted by the clinics in interim and final reports each year along with annual visitations to selected clinics.

In a prior review,⁵ the Treasury Inspector General for Tax Administration (TIGTA) evaluated whether the LITC program was in compliance with program requirements. During that review, we found that program goals and performance measures were needed, clinics were not submitting required reports timely, and the reports contained inconsistencies. The TIGTA also determined that site visits performed by the TAS were not comprehensive or timely.

This review was performed at the IRS National Headquarters in the Taxpayer Advocate Office in Washington, D.C., during the period August 2010 through January 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁵ *Progress Has Been Made but Further Improvements Are Needed in the Administration of the Low Income Tax Clinic Grant Program* (Reference Number 2005-10-129, September 21, 2005).



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Results of Review

Our review identified that while additional procedures and controls have been implemented since our last audit, TAS management can take additional actions to more effectively ensure LITC clinics are appropriately using taxpayer funds. Specifically, TAS personnel do not perform sufficient testing during their site visits to LITC clinics 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. In addition, more effective oversight could assist TAS management in potentially identifying fraud, waste, or mismanagement of LITC grant funds. This is especially important given the current economic environment and the increased focus by the Administration, Congress, and the American people on Federal Government accountability and efficient use of resources. We raised this issue during our last audit. Since that time, the IRS has granted approximately \$42 million to LITCs.

We also determined TAS management has not implemented a process using detailed criteria to prioritize its visitations and primarily visits new clinics or those that have not been visited in the prior 3 years. A methodology in which TAS personnel prioritize which clinics to visit based on their analysis of available information could potentially better focus limited TAS resources. For example, we identified six clinics that the TAS visited for the first time during the 2009 grant cycle⁶ even though these clinics had received funds as early as the 2005 grant cycle.

Since our last review in Fiscal Year 2005, the TAS has made several improvements to the LITC program in an effort to improve its oversight of the clinics. Specifically, we determined that TAS personnel performed tax compliance checks on all clinics during the 2009 grant cycle prior to the clinics receiving grant funds to verify they were compliant with all Federal tax responsibilities. In addition, TAS management has established a process to ensure all participating clinics' interim and final reports are received timely. TAS management has also updated Publication 3319 to include additional guidance that should be followed by the clinics and drafted performance measures to assist them in evaluating the success of the program. They plan to implement these measures for the upcoming 2012 grant cycle.

While these actions are a positive step in improving oversight of the LITCs, we believe TAS management must perform comprehensive reviews of the clinics to ensure the information reported by the clinics is accurate. 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. In addition, this increased

⁶ The period January 1 through December 31 is referred to as a grant cycle.



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oversight will provide increased assurance that taxpayer funds are not being inappropriately used by clinics.

More Effective Oversight Is Needed to Ensure That Low Income Taxpayer Clinics Are Meeting the Intent of Congress

The TAS needs to improve its oversight of the LITC program to ensure that the clinics are offering assistance to low-income taxpayers involved in controversies with the IRS. To monitor the operations of the LITCs, the TAS relies upon information submitted by the clinics in interim and final reports each year along with annual visitations to selected clinics. However, we determined that TAS management does not perform sufficient in-depth analysis during their site visits to verify that the self-reported information by clinics is accurate and the clinics are using taxpayer funds as intended. In addition, TAS management should better document the process used when selecting clinics for site visitations.

More in-depth analysis should be performed during site visits to ensure clinics are using taxpayer funds for their intended purpose

Although clinics report their accomplishments in their interim and final reports, they are not required to submit any supporting documentation that could be used by TAS management to substantiate the information in those documents. As a result, this information should be verified by TAS management during site visitations to each specific clinic. In our prior review, we reported that TAS management was not ensuring all LITC program requirements related to income and controversy limits were met by clinics during site visits. In this audit, we determined that the site visits performed by TAS management are still not detailed enough to ensure the clinics are using taxpayer funds for their intended purpose.

Specifically, we reviewed the 46 site visits performed during the 2009 grant cycle and determined that TAS personnel are still not verifying the income levels of taxpayers assisted by the clinics, whether the taxpayers are involved with a tax controversy, or whether the amount of the tax controversy is less than \$50,000. Publication 3319 strongly encourages the clinics to use an intake form to gather information on individual taxpayers that come to the clinic, including their income. It also states that during a visit, TAS management may review the clinic's intake procedures. However, our review of the 46 site visit reports did not indicate that the intake forms were reviewed during the site visits performed. Instead, the 46 site visit reports prepared by TAS personnel indicated that TAS personnel would generally review the clinics' office location and accessibility, hours of operation, and outreach and education efforts. The reports did not contain any information as to whether the taxpayers being assisted met low-income requirements, the tax controversy amounts, or whether this information was reviewed by TAS personnel during the visitation. By not verifying this information, TAS management cannot



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ensure the clinics are following the intent of the LITC grant program and are entitled to receive taxpayer funds.

In addition, TAS management does not require the clinics to use a standardized form to capture information related to the assistance provided. TAS management stated they provide blank intake forms to new clinics as a guide, but do not require the clinics to use the same form or mandate that information supporting income or controversy limits is tracked by all clinics. Therefore, clinics could use different formats and capture varying amounts of information related to their operations. Further, the TAS does not currently require that the LITCs capture and maintain information necessary to make income and controversy determinations. This increases the risk that all necessary information is not available for verification by TAS personnel during site visits.

Current procedures do not require TAS analysts to verify whether the clinic met low-income requirements or whether the amount of the tax controversy was generally less than \$50,000. TAS management agreed that site visit reports for 2009 were not comprehensive, and they are developing new procedures related to how site visits should be conducted. In our prior audit, we also expressed concerns with TAS management's deficiency in verifying income levels and controversy limits for taxpayers receiving assistance at the clinics. At that time, TAS management expressed concern that their review of private client files of the clinics may violate the attorney-client privilege and indicated they would consult with other Federal grant-making agencies to determine how they verify grantee information while maintaining client confidentiality. We did not identify any evidence that this process was completed. Since our last audit, the IRS has granted approximately \$42 million to LITC clinics.

During this audit, TAS officials again advised us that to respect the attorney-client privilege between the taxpayer and the clinic, TAS reviewers do not obtain or validate specific taxpayer information such as income and controversy cases. We remain concerned that this policy prevents the TAS from performing its required duties as a grant administrator. In addition, we question whether review of certain information (e.g., the taxpayer's name and Social Security Number) impacts the attorney-client relationship if it does not disclose confidential discussions documenting legal assistance provided to the taxpayer by the clinic. The Office of Management and Budget *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (Circular No. A-110) Section 53(e) states the Federal Government awarding agency has the right of timely and unrestricted access to any books, documents, papers, or other records or recipients that are pertinent to the awards in order to make audits, examinations, excerpts, transcripts, and copies of such documents. As such, we believe the TAS can review additional information collected by the clinic to verify that the clinics are meeting income and controversy program requirements without infringing on the attorney-client privilege.



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More comprehensive reviews of the clinics by TAS will provide taxpayers increased assurance that their tax money is being used to assist qualified taxpayers involved in tax controversies with the IRS, as intended by Congress. In addition, this increased oversight will provide increased assurance that taxpayer funds are not being inappropriately used by clinics.

Recommendations

The National Taxpayer Advocate should:

Recommendation 1: Develop and implement revised procedures to require that more comprehensive site visits are performed and consistently documented by TAS personnel, including additional methods to verify whether clinics are meeting the LITC program requirements related to taxpayer income levels and controversy limits.

Management's Response: TAS management agreed and stated they have begun implementing significant changes to the site visit process, including performing an individualized previsit assessment; creating a written visit plan; and documenting the procedures, findings, and recommendations resulting from the site visit. Management stated that they can fulfill their oversight responsibilities by verifying internal controls and procedures, as opposed to individual client records.

Recommendation 2: Require that all clinics capture and maintain a minimum level of information to support income and controversy determinations. TAS personnel should review applicable documentation during site visits to ensure clinics are providing assistance to the low-income taxpayers intended by Congress.

Management's Response: TAS management partially agreed with our recommendation and stated that LITC program guidelines already require grantees that provide controversy services capture, maintain, and report aggregate information about income and controversy determinations. Management stated that TAS personnel will review internal controls and procedures during site visits, but TAS personnel will not access taxpayer-specific information.

Office of Audit Comment: TAS management did not address the intent of our recommendation, which was to ensure detailed, supporting information related to the specific taxpayers assisted is captured by the clinics for use by TAS management to verify income and controversy limits. In their response, TAS management stated that IRS Publication 3319, Part II.D, currently requires grantees to maintain records on each taxpayer represented and whether they satisfy the income levels and also provides definition and guidance for making this determination. Guidance and definition can be considered a form of an upfront, preventive control to help ensure grantees understand their legal requirements and how to comply with them. Furthermore, the TAS site visits are a form of after-the-fact detection control because the TAS personnel review internal



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controls and procedures and meet with the clinic staff to obtain a walkthrough of the intake process to ensure the staff understand and are using the procedures as written. However, this approach is missing the essential step of testing the controls by reviewing samples of the clinic's records to ensure the staff are completing the intake forms accurately and in conformance with requirements. Without testing the controls, TAS management cannot be assured that clinic staff are maintaining accurate records and that they are meeting the requirement to serve low income taxpayers.

TAS management did not agree with our recommendation to verify that clinics are serving taxpayers meeting program income and controversy limits due to their concerns with the attorney-client relationship. However, we believe TAS management can verify income and controversy limits without violating the attorney-client relationship. As a result, we believe the TAS should reevaluate its decision to rely solely on the site visit walkthroughs and discussions and should expand the reviews to include testing the clinics' compliance with procedures. We still believe TAS management should perform testing during site visits to verify the self-reporting currently done by the clinics related to the taxpayers assisted that met the income and controversy requirements of the LITC program. By not verifying this information, TAS management may be unaware of any grantee violations and may continue to provide grant money to those clinics. We remain concerned that the TAS is not fully ensuring that clinics are using taxpayer funds for their intended purposes.

TAS management can better prioritize which clinics should be selected for site visitations

Based upon a recommendation in our prior audit, TAS management agreed to develop a weighted criteria list to determine which clinics to visit each year. Our review showed that TAS management visited 46 (28 percent) of the 162 clinics receiving funds in the 2009 grant cycle. However, we determined TAS management has not documented a process to support why these clinics were selected for visitations. Instead, TAS management informed us they primarily visit new clinics or those that have not been visited in the prior 3 years. We still believe that a documented methodology in which TAS personnel prioritizes which clinics to visit based on their analysis of available information could potentially better focus limited TAS resources. For example, visitations could be identified based on various factors, such as missing/incomplete reports, indications of tax return preparation, or the amount of grant funds received. This may enable the TAS to identify for site visits those clinics that may not be adhering to LITC program requirements.

Although we previously recommended TAS personnel visit new clinics prior to granting any LITC funds, the LITC program office's policy is to visit newly established clinics within the first 6 months of the grant year. We determined there were 10 clinics receiving funds for the first time in 2009. One clinic withdrew from the program, leaving 9 new clinics requiring visits



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within the first 6 months. Based on our review of case documentation, we determined that TAS management did not visit 2 of the 9 clinics receiving funds for the first time in the 2009 grant cycle within the first 6 months of operation. One clinic was visited almost 8 months after receiving funds, and one was not visited at all by TAS personnel during the 2009 grant cycle. In addition, of the other 46 visitations made by TAS personnel in 2009, 6 were made to clinics for the first time even though these clinics had received funds in prior years (3 received funds in 2008, and 3 had initially received funds in 2005).

TAS procedures require that analysts visit returning clinics⁷ on a 3-year rotation. We determined that 17 clinics were selected for visitations in 2009 because they had not been visited within the last 3 years. TAS management stated that the remaining 15 clinics were selected for site visits for various reasons, such as the type and amount of outreach performed by the clinics and steps that could be taken to better publicize the clinics' services. However, the reasons for visiting these clinics were decided ad hoc by TAS personnel and were not part of a formal documented visitation process to identify or prioritize which clinics needed more oversight and should be visited.

Clinics are required to provide TAS management with two reports for each grant year describing their accomplishments, including the number of taxpayers assisted. The interim report is due July 31 during the grant year, and the final report is due March 31 after the year end.⁸ We sampled 40 clinics that received funds in the 2009 grant cycle and determined that all 40 submitted their reports as required with the exception of 1 clinic which was terminated from the program. While TAS personnel performed a high-level review of these reports to identify missing information or seek clarification for some issues, they should incorporate the use of this information into the formal documented visitation process in determining which sites to visit. This may potentially make better use of limited TAS resources by identifying those clinics for site visits that may not be adhering to LITC program requirements.

TAS management agreed that they could more effectively use available information to better identify which clinics should be selected for site visits in the future. During our field work, TAS management stated they were currently developing procedures to better prioritize the site visits, including visiting new clinics within the first 60 calendar days of the grant year.⁹ By using this information to assist in proactively identifying potential clinics requiring more oversight, TAS management could better focus their limited resources.

⁷ Returning clinics are those that also received LITC program grant funds the previous year.

⁸ The due date is established in Publication 3319 for the given grant year.

⁹ After we issued our discussion draft report, TAS management stated they plan to conduct visits to new clinics within the first 120 days of the grant year.



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Recommendation

Recommendation 3: The National Taxpayer Advocate should develop and document a formalized process for identifying which clinics will be selected for site visits to ensure limited TAS resources are focused on those clinics that may not be adhering to LITC program requirements. TAS management should also evaluate whether information provided by the clinics can be used to assist management in prioritizing the site visitations.

Management's Response: TAS management partially agreed with our recommendation and stated they have restructured the LITC program office, are implementing performance measures and revising reporting forms for the 2012 grant cycle, and are developing and implementing a new database to capture information obtained during the systematic review of program plans, budgets, reports, and results.

Office of Audit Comment: TAS management did not fully address our recommendation in their response. In our 2005 report, we recommended that TAS management develop a sampling methodology that prioritizes clinics for visitation based on indicators contained in clinics' applications and Interim/Final Reports. At that time, TAS management agreed to develop a weighted criteria list to determine which clinics should be visited each year. During this review, we determined TAS management has established three types of site visits (orientation visit, operational review visit, and Local Taxpayer Advocate visit). However, they have not documented a process to support which clinics should be selected annually for one of these types of visits.

We appreciate the assistance aspect of the site visits performed by TAS management and are not recommending that visitations be performed solely to "problem" clinics. However, TAS management was not able to conduct all the necessary orientation and operational review site visits according to the guidelines they established. If the TAS does not have sufficient resources to conduct the site visits, it will need a process to prioritize the clinics most in need of a site visit (whether they are a new clinic or a longer term one). We still believe that TAS management should develop a documented process of which clinics should be visited, including the analysis that will be performed by TAS personnel when identifying clinics for review. We believe that this will assist TAS management in focusing limited resources on those clinics most in need of assistance and/or oversight.



Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was 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. To accomplish the objective, we:

- I. Determined what actions have been taken by the TAS in response to recommendations made in the prior LITC grant program review¹ and identified any new actions that were implemented.
 - A. Interviewed the National Taxpayer Advocate and determined whether any performance measures for the LITC program have been implemented.
 - B. Reviewed procedures developed and identified the process used by TAS management to monitor and track clinics not in compliance with reporting requirements.
 - C. Reviewed *Low Income Taxpayer Clinic Grant Application Package and Guidelines* (Publication 3319) and the LITC program site visit procedures/checklists to determine whether they had been revised to clarify that an LITC that handles controversy cases by solely making referrals to another LITC will not be funded.
 - D. Reviewed Publication 3319 and any available documentation related to the annual LITC program conferences held since our last review and determined whether the types of media broadcasts and articles that qualify under the LITC program were covered.
 - E. Determined whether a policy was issued to conduct initial site visits for potential new clinics before the TAS awards the grant funds.
 - F. Reviewed Publication 3319 and LITC program site visit procedures/checklist and determined whether new reporting forms are used by the clinics to obtain and record taxpayer income levels and controversy limits.
 - G. Obtained and reviewed the methodology used by TAS management to determine which clinics to visit annually.
 - H. Obtained and reviewed any documentation maintained by TAS management relating to contacts made to clinics determined to be tax noncompliant and determined

¹ *Progress Has Been Made but Further Improvements Are Needed in the Administration of the Low Income Tax Clinic Grant Program* (Reference Number 2005-10-129, September 21, 2005).



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- whether they were informed their funds would be frozen and they will be removed from the LITC program if they do not become compliant.
- I. Determined whether any other new actions were implemented to address the previous audits' recommendations.
 - II. Assessed whether conditions identified in the prior audit continued to exist and whether corrective actions were effective.
 - A. Selected a random sample of 40 of the 162 clinics receiving funds in the 2009 grant cycle and determined whether reports submitted by the LITCs were complete and accurate. We used a random sample to ensure each clinic had an equal chance of being selected which enabled us to obtain sufficient evidence to support our results.
 - B. Determined whether new clinics receiving LITC grant funds were reviewed by TAS management.
 - C. Determined whether TAS management effectively ensured clinics are in compliance with program requirements.
 - D. Determined whether the TAS verified that clinics receiving grants in 2009 were in tax compliance and took appropriate action if any clinics were noncompliant.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: TAS procedures and policies for administering the program to ensure LITCs are meeting the program requirements. We evaluated these controls by interviewing TAS personnel and reviewing interim and final reports, site visit reports, policies and procedures, and any other documentation related to the program.



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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

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Audit Liaison: National Taxpayer Advocate TA



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Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; \$33.8 million (see page 5).

Methodology Used to Measure the Reported Benefit:

We determined that TAS management can take additional actions to more effectively ensure LITC clinics are appropriately using taxpayer funds. Specifically, TAS personnel do not perform sufficient testing 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. In addition, more effective oversight could assist TAS management in potentially identifying fraud, waste, or mismanagement of LITC grant funds.

In our Fiscal Year 2005 report,¹ we also expressed concerns with TAS management's deficiency in verifying income levels and controversy limits for taxpayers receiving assistance at the clinics. At that time, TAS management expressed concern that their review of private client files of the clinics may violate the attorney-client privilege and indicated they would consult with other Federal grant-making agencies to determine how they verify grantee information while maintaining client confidentiality. We did not identify any evidence that this process was completed. Since that time, \$41.5 million in grant funds have been awarded to LITCs.

In a subsequent TIGTA Fiscal Year 2008 report reviewing the 2006 LITC grant cycle,² we reported that the IRS did not have sufficient controls in place to ensure the financial information it reports regarding the LITC program is accurate. In that audit, we reported that \$7.7 million in grant funds disbursed to the LITCs in the 2006 grant cycle may not be accurately supported and verified. As a result, we are not claiming the \$7.7 million in this report. Calculation for determining the outcome measure: \$41.5 million - \$7.7 million = \$33.8 million.

¹ *Progress Has Been Made but Further Improvements Are Needed in the Administration of the Low Income Tax Clinic Grant Program* (Reference Number 2005-10-129, September 21, 2005).

² *Improved Controls Over Grants Provided to Low Income Taxpayer Clinics Would Lower the Risk of the Inappropriate Use of Federal Government Funds* (Reference Number 2008-10-142, dated July 31, 2008).



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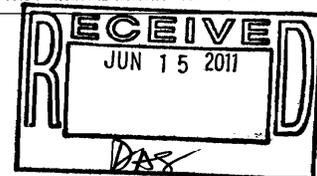
Appendix V

Management's Response to the Draft Report



THE OFFICE OF THE TAXPAYER ADVOCATE OPERATES INDEPENDENTLY OF ANY OTHER IRS OFFICE AND REPORTS DIRECTLY TO CONGRESS THROUGH THE NATIONAL TAXPAYER ADVOCATE.

June 13, 2011



MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Nina E. Olson 
National Taxpayer Advocate

SUBJECT: Draft Audit Report – The Taxpayer Advocate Service
Can More Effectively Ensure Low Income Taxpayer
Clinics Are Appropriately Using Grant Funds (Audit
#201010003)

Thank you for the opportunity to respond to the above-captioned draft audit report on the administration of the Low Income Taxpayer Clinic (LITC) program. I am pleased that TIGTA observed several improvements made by the LITC program between 2005 and 2009, including the performance of tax compliance checks on all clinics, the establishment of processes to ensure timely reporting by grantees, the revision of Publication 3319 to include additional guidance, and the development of performance measures to assist in evaluating the success of the program. While I agree that there is room for additional improvements, especially in the selection, conduct and documentation of site assistance visits, I will first address some general matters regarding the administration of the LITC program and then speak to the specific recommendations made by TIGTA.

Since May of 2003 when the IRS transferred the responsibility for administering the LITC grant program from the Wage and Investment Operating Division to the Taxpayer Advocate Service (TAS), my office has focused its efforts on two primary goals: to make LITC services available to low income taxpayers and taxpayers who speak English as a second language (ESL taxpayers) throughout the United States, and to improve the quality of services provided to taxpayers by clinics. I am proud to say that, due to these efforts, there are now 164 LITCs located in all 50 states, the District of Columbia, and Puerto Rico. My commitment of TAS resources during the



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past year to expand and restructure¹ the LITC Program Office has resulted in a greater ability to provide grantees with both assistance and oversight. Most importantly, the creation of the LITC program mission statement and the development and ongoing implementation of LITC program performance measures have allowed TAS to identify the elements that we believe contribute to quality clinic operations and the methods we will use to oversee and evaluate clinic performance.

Continuous Oversight

One of the most important lessons learned from the performance measures development process is that oversight is a continuous process that must be and is being integrated into all aspects of the LITC program grant cycle—in application review, ranking, selection, funding, communications between LITC program staff and clinics, site assistance visits, and interim and year-end reporting. Consequently, I believe that the TIGTA report discussion and recommendations, which narrowly equate more comprehensive reviews of the clinics with independent verification of taxpayer income levels and amounts in controversy during site assistance visits, would not provide TAS the types of information needed to assess the quality of the programs clinics offer to assist and serve low income and ESL taxpayers. Rather, the more global approach to oversight that TAS has identified and is currently implementing—to establish standards of operation to ensure that clinic staff, students, and volunteers are qualified and trained to represent taxpayers, to develop and implement performance measures that capture the types and levels of services provided, and to provide systematic review of program plans, budgets, reports, and results by LITC Program Office staff—will provide more meaningful oversight. These are steps that TAS has taken and will be undertaking with the reorganization of the LITC Program Office.

Respecting the Confidential Nature of the Attorney-Client Relationship

Inherent in TAS's responsibility to administer the LITC program is the need to balance its duties to provide both assistance to, and oversight of, the clinics. LITC program staff act as a resource for grantees, providing technical assistance and guidance to clinics to assist them in operating quality programs. LITC program analysts answer questions posed by grantees, recommend ideas to improve clinic services, and identify and share best practices. At the same time, TAS has an obligation to perform oversight to ensure that grant funds are being used appropriately and that the grantee is complying with the terms and conditions of

¹ Effective January, 2011, the LITC Program Office was reorganized into two groups along functional lines: Clinic Advocacy and Grant Operations. Clinic Advocacy analysts provide support and assistance to clinics, analyze individual clinic operations, and conduct site visits. Grant Operations analysts provide support in the administration of the LITC grant program, develop and implement policies and guidance, and analyze overall program effectiveness. Currently, LITC Program Office staff consists of a Director, a Clinic Advocacy manager and eight Clinic Advocacy analysts, a Grant Operations manager and six Grant Operations analysts, a Senior program analyst, an Attorney-Advisor, and a Secretary.



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Internal Revenue Code (IRC) § 7526 and the LITC program guidelines set forth in the *LITC 2012 Grant Application Package and Guidelines* (IRS Publication 3319).

In conducting its oversight activities, TAS must be mindful to respect and not undermine the confidential nature of the attorney-client relationship between the grantees and their low income taxpayer clients, who are the primary beneficiaries of the LITC program. The LITC program recognizes that taxpayer-specific information contained in case records is protected by the attorney's ethical obligations to maintain confidentiality under rules of professional responsibility.² This is an especially sensitive issue for the LITC program because the Internal Revenue Service (IRS) not only provides partial funding to support clinic operations and is entitled to assurance that these funds are being used as intended by Congress, but also because the IRS is the adversary in every dispute in which the clinic provides representation on behalf of individual low income taxpayers.

The attorney's ethical obligations under rules of professional responsibility, although formulated and applied independently by jurisdiction, generally cover client confidences and secrets. For example, American Bar Association (ABA) Model Rule 1.6 prohibits the disclosure of information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation, or the disclosure is allowed under other narrow exceptions. The state bar committees and attorney practice regulators of a number of jurisdictions have determined that client identifying information, such as name, address, telephone number, and social security number, is protected from disclosure under such rules of professional responsibility and cannot generally be disclosed to a funder absent consent of the client.³

The ABA recognizes the conflict in providing information to a funder about the basis on which a client was eligible for services, while at the same time protecting the client's confidences and secrets. In this regard, the ABA developed standards for providing legal services to the poor, and provided the following guidance to ensure that organizations are protecting client confidences in accordance with their legal and ethical responsibilities:

² In its report TIGTA mistakenly uses the term "attorney-client privilege" in summarizing TAS's position, perhaps because TAS itself did not use the correct term in an informal interim response. The term attorney-client privilege refers to an evidentiary privilege that prohibits disclosure of confidential information in a court proceeding. The obligation to protect client confidences arises under ethics rules such as American Bar Association Model Rule 1.6 (lawyer generally cannot reveal information relating to the representation of a client unless the client gives informed consent).

³ See, e.g., ABA Informal Opinion 1287 (1974) (name, address, and telephone number of legal services clients are "secrets" within the meaning of Disciplinary Rule 4-101); DC Bar Association Ethics Opinion No. 223 (1991); Miss. State Bar Ethics Opinion No. 101 (1985) (information that would identify a client in a given case, including the client's name, is a secret within the meaning of DR 4-101(A)); NH Bar Association Ethics Opinion No. 1988-89/13 (1989); In Re: Advisory Opinion No. 544, 103 N.J. 399 (1986); Tenn. Board of Professional Responsibility Opinion No. 82-F-25 (1982) (client information, including name and social security number, are secrets that cannot be disclosed to a funding source without client consent).



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There may be a tension between the legitimate interest of funding sources to account for the proper expenditure of funds, and the need for providers to protect the confidences and secrets of their clients. The American Bar Association has specifically ruled in Informal Opinion 1394 (1977) that a legal services provider cannot ethically give a funding source access to confidential information in the absence of willing and informed consent by the client. The scope of the prohibition against disclosure is unclear, however, and ABA opinions provide only partial guidance. Informal opinions have found, for example, that protected information includes the identity, address, and telephone number of legal services clients (Informal Opinion 1287 (1974)), and information contained in client trust fund records (Informal Opinion 1443 (1979)). Ultimately, the scope of the protection is a matter of state law which should be examined to determine what, if any, information may be disclosed to a funding source without client consent. Both practitioners and the provider should be familiar with the ethical considerations involved, and should only disclose information to a third party, including a funding source, consistent with ethical prescriptions and applicable law.⁴

Absent a clear and specific statutory authorization requiring disclosure of taxpayer-specific information by grantees, I believe that it would be inappropriate for the LITC program to require grantees to provide access to taxpayer-specific information for the purpose of auditing or verifying client incomes and amounts in controversy. Instead, I believe that TAS can fulfill its oversight responsibilities by verifying internal controls and procedures, as opposed to individual client records. For example, the Program Office currently requires that:

- (1) the clinic describe its procedures to track the 90/250 income requirement and amount in controversy information (this information must be included in a grant application, per Publication 3319);
- (2) the clinic report the aggregate number of cases in which the taxpayer's income exceeds 250 percent of federal poverty limits or the amount in controversy exceeds \$50,000 (this information must be included in the interim and year-end reports, per Publication 3319); and
- (3) for any case accepted where the taxpayer's income exceeds 250 percent of federal poverty limits or the amount in controversy exceeds \$50,000, the clinic must explain the reasons or circumstances that warranted acceptance of the case.

In addition, the Program Office will place a greater emphasis on verifying internal controls and will require that:

- (1) the clinic produce a copy of its blank intake form so that the Program Office can determine that the form captures necessary information to make income and amount in controversy

⁴ American Bar Association Standards for Providers of Civil Legal Services to the Poor (2002 Edition).



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- determinations (this review would be accomplished during a site assistance visit or a pre-visit assessment review and the LITC program would retain a copy of the blank intake form in the grantee's file as documentation); and
- (2) the analyst walk through the intake process and procedures with clinic staff during the site assistance visit to ensure that the staff understands and is using the procedures, as written (this verification would be performed during a site assistance visit and be documented in the grantee's file).

Verifying internal controls and procedures is preferable to the mere verification of taxpayer incomes and amounts in controversy as a method to ensure that grantees are complying with LITC requirements. It allows LITC program staff to better assess the clinic's level of understanding of LITC program requirements, while at the same time respecting the confidential relationship between the grantee and its low income clients.

In addition, the LITC Program Office has other ways to monitor that low income taxpayers are being served by clinics. LITC Program Office staff has access to issues that the clinics submit to TAS's Systemic Advocacy Management System, postings that the clinics make on the ABA LITC listserve, and public information available for cases that the clinics litigate in the United States Tax Court. Also, experience indicates that the volunteer attorneys and other qualified tax practitioners that clinics use to provide *pro bono* representation on behalf of low income taxpayers want assurance that the taxpayers whom they will be assisting are, in fact, unable to afford a paid representative.

In a 2005 audit of the LITC program, I had indicated the LITC Program Office would consult with other grant-making agencies to determine how those agencies perform necessary oversight while maintaining client confidentiality. In the current audit, TIGTA incorrectly concludes that such a consultation has not occurred. We have, in fact, had conversations with the Legal Services Corporation (LSC) on this very issue, as they are similarly situated; LSC provides grants to organizations which provide legal assistance to low-income individuals. Unlike the LITC program, however, LSC has a regulation directly on point which clearly highlights the importance of respecting the confidential nature of the attorney-client relationship. In this regard, 45 C.F.R. § 1611.7 requires that an LSC organization must determine financial eligibility for services by making a reasonable inquiry regarding the individual's income and assets, and that if there is a substantial reason to doubt the information provided by the individual, the organization must make an inquiry to verify "in a manner consistent with the attorney-client relationship."⁵ In addition, an LSC organization must use simple intake forms and procedures to determine financial eligibility "in a manner that promotes the development of trust between attorney and client."⁶

⁵ 45 C.F.R. § 1611.7(a)(1), (c).

⁶ 45 C.F.R. § 1611.7(b).



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Although one court has ruled that an LSC grantee's disclosure of client names associated with case numbers to LSC's Inspector General would not interfere with the grantee's attorney's professional obligations, that ruling was made in the context of enforcement of a subpoena and where a statute specifically authorized the grantee to disclose retainer agreements that included the same information.⁷ While such disclosure is permissible under the exception enumerated in ABA Model Rule 1.6(b)(6) that permits an attorney to reveal client information to the extent necessary to comply with other law or a court order, disclosure of a client's identity is not authorized by IRC § 7526.

RECOMMENDATION #1: *Develop and implement revised procedures to require more comprehensive site visits are performed and consistently documented by TAS personnel, including additional methods to verify whether clinics are meeting the LITC requirements related to taxpayer income levels and controversy limits.*

The LITC program began implementing significant changes to the site assistance visit process during grant cycle 2011. Site assistance visits are a means of providing assistance to, and oversight of, grantees. Site assistance visits provide an opportunity for the LITC Program Office to share information with grantees about program issues and identify areas where clinic services can be improved. Site assistance visits also provide an opportunity for clinic personnel to ask questions and share information about problems they may be encountering and to identify best practices that can be shared with all grantees. In addition, site assistance visits are an integral component of the performance measures verification process and help to ensure that grant funds are being used appropriately and that the grantee is complying with the terms and conditions of the LITC grant agreement and program guidelines. Generally, there are three types of site assistance visits: an orientation visit, an operational review visit, and a Local Taxpayer Advocate (LTA) visit.

All new grantees receive an orientation visit within the first 120 days of their initial funding year. An orientation visit provides an opportunity to familiarize a new grantee with LITC program requirements and to measure the progress of its start-up activities. Specifically, an orientation visit allows the LITC Program Office to assess the status of newly funded clinics, to identify potential areas where the clinic may need improvement, and to create processes or systems to meet the requirements of the LITC program. The LITC Program Office will issue a written report of the orientation visit.

All clinics will receive periodic operational review visits. The purpose of an operational review visit is to evaluate a clinic's internal and administrative controls. The LITC Program Office strives to conduct an operational review visit to each clinic at least once every three years. Sometimes, this schedule is not maintained due to budget cuts. However, the LITC Program Office may conduct an operational review

⁷ *U.S. v. Legal Services Corp. of New York City*, 249 F.3d 1077 (D.C. Cir. 2001).



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at any time, and has done so on a number of occasions when a potential problem with a clinic was identified upon review of a clinic's Interim or Year-End Report.

During an operational review visit, an LITC program analyst will observe and evaluate a grantee's program activities and services, and discuss with clinic personnel the progress made in achieving program goals and objectives. The analyst may review a clinic's processes and procedures, including internal controls, personnel policies, training plans, privacy and confidentiality policies, and financial records. The analyst may examine intake procedures, systems for monitoring and tracking cases handled by clinic staff or referred to volunteers, outreach plans and materials, education curricula, fee policies, and client satisfaction instruments. In addition, the analyst may interview clinic staff, students, and volunteers who provide services to taxpayers. As part of monitoring and evaluating clinic activities, however, the LITC Program Office will be mindful of the clinic's duty to protect confidential information.

Prior to an operational review visit, the LITC program analyst will conduct a pre-visit assessment which will include a review of the grantee's application, program plan, budget, and prior period reports. Based on this assessment, the analyst will identify areas of focus and will provide the clinic director with a preliminary list of items and topics to be reviewed during the site assistance visit. Additional items may be requested during or after the site assistance visit. The grantee should have all requested documents, including adequate records to support the sources and uses of funds, available for review during the site assistance visit. The grantee must be prepared to demonstrate compliance with all standards of operation.

The LITC Program Office will issue a written report of the operational review visit, including findings, recommendations, and required corrective actions, generally within 90 days of the site assistance visit. The clinic will be given a reasonable amount of time to institute the required corrective actions, but the LITC Program Office will be in constant communication with the clinic to ensure that those actions are taken.

In years when the LITC Program Office does not conduct an operational review visit, a grantee should expect to receive at least one site assistance visit from their LTA. During the visit, the LTA may meet with clinic personnel to discuss the clinic's program goals and operations, provide information about TAS and IRS initiatives that may affect low income or ESL taxpayers, and explore opportunities for the clinic and LTA office to partner in outreach activities. The LTA visits also provide an opportunity for the LTA to observe the clinic's facilities, to monitor that clinic hours are posted and civil rights posters are displayed, and to determine if file security is adequate.

RECOMMENDATION #2: *Require that all clinics capture and maintain a minimum level of information to support income and controversy determinations. TAS personnel should review applicable documentation during site visitations to ensure clinics are providing assistance to the low income taxpayers intended by Congress.*



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IRC § 7526(b)(1)(B) requires that (i) at least 90 percent of the taxpayers represented by a clinic have incomes which do not exceed 250 percent of the poverty guidelines established by the Department of Health and Human Services, and (ii) the amount in controversy *generally* does not exceed \$50,000 for any taxable year. Note that these requirements apply only to taxpayers represented in controversies, and thus are not applicable to clinics funded only to operate an ESL program.

IRS Publication 3319, Part II.D, advises grantees of their duties to determine whether each taxpayer represented satisfies the 90/250 income requirement, to collect this information from taxpayers on an intake form, to maintain records for the total number of taxpayers represented and the total number of taxpayers represented whose income does not exceed 250 percent of the poverty guidelines. It also provides definitions for "income" and "family unit" for grantees to use making the determination, as well as guidance for how to compute the 90/250 test. In addition, all grantees are required to disclose in Interim and Year-End Reports the aggregate results for the 90/250 test, as well as the number of cases where the amount in controversy exceeds \$50,000. Moreover, grantees must provide an explanation of the circumstances surrounding the representation of such taxpayers.

TAS personnel will review internal controls and procedures during site assistance visits, but TAS personnel will not access taxpayer-specific information due to the attorney-client confidentiality concerns noted above.

RECOMMENDATION #3: *The National Taxpayer Advocate should develop and document a formalized process for identifying which clinics will be selected for site visits to ensure limited TAS resources are focused on those clinics that may not be adhering to LITC program requirements. TAS management should also evaluate whether information provided by clinics can be used to assist management in prioritizing the site visitations.*

I am concerned that TIGTA's recommendation, motivated by the aim of ensuring that "limited TAS resources are focused on those clinics that may not be adhering to LITC program requirements," too narrowly focuses on the oversight aspect of site assistance visits and fails to appreciate their significant assistance aspect. As noted above, site assistance visits are a means of providing both assistance to, and oversight of, grantees. Under no circumstances were such visits ever intended to be limited to "problem" clinics, but rather are an integral component of TAS's mission to provide service to LITCs and low income taxpayers. Thus, I believe that the LITC Program Office's policy to visit all clinics at least once every three years and to identify other clinics for more frequent visits based on TAS's assessment of the clinic's need for additional assistance or oversight is appropriate.

The TIGTA report indicates that of the 46 site assistance visits made during grant year 2009, eight (17 percent) were made to new clinics, six (13 percent) were made to clinics that were not previously visited, 17 (37 percent) were made to clinics based on a three-year rotational review, and 15 (33 percent) were made to clinics that were selected for various reasons. While TIGTA characterized the latter selections as



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“decided ad hoc by TAS personnel,” I believe that a fairer characterization would be that the selections were made based on information obtained by LITC program staff and the National Taxpayer Advocate while conducting continuous oversight of grantees. The reasons cited for the visits included: high amounts of return preparation; to discuss program standards; to discuss expansion and increase in number of cases; change in staff and relocation of clinic office; to discuss publicity and outreach activities; to expand educational workshop topics; concern about the number of ITIN applications prepared; need to deobligate funds; to discuss *pro bono* panel and use of volunteers; and to discuss partnerships with other organizations to increase outreach and education activities.

I do agree that improvements can be made in standardizing and documenting the continuous oversight process. To these ends, TAS has restructured the LITC program office, is implementing performance measures and revising reporting forms for the 2012 grant cycle, and is developing and implementing a new database to capture information obtained during the systematic review of program plans, budgets, reports, and results. These efforts should yield better information about clinic performance and provide better documentation of the site assistance visit selection process.

Thank you for the opportunity to review and comment on this report. Attached is a summary of our response outlining our corrective actions. If you have any questions or concerns, please contact me or have a member of your staff contact William Nelson at (212) 298-2160 or Chris Lee at (202) 622-8391.



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Attachment 1

Summary of TIGTA Recommendations and Management Response

RECOMMENDATION #1: *Develop and implement revised procedures to require more comprehensive site visits are performed and consistently documented by TAS personnel, including additional methods to verify whether clinics are meeting the LITC requirements related to taxpayer income levels and controversy limits.*

CORRECTIVE ACTION: We have already begun implementing significant changes to the site assistance visit process, including performing an individualized pre-visit assessment, creating a written visit plan, and documenting the procedures, findings, and recommendations resulting from the site assistance visit.

IMPLEMENTATION DATE: December 2011.

RESPONSIBLE OFFICIAL: Director, LITC Program.

CORRECTIVE ACTION MONITORING PLAN: We will monitor this corrective action as part of our internal meetings. The Manager, Clinic Advocacy, will report on the progress of these actions to the Director, LITC Program.

RECOMMENDATION #2: *Require that all clinics capture and maintain a minimum level of information to support income and controversy determinations. TAS personnel should review applicable documentation during site visitations to ensure clinics are providing assistance to the low income taxpayers intended by Congress.*

CORRECTIVE ACTION: LITC program guidelines already require grantees that provide controversy services to capture, maintain, and report aggregate information about income and controversy determinations. TAS personnel will review internal controls and procedures during site assistance visits, but TAS personnel will not access taxpayer-specific information.

IMPLEMENTATION DATE: N/A.

RESPONSIBLE OFFICIAL: N/A.

CORRECTIVE ACTION MONITORING PLAN: N/A.

RECOMMENDATION #3: *The National Taxpayer Advocate should develop and document a formalized process for identifying which clinics will be selected for site visits to ensure limited TAS resources are focused on those clinics that may not be adhering to LITC program requirements. TAS management should also evaluate whether information provided by clinics can be used to assist management in prioritizing the site visitations.*



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CORRECTIVE ACTION: TAS has restructured the LITC program office, is implementing performance measures and revising reporting forms for the 2012 grant cycle, and is developing and implementing a new database to capture information obtained during the systematic review of program plans, budgets, reports, and results.

IMPLEMENTATION DATE: December 2012.

RESPONSIBLE OFFICIAL: Director, LITC Program.

CORRECTIVE ACTION MONITORING PLAN: We will monitor this corrective action as part of our internal meetings. The Manager, Grant Operations, will report on the progress of these actions to the Director, LITC Program.