



Treasury Inspector General for Tax Administration Office of Audit

ACCURACY OF TAX RETURNS, THE QUALITY ASSURANCE PROCESSES, AND SECURITY OF TAXPAYER INFORMATION REMAIN PROBLEMS FOR THE VOLUNTEER PROGRAM

Issued on August 26, 2011

Highlights

Highlights of Reference Number: 2011-40-094 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Volunteer Program plays an important role in achieving the Internal Revenue Service's (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, preparing accurate tax returns remains a challenge for the Volunteer Program.

WHY TIGTA DID THE AUDIT

This was a follow-up audit to prior TIGTA reviews to determine whether taxpayers visiting IRS Volunteer Program sites receive quality service, including accurate tax returns.

WHAT TIGTA FOUND

The accuracy rates for tax returns prepared at Volunteer Program sites decreased sharply from the 2010 Filing Season. Of the 36 tax returns prepared for TIGTA auditors, only 14 (39 percent) were prepared correctly. Tax returns were prepared incorrectly because volunteers did not follow all guidelines. For example, volunteers did not always use the intake sheets correctly. For three (14 percent) of the 22 incorrectly prepared tax returns, volunteers knowingly modified the facts the auditors presented.

The IRS has implemented an extensive quality review process, but it has limitations and may not be providing reliable results. Unlike when auditors pose as a taxpayer and visit a volunteer tax preparation site to have a tax return prepared, during the Quality Statistical Sample Reviews, volunteers are aware that IRS staff are onsite to review the tax returns they are preparing.

Current steps and processes do not ensure the integrity of volunteers, even though the volunteers have access to taxpayers' Personally Identifiable Information, such as Social Security Numbers, driver licenses, and home addresses. The IRS does have a process to help ensure willful acts of fraud occurring at Volunteer Program sites can be reported, but improvements are needed.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) evaluate the Quality Statistical Sample Review process to ensure it is the best use of resources; 2) include anonymous shopping visits as part of the quality review process; 3) improve controls over Volunteer Standards of Conduct (Form 13615); 4) develop a process to ensure all volunteers are following the guidance focusing on the integrity of the Volunteer Program and the security of taxpayer information; 5) revise the Intake/Interview and Quality Review Sheet (Form 13614-C) and the 1-877-330-1205 telephone line scripts to advise taxpayers on how to obtain refund information; 6) review the IRS fraud hotline procedures to determine best practices; and 7) ensure telephone and email contacts are effectively controlled.

IRS management agreed with all the recommendations. Specifically, 1) the Stakeholder Partnerships, Education, and Communication function worked with the Statistics of Income function to create an efficient process to produce a statistically valid estimate of the quality of services provided by the Volunteer Program sites; 2) the IRS plans to conduct anonymous shopping visits during the 2012 Filing Season; 3) the IRS plans to strengthen its guidance and monitoring practices to ensure that all Forms 13615 are signed and dated by volunteers before they begin working at the Volunteer Program sites and that the Forms are certified and dated by the IRS or partner; 4) the IRS plans to include a mandatory training course and certification test that is required by all volunteers prior to working at a Volunteer Program site; 5) the IRS has revised Form 13614-C to include "Where's My Refund?" information and plans to revise the toll-free telephone line script to inform callers that their information is confidential; 6) the Stakeholder Partnerships, Education, and Communication function plans to collaborate with Criminal Investigation to determine best practices that can be used to improve the internal and external program referral process; and 7) the IRS has designed a numerical control number to better track and control contacts through its internal and external referral processes.

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/201140094fr.pdf>

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