



*Accuracy of Tax Returns, the
Quality Assurance Processes, and
Security of Taxpayer Information Remain
Problems for the Volunteer Program*

August 26, 2011

Reference Number: 2011-40-094

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.

Redaction Legend: 3(d) = Identifying Information



HIGHLIGHTS

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

Highlights

Final Report issued on August 26, 2011

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 and the Commissioner, Wage and Investment Division, agreed to: 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.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 26, 2011

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: *Michael R. Phillips*
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program (Audit # 201140006)

This report presents the results of our review to determine whether taxpayers visiting Internal Revenue Service Volunteer Program¹ sites receive quality service, including accurate tax returns. This was a follow-up audit to prior Treasury Inspector General for Tax Administration reviews² and is part of our Fiscal Year 2011 Annual Audit Plan. The audit addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Management's complete response to the draft report is included in Appendix X.

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 Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services), at (202) 622-5916.

¹ Includes the Volunteer Income Tax Assistance and Tax Counseling for the Elderly Programs.

² See Appendix IX for a list of these prior reports.



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Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

Abbreviations

IRS	Internal Revenue Service
QSS	Quality Statistical Sample
SPEC	Stakeholder Partnerships, Education, and Communication
TCE	Tax Counseling for the Elderly
VITA	Volunteer Income Tax Assistance



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

Background

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. It includes sites operated in partnership with the military and with various community-based organizations.¹ The Volunteer Program is comprised of the Volunteer Income Tax Assistance (VITA) Program, the Tax Counseling for the Elderly (TCE) Program, and the VITA Grant Program.

The VITA Program was originated in 1969 due to enactment of the Tax Reform Act of 1969² and an increased emphasis on taxpayer education programs. The IRS has placed continual emphasis on expanding the VITA Program through increased recruitment of various religious, social and nonprofit, corporate, financial, educational, and government organizations; involvement of the military on a national level; and expansion of assistance provided to the limited-English-proficient community.

The TCE Program began with the Revenue Act of 1978³ that authorized the IRS to enter into agreements with private or nongovernmental public nonprofit agencies and organizations to provide training and technical assistance to volunteers who provide free tax counseling and assistance to elderly individuals in the preparation of their Federal income tax returns. The law authorizes an appropriation of special funds, in the form of grants, to provide tax assistance to persons age 60 and older. The IRS receives the funds as a line item in the budget appropriation. The total funds are distributed to the sponsors⁴ for their expenses.

Since Fiscal Year 2009, the IRS has granted funds for the VITA Grant Program. For the 2011 Filing Season, 179 organizations were awarded \$12 million in matching grants. The grants are to be used to increase the capacity to file tax returns electronically and enhance training of volunteers at VITA sites.

Volunteers play an increasingly important role in helping the IRS achieve its goal of improving taxpayer service and facilitating participation in the tax system.



¹ Eight community-based Volunteer Program sites are located in buildings occupied by one or more IRS offices.

² Pub. L. No. 91-172, 83 Stat. 487 (codified as amended in scattered sections of 26 U.S.C. and 42 U.S.C.).

³ Pub. L. No. 95-600, 92 Stat. 2810.

⁴ A sponsor would be an entity similar to the AARP (formerly the American Association of Retired Persons).



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For Fiscal Year 2010, 87,602 volunteers staffed a total of 12,326 VITA and TCE sites. Volunteers prepared approximately 1.8 million individual income tax returns at VITA sites and approximately 1.3 million at TCE sites. Figure 1 provides key production data for Fiscal Years 2008 through 2010.

Figure 1: Key VITA/TCE Production Data for Fiscal Years 2008–2010

VITA				
Paper	247,828	145,828	153,998	5.60%
Electronically Filed	1,339,023	1,608,605	1,631,617	1.43%
Total VITA Tax Returns	1,586,851	1,754,433	1,785,615	1.78%
Total VITA Sites	4,991	6,468	5,845	-9.63%
Total VITA Volunteers	46,610	47,964	52,296	9.03%
TCE				
Paper	326,555	111,502	88,385	-20.73%
Electronically Filed	1,563,879	1,165,843	1,196,898	2.66%
Total TCE Tax Returns	1,890,434	1,277,345	1,285,283	0.62%
Number of Sites	6,849	5,692	6,481	13.86%
Number of Volunteers	32,233	34,689	35,306	1.78%
TOTALS				
Tax Returns ⁵	3,477,285	3,031,778	3,070,898	1.29%
Sites	11,840	12,160	12,326	1.37%
Volunteers	78,843	82,653	87,602	5.99%

Source: IRS management information system containing information for Fiscal Years 2008 through 2010.

** = Percentage change is calculated using the change from Fiscal Year 2009 to 2010.*

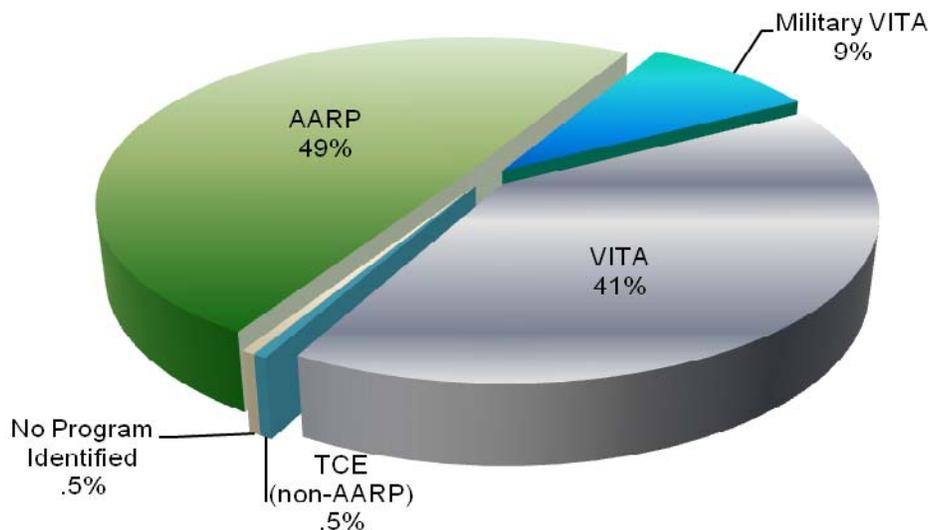
This audit included an assessment of tax returns prepared at VITA sites and TCE/AARP sponsored sites. Figure 2 provides a breakdown of the Volunteer Program and the percentage of tax returns prepared during the 2010 Filing Season.

⁵ This does not include tax returns prepared in a volunteer site without the program type (VITA, TCE, or Military) being identified.



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Figure 2: Percentage of Tax Returns Prepared at the Volunteer Program Sites During Fiscal Year 2010



Source: IRS Stakeholder Partnerships, Education, and Communication (SPEC) function.

The IRS SPEC function is responsible for providing oversight for the Volunteer Program, which includes determining policies and procedures, developing products and training material, and monitoring and managing Volunteer Program activity. The SPEC function's concept of operations includes looking for opportunities to assist third parties to help taxpayers understand and meet their tax obligations by promoting collaboration among tax practitioners, tax preparers, and community-based partners to support the Volunteer Program.

Tax scenarios used by auditors reflected tax topics volunteers were trained to handle for taxpayers seeking assistance from the Volunteer Program

Three scenarios were designed for auditors to use as they posed as taxpayers having tax returns prepared by volunteers (referred to as shopping). The scenarios were developed to use characteristics of taxpayers who visit Volunteer Program sites to have a tax return prepared and tax law topics that assessed the volunteers' use of the tools the SPEC function created to ensure that accurate tax returns are prepared. The scenarios included only tax topics for which the volunteers had been trained.

In addition, although most tax returns prepared by volunteers are prepared for taxpayers who file Single with no dependents, auditors used two scenarios that included tax topics dealing with dependents and credits. About three quarters (2.3 of 3.1 million) of the taxpayers who use the Volunteer Program tax preparation assistance receive tax refunds. Three credits, the Earned Income Tax Credit, the Child Tax Credit, and the Additional Child Tax Credit, contributed to



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41 percent (\$1.6 of \$3.9 billion) of the tax refunds issued to taxpayers who had their tax returns prepared by volunteers in the 2011 Filing Season. These credits generally require that taxpayers have dependents to claim the credits. Figure 3 shows the amount of refunds generated by Tax Year 2011 returns prepared by the Volunteer Program.

Figure 3: Refunds or Balances Due Generated From Tax Returns Filed as of May 9, 2011, Prepared by the Volunteer Program⁶

Refunds Due	\$3,924,877,622	2,340,925	76.38%
Balances Due	\$445,195,385	459,933	15.01%
Breakeven	\$0	263,969	8.61%
Earned Income Tax	\$1,001,382,805	683,926	
Additional Child Tax	\$352,706,061	306,749	
Child Tax	\$246,336,806	245,132	
Total	\$1,600,425,672		

Source: Our analysis of IRS management information system containing all Tax Year 2011 tax returns filed as of May 9, 2011.

The following are the three scenarios used by auditors during the 2011 Filing Season.

Scenario 1 – The taxpayer was single, had never been married, and lived with his or her sister. The taxpayer had 1 child/grandchild, age 8, who lived with the taxpayer in the home approximately 3 months during the summer. The child lived with the mother/father during the school year, for approximately 9 months. During Calendar Year 2010, the taxpayer worked at a school as a teacher’s aide/assistant, at a home improvement store, and at a local retail store. Total income reported on the 2010 Wage and Tax Statement (Form W-2) was \$17,034. The taxpayer received a 2010 Interest Income (Form 1099-INT) totaling \$7.35. The taxpayer spent \$350.00 for school supplies and contributed \$384.69 toward a Health Savings Account.

An accurately prepared tax return would result in the taxpayer receiving a refund of \$461. The taxpayer’s filing status was Single. The taxpayer could not claim the

⁶ See Appendix VIII for tables showing the general characteristics of tax returns prepared by the Volunteer Program.



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child as a dependent and did not qualify for the Child Tax Credit or Earned Income Tax Credit. The taxpayer was eligible for a \$400 Making Work Pay Credit.

Scenario 2 – The taxpayer was divorced and lived with his or her 9-year-old child/grandchild. The taxpayer received \$300 a month for child support and had dependent care expenses totaling \$1,370. During Calendar Year 2010, the taxpayer was paid biweekly, contributed \$1,263 to a 401(k) retirement plan, and had wages reported on the 2010 Forms W-2 totaling \$29,232. The taxpayer also received a 2010 Form 1099-INT totaling \$4.13.

An accurately prepared tax return would result in the taxpayer receiving a refund of \$2,827. The filing status was Head of Household. The taxpayer could claim a dependency exemption, qualified for a \$1,008 Earned Income Tax Credit, a \$935 Child Tax Credit, a \$65 Additional Child Tax Credit, and a \$370 Child and Dependent Care Credit. The taxpayer also was eligible to claim a \$126 Retirement Savings Contributions Credit and a \$400 Making Work Pay Credit.

Scenario 3 – The taxpayer was single with no dependents and shared an apartment with a friend. During Calendar Year 2010, the taxpayer was employed at a home improvement center and had a 2010 Form W-2 reporting wages of \$18,435. The taxpayer was also self-employed and had self-employed income totaling \$17,800 and business expenses totaling \$4,735. The taxpayer had no taxable income in Calendar Year 2009.

An accurately prepared tax return would result in the taxpayer owing \$3,267, including self-employment taxes. The filing status was Single. The taxpayer was eligible for a \$400 Making Work Pay Credit. The taxpayer was not subject to the estimated tax penalty.

This review was performed at the IRS SPEC function in the Wage and Investment Division in Atlanta, Georgia, during the period December 2010 through May 2011. In addition, from February through April 2011, Treasury Inspector General for Tax Administration auditors performed 36 anonymous visits (called shopping) and had 36 tax returns prepared at 36 judgmentally selected Volunteer Program sites located in 12 States. Three different sites were selected in each State. Appendix IV provides a list of the 12 States and the specific cities where the sites were located.

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.



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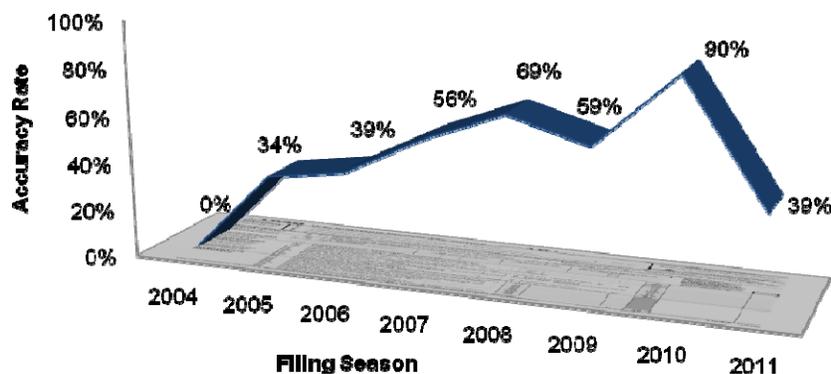
Results of Review

The Accuracy of Tax Returns Remains a Challenge for the Volunteer Program

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 our auditors, 14 (39 percent) were prepared correctly and 22 (61 percent) were prepared incorrectly. The accuracy rate should not be projected to the entire population of tax returns prepared at the Volunteer Program sites. Nevertheless, if the 22 incorrect tax returns had been filed: 15 (68 percent) taxpayers would not have been refunded \$3,874 to which they were entitled; 3 (14 percent) taxpayers would not have owed \$9,799 (and would have received improper refunds of \$802);⁷ and 4 (18 percent) taxpayers would have owed an additional \$768 in tax and/or penalties.

Figure 4 shows the accuracy rates of tax returns prepared for our auditors for the 2004 through 2011 Filing Seasons.⁸ Tax returns were not prepared correctly because volunteers did not obtain sufficient information to correctly apply the tax law or modified the facts in the scenarios the auditors presented.

Figure 4: Overall Tax Return Accuracy Rates for the 2004–2011 Filing Seasons



Source: Tax returns prepared for our auditors by volunteers during the 2004–2011 Filing Seasons.

⁷ Instead of what should have been a balance due, 2 taxpayers received a tax refund of \$401 each.

⁸ See Appendix V for a list of tax topics used in the scenarios and the accuracy rate for each topic.



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In addition, when using Scenario 3, which if prepared correctly would have resulted in the taxpayer owing taxes, auditors expected the volunteers to educate the taxpayers on the estimated penalty, explaining that it would *not* be added to the tax return at this time, but the IRS would calculate the penalty for the taxpayer and send a bill, if applicable. Volunteer Program guidelines instruct the volunteer not to calculate or impose the penalty. This did not occur when preparing any of the 12 small business tax returns. However, only 2 (17 percent) of the 12 tax returns were counted as having penalty errors because in those 2 instances the volunteers incorrectly calculated the estimated tax penalty and entered it on the tax returns. Figure 5 shows the accuracy rate by scenario.

Figure 5: Overall Tax Return Accuracy Rates for the 2011 Filing Season

Tax Scenario Used	Number of Tax Returns Prepared Using the Scenario	Accuracy Rate
Scenario 1	12	25%
Scenario 2	12	50%
Scenario 3	12	42%
Total Accuracy	36	39%

Source: Tax returns prepared for our auditors by volunteers during the 2011 Filing Season.

Factors influencing the accuracy rate

With the exception of the 2010 Filing Season, the accuracy rate for tax returns prepared in the Volunteer Program has ranged from 0 to 69 percent. During the 2010 Filing Season, when the accuracy rate was 90 percent, it became apparent that various factors were influencing the increase in accuracy rate.

- Volunteers had come to recognize the scenarios the auditors were using to have tax returns prepared.
- In prior years, one of the criteria for site selection was the volume of tax returns prepared at the sites and trending of sites previously visited. As such, high volume sites had a higher probability of being tested, which the volunteers had also come to recognize.
- The IRS was aware of our site visits. Because auditors were doing other tests at the sites after they had tax returns prepared, IRS employees were onsite to conduct their own review after tax preparation.

Therefore, for the 2011 Filing Season, the scenarios were changed to show multiple sources of income, from self-employed and private businesses. One scenario resulted in taxes owed instead of a tax refund. In addition, the criteria for site selection were changed; the volume of tax returns



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prepared at the sites was not one of the criteria. This filing season's site selection was based on audit resources, proximity of sites to major cities, and geographical location of the auditors. To expand testing to include sites never visited, we eliminated those sites and most cities visited in prior audits. Finally, after the first six site visits, the IRS was not told which sites were included in the testing and IRS employees were not onsite at any time on the day of the visits.

Tax returns were prepared incorrectly because volunteers did not follow all guidelines

Quality service and accurate tax return preparation start with the volunteers asking taxpayers the right questions. A tax return is accurate when the tax law is applied correctly and the tax return is free from error based on the taxpayer's interview, his or her supporting documentation, and the completed IRS-approved Intake/Interview and Quality Review Sheet (Form 13614-C).⁹

During our visits, 33 (92 percent) Forms 13614-C were prepared. However, only 13 (36 percent) of 36 volunteers ensured Form 13614-C was completed *and* used to prepare the tax returns. Of 23 (64 percent) tax returns prepared by volunteers who did not appropriately use an intake sheet, 17 (74 percent) of the 23 tax returns were prepared incorrectly. In addition, for the 36 sites visited:

- 16 (44 percent) volunteers did not verify identity or address.
- 20 (56 percent) volunteers did not conduct an interview to verify the accuracy of the Form 13614-C.
- 24 (67 percent) volunteers did not engage in a conversation to help identify other tax law issues that may affect the tax return.
- 35 (97 percent) volunteers did not explain that the taxpayer has the ultimate responsibility for the tax return.

The Form 13614-C guides volunteer tax return preparers through taxpayer interviews and allows them to gather all necessary information to prepare accurate tax returns. The intake and interview process must include the following at a minimum:

- An interview with the taxpayer that includes explaining the tax return preparation process and encouraging him or her to ask questions throughout the interview process.
- Completion of Form 13614-C or an IRS-approved, partner-developed form asking the questions listed on Form 13614-C or similar questions that will provide the same information.

⁹ See Appendix VI for a copy of Form 13614-C.



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- Confirmation of the taxpayer's responses provided on the Form 13614-C (or similar form).
- Use of probing questions to ensure that complete information is gathered.
- Review of all supporting documentation and confirmation with the taxpayer that all income was discussed and noted on the Form 13614-C to ensure that it will be included on the tax return.
- Beginning with the 2010 Filing Season, the IRS mandated that all Volunteer Program sites that received grant funding use the Form 13614-C. All other sites may use their own intake sheet, but it must be IRS-approved. During the 2010 Filing Season when the accuracy rate was 90 percent, only 2 (5 percent) of the 39 tax returns prepared for auditors were prepared without the volunteers using the Form 13614-C. During the 2009 Filing Season review, 22 percent did not use it, and during the 2008 Filing Season review, 33 percent of the volunteers did not use the Form 13614-C. The accuracy rates were 59 and 69 percent, respectively.

The SPEC function should continue to educate volunteers and employees to reinforce quality review guidelines.

Tax returns were prepared incorrectly because volunteers modified the facts in the scenarios the auditors presented

For 3 (14 percent) of the 22 incorrectly prepared tax returns, volunteers knowingly modified the facts the auditors presented—2 by either removing or reducing the self-employment income and 1 by allowing a dependency exemption for a child who the volunteer knew did not meet the requirements of a qualifying child. Had these 3 tax returns been filed by actual taxpayers, modifications of the facts would have resulted in the understatement of balance due taxes for 2 tax returns in the amount of \$6,933. One tax return was prepared on paper and reflected numerous errors, including a math error, which counteracted the benefit of improperly allowing the dependency exemption. The tax return resulted in a receipt of a net refund that was understated by \$96.

In two instances when Scenario 3 was presented, the volunteers questioned the auditors on whether the services provided (the self-employment income) were paid by cash or check. When the auditors responded that they were paid by both, one volunteer reduced the self-employment income amount by the amount of the cash. However, in the second instance, the volunteer removed all self-employment income and expenses from the tax return. ***3(d)*****
*****3(d)*****
*****3(d)*****.

In a third instance when using Scenario 1, the auditor was asked if the child lived with him or her. The auditor responded that the child lived with the other parent. The volunteer then asked if



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the other parent was going to claim the child, and the auditor stated that he or she was not aware if the other parent filed a tax return. *****3(d)*****
*****3(d)*****
*****3(d)*****.

The SPEC function took immediate action when notified of the irregularities

We contacted SPEC function officials immediately to share the irregularities identified at the three Volunteer Program sites. They took immediate action, including:

- Deactivating the Electronic Filing Identification Number at sites where incidents occurred.
- Closing all three sites as of March 31, 2011, and requiring that all three closed sites return all IRS property and materials.
- Suspending all volunteers from the three affected sites from working in the Volunteer Program and placing all organizations and their affiliates on temporary probation pending certification that sufficient corrective actions have been taken.
- Holding partner conference calls to discuss these incidents along with expectations for ethical behavior.

The SPEC function also conducted post-filing season events, including a webinar¹⁰ emphasizing the importance of volunteer ethics and integrity. In addition, the SPEC function is considering the following for the 2012 Filing Season:

- Mandating that all partners use Form 13614-C.
- Implementing a full-scale SPEC function shopping initiative.
- Requiring that all partners certify that volunteers have taken a SPEC function developed Ethics and Integrity Presentation.
- Broadcasting a webinar featuring key IRS and partner executives detailing ethics expectations.

The IRS has implemented an extensive quality review process, but it has limitations and may not be providing reliable results

The SPEC function has a substantial quality review process that includes:

1. **A 100 percent Quality Review at the volunteer sites of every tax return before it is filed.** These reviews are generally conducted by a designated quality reviewer using a quality review tool designed to ensure the accuracy of the taxpayer's return.

¹⁰ Web conference transmitted over the Internet.



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2. **Quality Statistical Sample (QSS) Reviews.** Starting with the 2009 Filing Season, the IRS began relying on a specially trained cadre of 18 tax specialists to visit a statistically valid sample of Volunteer Program sites to review a random sample of tax returns for accuracy. During a QSS Review, cadre members randomly select for review three tax returns that have not yet been signed by the taxpayers. Tax return accuracy is determined by verifying the taxpayer's identity and comparing the completed tax return to the completed Form 13614-C and the taxpayer's supporting documents. It is from this review that the SPEC function determines and reports its accuracy rate.
3. **Post Reviews of selected QSS Reviews.** Using tax returns from QSS Reviews, analysts ensure the case files provide adequate documentation to make an accuracy assessment and validate that the tax returns were prepared correctly. Reviews are selected by the Statistics of Income function using a random sample of all QSS Reviews planned for the 2011 Filing Season.
4. **Criteria Reviews.** In Fiscal Year 2008, the SPEC function began conducting Criteria Reviews. These reviews are unannounced and include post-preparation reviews of a minimum of three returns and measuring the sites' adherence to Quality Site Requirements. A minimum of 5 percent of the Volunteer Program sites are to be selected using the following criteria:
 - New sites opened.
 - Existing sites with a new site coordinator.
 - VITA and TCE Grant sites.
 - Sites with a prior year finding of noncompliance to one or more quality site requirements or inaccurate return preparation based on QSS Reviews, Treasury Inspector General for Tax Administration reviews, or Criteria Reviews.
 - Manager discretion.
5. **Field Site Visits.** SPEC function Territory Offices¹¹ select a minimum of 15 percent of the Volunteer Program sites to conduct field site visits. During these visits, the Territory Office will cover a series of key issues that include (but are not limited to):
 - Fraud awareness and prevention.
 - Adherence to quality site requirements.

¹¹ The SPEC function is divided geographically into 4 Area Offices and 37 Territory Offices. An Area Office is a geographic organization level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues. A Territory Office handles implementation of outreach and education efforts. Directors oversee the Area Offices and managers oversee the Territory Offices.



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- Site and data security.
- Financial education and asset-building opportunities.
- Key tax law issues.

During Calendar Year 2010, the SPEC function conducted more than 3,700 site visits and during Calendar Year 2011, as of May 7, 2011, more than 3,400 site visits.

Volunteers are not following the quality review process guidelines

Since Fiscal Year 2004, the SPEC function and its volunteer organization/partners have worked to educate and train volunteers about the benefits of following quality assurance processes during the preparation of every tax return. For every tax return prepared, volunteers are required to ensure that there is an interview process to confirm a complete and accurate understanding of the taxpayer's information, and that each tax return is subjected to a 100 percent Quality Review.

A quality review process at each site must be used to confirm that the tax law was correctly applied and that the tax return is free from error and has been prepared correctly based on all available information. A quality review process at each site must contain the following critical components for an effective and thorough quality review of the tax return:

1. The taxpayer should participate in the quality review process.
2. The quality reviewer is required to use a standardized Quality Review Sheet.
3. The quality reviewer is required to use the available supporting documents to confirm identity, income, expenses, and credits on the return.
4. If applicable, the quality reviewer may have to refer to the *VITA/TCE Volunteer Resource Guide* (Publication 4012) and/or *Your Federal Income Tax* (Publication 17).

For each of the 22 tax returns prepared incorrectly, elements of the requirements were not followed. For example:

- 5 (23 percent) incorrect tax returns were not quality reviewed.
- 8 (36 percent) quality reviewers did not refer to the Intake Sheet.
- 9 (41 percent) quality reviewers did not refer to the source documents.
- 11 (50 percent) auditors were not involved in the quality review process.

Section C of Form 13614-C is to be completed by certified quality reviewers. Of the 33 sites where Forms 13614-C were prepared, only 8 (24 percent) of the forms showed that Section C was completed. Figure 6 provides an excerpt of Form 13614-C.



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Figure 6: Excerpt From Form 13614-C

Section C. To be completed by a Certified Quality Reviewer	
After reviewing the tax return and verifying that it reflects correct tax law application to the information provided by the taxpayer, check the final item.	
1. Sections A & B of this form are complete.	6. All Income shown on source documents and noted in Section A, Part III is included on the tax return.
2. Taxpayer's Identity, Address and Phone Number were verified.	7. Any Adjustments to Income are correctly reported.
3. Names, SSN or ITINs, and dates of birth of taxpayer, spouse and dependents match the supporting documents.	8. Standard, Additional or Itemized Deductions are correct.
4. Filing Status is correctly determined.	9. All Credits are correctly reported.
5. Personal and Dependency Exemptions are entered correctly on the return.	10. Withholding shown on Forms W-2,1099 and Estimated Tax Payments are correctly reported.
	11. If Direct Deposit or Debit was elected, checking/saving account and routing information match the supporting documents.
	12. Correct SIDN is shown on the return.
	<input type="checkbox"/> Check if the items above have been verified to validate accuracy based on your interview with the taxpayer and a second review of their source documents.

Source: Form 13614-C. SIDN = Site Identification Number.

QSS Reviews are not anonymous and may influence tax preparation sites under review

Unlike when auditors pose as taxpayers and visit volunteer tax preparation sites to have a tax return prepared, during the QSS Review, volunteers are aware that IRS staff are onsite to review the tax returns they are preparing. Knowing the reviewer is onsite introduces bias and could lead volunteers to be more quality conscious and more apt to adhere to quality processes than they would have been otherwise. Individuals improve or modify an aspect of their behavior simply in response to the fact that they are being studied. Consequently, the QSS Reviewer may not be obtaining reliable results or a reliable perspective of the tax return preparation operations.

The IRS has used shopping as part of the quality review process. During the 2008 Filing Season, volunteers prepared 85 tax returns for SPEC function shoppers with a 75 percent accuracy rate. During the 2009 Filing Season, the IRS performed 65 shopping reviews that showed 44 (68 percent) tax returns were prepared accurately. The sites selected were not part of a statistically valid sample and, therefore, were not representative of the accuracy rate for the entire Volunteer Program. However, observations from the 2009 Filing Season shopping visits showed that:

- 25 percent of the sites did not perform the required quality review of the tax returns.
- 68 percent of the sites did not effectively use the required intake and interview sheet during tax return preparation.

The IRS may again conduct shopping visits, but stated that limited resources would preclude it from using a statically valid sample; therefore, the results will not be used to report the accuracy of the Volunteer Program tax return preparation. The SPEC function continues to believe that



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the QSS Reviews, which use a statistically valid sample of Volunteer Program sites, provide a valid accuracy rate for randomly selected tax returns prepared at Volunteer Program sites and are a better use of resources. During the 2011 Filing Season, QSS Reviewers visited 245 Program sites and reviewed 724 tax returns resulting in an 87 percent accuracy rate. The SPEC function estimates that the cost for the QSS Reviews is approximately \$817,000,¹² which includes labor and travel.

In order for the results of a shopping initiative to be statistically valid and representative of all tax returns prepared by the Volunteer Program, the IRS would have to visit a statistically valid sample of Volunteer program sites and have one tax return prepared. To gain a larger sample comparable to the current QSS Reviews, the SPEC function could select a cluster sample of sites geographically and have two additional tax returns prepared at sites in the same geographical area as the first site selected. This methodology would provide the IRS with a better perspective and representation of the accuracy of Volunteer Program tax return preparation.

Replacing the QSS Reviews with a shopping initiative would improve the reliability of the accuracy rate and potentially provide statistically valid results. However, a shopping initiative is not without challenges, including protecting the anonymity of the shoppers year after year. Nevertheless, it is the optimum way to test both the accuracy of the tax returns and the taxpayer experience while visiting Volunteer Program sites.

The Volunteer Program is an important tax return preparation program and is dependent on volunteers

Partner organizations and their volunteers play a significant role in the IRS's tax return preparation program. The strengths of the Volunteer Program lie with the partner organizations and their volunteers. However, as the IRS demonstrated this year, when improprieties are identified with volunteers, it takes immediate action.

There are more than 12,000 volunteer tax preparation sites. Testing has shown that when an IRS employee is onsite, the volunteers are more apt to follow all guidelines and procedures, thus preparing accurate tax returns. However, it would require extensive resources to have an IRS employee continually at a Volunteer Program site.

The IRS requires that volunteers be tested and certified. It provides extensive tax aids and tax preparation software volunteers may use to prepare tax returns. Nevertheless, tax law is complex. Although the Volunteer Program prepares less complex tax returns, family situations are often complicated and unique. To correctly apply the complex tax law concerning filing status, exemption, and related credits, volunteers must ensure they have a complete understanding of the taxpayers' family situations. The requirements a taxpayer must meet to qualify for Head of Household filing status may not be the same as those the taxpayer must meet

¹² As of May 17, 2011.



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to claim a qualifying person as a dependent or to qualify for the Earned Income Tax Credit and/or Child Tax Credit.

The IRS has taken numerous actions and committed significant resources to increase the accuracy of tax returns prepared by volunteers. The IRS estimates the cost of the Volunteer Program quality review staff and QSS Reviews for the period October 1, 2010, to May 17, 2011, at about \$1.4 million. Adding a shopping initiative would increase the costs of the Volunteer Program but is essential to ensure the integrity of the Program.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Evaluate the QSS Review process to ensure it is the best use of resources and provides the best representation of the accuracy rate of the Volunteer Program.

Management's Response: IRS management agreed with this recommendation. The SPEC function worked closely 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. To date, the QSS Review is the only measure that meets this requirement.

Recommendation 2: Include anonymous shopping visits as part of the quality review process.

Management's Response: IRS management agreed with this recommendation. The SPEC function has plans to conduct anonymous shopping visits during the 2012 Filing Season.

Current Procedures Need to Be Strengthened to Ensure the Integrity of the Volunteers and the Security of Taxpayer Information

We reported in September 2008 that current procedures need to be strengthened to ensure the integrity of the volunteers.¹³ The IRS has application processes and procedures in place to ensure that volunteer applicants meet certain criteria. However, these 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. Because volunteers have access to taxpayer information, there is a potential risk of refund fraud and/or identity theft.

¹³ *Accuracy of Volunteer Tax Returns Continues to Improve, but Better Controls Are Needed to Ensure Consistent Application of Procedures and Processes* (Reference Number 2008-40-177, dated September 18, 2008).



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Improprieties, including four taxpayers' tax returns that included a volunteer's direct deposit routing and account number, were identified at a Volunteer Program site. As a result, taxpayer refunds would have been deposited to the volunteer's bank account rather than the taxpayers' accounts. *****3(d)*****
*****3(d)*****
*****3(d)*****.

Volunteer Program applicants are not subjected to background checks

The IRS requires the following to ensure the integrity of its volunteers:

- *Privacy and Confidentiality-A Public Trust* (Publication 4299). This Publication serves as the central document for providing guidance covering the privacy, confidentiality, and security of all information received at Volunteer Program sites.
- Sponsor Agreement (Form 13533). Sponsors must sign Form 13533. New Forms are requested from existing partners (or sponsors) when significant changes are made to Publication 4299.
- Volunteer Agreement Standards of Conduct – VITA/TCE Programs (Form 13615). Volunteers must annually sign Form 13615 before their volunteer service begins. It is solicited during or subsequent to training. Form 13615 serves two purposes: 1) obtains the volunteer's agreement to the standards of conduct and 2) provides the IRS and/or partner a place to record the level of training received.
- *Application Package and Guidelines for Managing a TCE Program* (Publication 1101). This package contains current TCE Program guidelines.

Unlike other organizations that require potential volunteers to be subject to a background check, the IRS does not require its applicants to undergo a background check. In the 2008 Volunteer Program report, we recommended that the IRS revise the Volunteer Standards of Conduct (Form 13615) to include a question to determine whether the applicant has been convicted of a crime and have the applicant sign the Form under penalty of perjury. For the long term, the IRS should also conduct a study to evaluate the applicability and feasibility of standards used by other volunteer organizations.

The IRS decided that it would discuss this issue with its partners because the volunteers work for them and not directly for the IRS. During Fiscal Year 2009 QSS Reviews, reviewers asked partners if they had a concern with the IRS adding the following question to Form 13615: *In the last 7 years have you been arrested, or charged with, or convicted of a felony?* Of the 216 respondents, 81 percent did not have a concern with adding this question. However, the partners sought definitive guidance from the IRS as to what actions to take if a volunteer responded positively to this question. The IRS is currently working with IRS Counsel and its partners before making a final decision about adding this question to Form 13615.

In addition, the SPEC function has determined that most national partners support background checks.

In December 2009, IRS Counsel determined that it is within SPEC function's discretion to review the background of its volunteers. However, IRS Counsel also stated that there are



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currently no Federal laws that would prohibit a convicted felon from either preparing returns or being a volunteer at a Federal agency. Regardless, SPEC function officials stated that background checks for the more than 80,000 volunteers would be too costly for either the IRS or its Volunteer Program partners.

Current procedures are not always followed

The Form 13615 is often referred to as the standards of conduct and is solicited annually during or subsequent to training. It serves two purposes—it obtains the volunteer’s agreement to the standards of conduct for the Volunteer Program and provides the IRS and/or partners a place to record the level of training received and the corresponding test scores used to determine whether a volunteer is certified to provide return preparation and/or tax law assistance. The Form 13615 is required for all volunteers before working at a site.

An analysis of 166 Forms 13615 from the 30 volunteer sites visited showed most Forms were signed and dated by the volunteer, but not certified by the IRS or partner. Of 166 Forms 13615:

- *****3(d)*****
- 66 (40 percent) were certified by the IRS or a Volunteer Program partner.
- 77 (46 percent) were not certified.

In addition, not all Forms 13615 were signed by the volunteers. Figure 7 provides the results of an analysis of Forms 13615.

Figure 7: Analysis of 166 Forms 13615

Issue	Percentage of Forms 13615
Signed by the Volunteer	90%
Dated by the Volunteer	87%
Volunteer Dated After Site Visit	2%

Source: Our analysis of Forms 13615.

¹⁴ A volunteer who provides coordination, organization, and supervision for all aspects of volunteer tax program site locations, from the establishment of site(s) in the community to overseeing the site(s) operation during the filing season.



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Ensuring the Forms 13615 are timely reviewed and certified will become more important if the IRS moves forward with revising the Form 13615 to include a question asking the applicant if he or she has been arrested, or charged with, or convicted of a felony.

Controls over the completion of Forms 13615 need improvement

The IRS provides significant guidance on which volunteers require certification to ensure tax returns are completed accurately.

*Volunteers that answer tax law questions, instruct tax law, prepare or correct tax returns, or quality review returns must pass the IRS certification test annually. Volunteers that instruct and/or conduct quality site reviews **must, at a minimum**, complete the **Intermediate** certification, unless the site prepares more advanced returns. An important aspect of providing quality service to the taxpayer is providing an accurate return.*

Volunteers assisting in roles that do not require tax law knowledge or provide tax law assistance do not require certification. These roles include but are not limited to:

- Site coordinator.
- Greeter.
- Recruiter.
- Equipment coordinator.
- Computer specialist.
- Interpreter.

However, there is guidance requiring all volunteers adhere to the same standards of conduct as those who prepare tax returns. These guidelines are not always followed and there is no effective process to ensure volunteers adhere to the guidelines. All volunteers are required to sign Form 13615 agreeing to the standards of conduct. Of the 166 Forms 13615 reviewed, 17 (10 percent) volunteers did not sign Form 13615 and 21 (13 percent) volunteers did not date Form 13615. These volunteers may have access to taxpayer information.

Unauthorized persons were allowed access to taxpayer information

*****3(d)*****
*****3(d)*****¹⁵. This happened because the Site Coordinator did not follow SPEC function policies and procedures. SPEC function officials were immediately contacted and a Volunteer Quality Alert was issued emphasizing the policy of securing taxpayer information at all sites. The individual was

¹⁵ *****3(d)*****



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removed from the site. They also counseled the Site Coordinator from the site to ensure in the future that:

- The Site Coordinator locks the site's door when the site is not being used.
- Equipment is locked and taxpayer information is stored in a secure storage area at the end of the day, with only the Site Coordinator having the key.

SPEC function officials stated each site is expected to implement a process to ensure information is adequately protected at all times. The process should include, but is not limited to, the following:

- Ensuring that the information provided during the course of tax return preparation is under the care of volunteers at all times.
- Using locked storage. Keeping devices (e.g., diskettes, flash drives, pen drives, key drives, thumb drives) containing taxpayer information secure.
- Securing the equipment used for electronic tax return preparation and filing.
- Using passwords to prevent unauthorized access to the computer and software.
- Using limited or controlled access locations for storing equipment.

Controls over taxpayer referrals need improvement

During the 2011 Filing Season, the IRS improved its process to help ensure taxpayers report willful acts of fraud occurring at Volunteer Program sites. The IRS established an email address in the 2010 Filing Season and, in the 2011 Filing Season, a toll-free telephone number for taxpayers to use to report concerns with the integrity of a volunteer.¹⁶ When taxpayers choose to call, they do not speak to an IRS employee but are asked to leave a message.

During the 2011 Filing Season, the IRS received 65 emails and 2,009 telephone calls, which included 1,333 calls that were received and the callers hung up, either without leaving a message or without leaving their contact information. The SPEC function originally intended this process be used by taxpayers to report fraud; however, the calls to date have been tax law related, refund related, or complaints about volunteer behavior or poor customer service. The script on the toll-free telephone number states:

You have reached the voice mailbox for the IRS VITA/TCE Office, where you can leave feedback about your experience visiting a VITA or TCE location. If you are calling for any other reason, please hang up and call 1-800-829-1040 for assistance. Employees at this number are not trained to answer tax account related questions. If you are calling about your experience visiting a VITA or TCE location, feedback is important to us. Please leave your name, telephone number,

¹⁶ Volunteers, taxpayers, or anyone else visiting a Volunteer Program site can use the email address and toll-free telephone number to report inappropriate activity.



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or email address and a summary of your concerns. We will respond within 7 business days. You may also contact us at wi.voltax@irs.gov. At the tone, please record your message.

The information on the bottom of page 1 of Form 13614-C provides the taxpayer with the following information:

- *Volunteers assisting with preparing your return are trained to provide quality service and uphold the highest ethical standards.*
- *To report any concerns to IRS on site operating issues please call Toll free 1-877-330-1205 or email us at WI.Voltax@irs.gov.*

In addition, the IRS has two publications (posters) to alert taxpayers on how to report problems.

- ***VITA/TCE Free Tax Programs (Publication 4836)***. It is an informational document advising taxpayers of how to report problems encountered at a Volunteer Program site. It is a downloadable document that can be printed onsite and posted. It includes an email address and toll-free telephone number for reporting problems.
- ***Help Us Prepare an Accurate Return for You! (Publication 4807)***. It is a poster size image of Form 13614-C, with instructions to aid taxpayers in filling out the Intake/Interview Sheet and Quality Review Sheet and includes an email address and toll-free telephone number.

For most taxpayer concerns, the IRS contacted or attempted to contact the taxpayer to address their issue(s). For some, the taxpayer did not provide the additional information requested to resolve the issue. In addition, the IRS does not require that all callers be provided responses. It only requires that SPEC function employees respond when the callers leave contact information and when the issue cannot be resolved using other available IRS resources. For example, the SPEC function made the decision to not respond to taxpayers who call asking when they will receive their tax refunds, because the callers could use the toll-free telephone number 1-800-829-1954 or “Where’s My Refund?” on IRS.gov to obtain that information.

Currently, the SPEC function does not track the calls by assigning control numbers or track the calls so that it can effectively identify trends or easily associate calls with responses. Improvements are needed to control and track the type of incoming contacts and resolutions. Without knowing the volume or type of contacts, the IRS will not know what corrective actions, education, or revisions to guidelines are required to address taxpayer concerns. After discussing this issue with the IRS, it categorized and counted the number of contacts and clarified most resolutions. Controlling and tracking incoming contacts from initiation to completion help to ensure that all transactions are complete and accurate.

The IRS is still deciding on the intent of the toll-free telephone number and email

In September 2009, the IRS ended a partnership with an organization that had received national attention about allegations of questionable activity. Although the activities were not related to the Volunteer Program, the IRS stated that it is “absolutely critical that taxpayers have trust in



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our Volunteer Income Tax Assistance program partners.” The IRS Deputy Commissioner asked the SPEC function to improve processes that are intended to provide reasonable assurance that unethical acts do not occur at Volunteer Program sites.

The IRS developed the email address and toll-free telephone number that taxpayers can use to voice concerns about their experience at the Volunteer Program site. The original intent was to provide taxpayers and volunteers a method to report their concerns regarding the integrity of a volunteer and/or a site. However, based on the calls it received during the 2011 Filing Season, the IRS sees merit in continuing the use of this line to also gauge the customer service and/or taxpayer satisfaction with the Volunteer Program.

Nevertheless, adding additional information to the Form 13614-C and telephone script advising taxpayers where to obtain refund and account-related information could assist in limiting the number of telephone calls and emails to Volunteer Program issues. The Form 13614-C should also advise taxpayers that when calling the toll-free telephone number, they will be leaving a message instead of speaking with an IRS official. Taxpayers reporting fraud may be reluctant to leave contact information and should be assured that their identity will be kept confidential.

The IRS has a fraud process in place that instructs the taxpayer on the process to follow to report an individual or company that is suspected of not complying with the tax laws. The IRS should review this process to determine best practices that can be used for taxpayers to report fraud and integrity issues with the Volunteer Program.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 3: Improve controls over Forms 13615 to ensure that all Forms 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.

Management’s Response: IRS management agreed with this recommendation. The SPEC function will 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.

Recommendation 4: Develop a process to ensure all volunteers, not just those preparing tax returns, are following the guidance focusing on the integrity of the Volunteer Program and the security of taxpayer information.

Management’s Response: IRS management agreed with this recommendation. The Quality Site Requirements directs all volunteers, not just those preparing tax returns, to sign Form 13615. The IRS is strengthening this process for the 2012 Filing Season by



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including a mandatory training course and certification test that is required by all volunteers prior to working at a Volunteer Program site.

Recommendation 5: Revise Form 13614-C and the 1-877-330-1205 scripts to: 1) advise taxpayers who are calling to inquire about their tax refunds how to obtain refund information using either the toll-free telephone line or IRS.gov, and 2) inform callers that their information is confidential and although not required, leaving identifying information would allow the IRS to contact the taxpayer and/or follow up with him or her if more information is necessary.

Management's Response: IRS management agreed with this recommendation. Since this was the first year for the toll-free telephone line, the IRS identified several opportunities for improvement. The IRS revised the script early in the 2011 Filing Season to advise taxpayers of the process to inquire about their refund status. For Fiscal Year 2012, the IRS has already revised Form 13614-C to include "Where's My Refund?" information. The IRS plans to revise the toll-free telephone line script for Fiscal Year 2012 to inform callers that their information is confidential.

Recommendation 6: Review the IRS fraud hotline procedures and guidelines to determine best practices that can be used to improve the Volunteer Program referral process.

Management's Response: IRS management agreed with this recommendation. The SPEC function will collaborate with Criminal Investigation to determine best practices that can be used to improve their internal and external program referral process.

Recommendation 7: Ensure contacts received on the 1-877-330-1205 or WI.Voltax@irs.gov are assigned control numbers so they can be effectively controlled and tracked. This will help ensure the feedback provided by the taxpayers is used to improve the Volunteer Program.

Management's Response: IRS management agreed with this recommendation. The IRS has designed a numerical control number for the 2012 Filing Season to better track and control contacts through its internal and external referral processes.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether taxpayers visiting IRS Volunteer Program sites receive quality service, including accurate tax returns. IRS data included in various figures were provided for perspective only and were not validated. To accomplish the objective, we:

- I. Determined if the Volunteer Program sites were accurately preparing individual income tax returns based on facts provided by the taxpayers. From a population of 12,326 sites, we selected a judgmental sample of 36 VITA/Co-Located VITA and TCE-AARP sites nationwide and attempted to have a tax return prepared. Three sites were selected in 12 States.

Site selection was based on audit resources, proximity of sites to major cities, and geographical location of the auditors. In addition, to expand testing to include sites never tested, we also eliminated most cities and sites selected in prior audits. We could not select a statistical sample due to the volume of sites and geographical location of the sites that would need to be selected.
- II. Determined the characteristics of tax returns prepared at the Volunteer Program Sites. We assessed the reliability of the data by comparing the data to IRS Filing Season data.
- III. Followed up on the IRS's response to the 2010 Filing Season report's recommendation to ensure referrals reporting improper activities at Volunteer Program sites are properly documented, investigated, and resolved.

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: the SPEC function's policies, procedures, and practices for preparing tax returns. We evaluated controls by interviewing management and reviewing policies and procedures. We conducted tests at Volunteer Program sites.



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Appendix II

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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner of Operations, Wage and Investment Division SE:W
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division
SE:W:CAR
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Senior Operations Advisor, Wage and Investment Division SE:W:S
Director, Stakeholder Partnerships, Education and Communication, Wage and Investment
Division SE:W:CAR:SPEC
Chief Counsel CC
National Taxpayer Advocate TA
Chief, Program Evaluation and Improvement, Wage and Investment Division SE:W:S:PEI
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
 Chief, Program Evaluation and Improvement, Wage and Investment Division
 SE:W:S:PEI
 Senior Operations Advisor, Wage and Investment Division SE:W:S



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Appendix IV

Cities and States Visited to Have Tax Returns Prepared

Fresno/Merced	California
Orlando/Valrico/Waverly	Florida
Macon	Georgia
Chester/Collinsville/Marion	Illinois
Detroit/Grand Rapids/Kalamazoo	Michigan
Gulfport/Long Beach/Ocean Springs	Mississippi
Albany/Rome/Voorheesville	New York
Clinton/Fayetteville/Maxton	North Carolina
Chattanooga	Tennessee
Austin	Texas
Ogden/Salt Lake City	Utah
Charleston/Nitro/Parkersburg	West Virginia



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Appendix V

Accuracy Rate by Tax Topic

Tax Topic	Number of Tax Returns Using Tax Topic	Percentage Correct
Additional Child Tax Credit	24	79%
Child and Dependent Care Credit	12	67%
Child Tax Credit	24	79%
Earned Income Tax Credit	24	96%
Educator Expense	12	25%
Exemptions	36	97%
Estimated Tax Penalty	12	83%
Filing Status	36	97%
Health Savings Account	12	50%
Income	36	94%
Interest	24	92%
Making Work Pay Credit	36	97%
Retirement Savings Contribution Credit	12	83%
Schedule C Expenses	12	58%
Self-Employment Tax	12	58%
Standard Deduction	36	97%

Source: Analysis of tax returns prepared for auditors by volunteers during the 2011 Filing Season.



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Appendix VI

Intake/Interview and Quality Review Sheet

Form 13614-C (Rev. 9- 2010)	Department of the Treasury – Internal Revenue Service Intake/Interview & Quality Review Sheet	OMB # 1545-1964
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Section A. Page 1 and Page 2 to be completed by Taxpayer
Thank you for allowing us to prepare your tax return. It is very important for you to provide the information on this form to help our certified volunteer preparer in completing your return. **If you have any questions, please ask.**

You will need your:

- Tax information such as Forms W-2, 1099, 1098.
- Social security cards or ITIN letters for you and all persons on your tax return.
- Proof of Identity (such as drivers license or other picture ID).

Part I. Your Personal Information

1. Your First Name	M. I.	Last Name	Are you a U.S. Citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
2. Spouse's First Name	M. I.	Last Name	Is spouse a U.S. Citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Mailing Address		Apt#	City
			State
			Zip Code
4. Phone Primary: _____		Other: _____	
		E-mail _____	
5. Your Date of Birth	6. Your Occupation		7. Are you Legally Blind <input type="checkbox"/> Yes <input type="checkbox"/> No
			8. Totally and Permanently Disabled <input type="checkbox"/> Yes <input type="checkbox"/> No
9. Spouse's Date of Birth	10. Spouse's Occupation		11. Is Spouse Legally Blind <input type="checkbox"/> Yes <input type="checkbox"/> No
			12. Totally and Permanently Disabled <input type="checkbox"/> Yes <input type="checkbox"/> No
13. Can your parents or someone else claim you or your spouse on their tax return? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure			
14. Other than English what language is spoken in your home? _____			
15. Are you or a member of your household considered disabled? <input type="checkbox"/> Yes <input type="checkbox"/> No			

Part II. Family and Dependent Information

1. As of December 31, 2010, your marital status was:

Single

Married: Did you live with your spouse during any part of the last six months of 2010? Yes No

Divorced or Legally Separated: Date of final decree or separate maintenance agreement: _____

Widowed: Year of spouse's death: _____

2. List the name of everyone below who lived in your home and outside your home that you supported during 2010. If additional space is needed please check here and use page 4 for additional information.

Name (first, last) Do not enter your name or Spouse's name below.	Date of Birth (mm/dd/yy)	Relationship to you (e.g. son, mother, sister)	Number of months lived in your home	US Citizen or resident of the US, Canada or Mexico (yes/no)	Single as of 12/31/10 (yes/no)	Full-time student (yes/no)	Received more than \$3650 in income (yes/no)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)

- Volunteers assisting with preparing your return are trained to provide high quality service and uphold the highest ethical standards.
- To report any concerns to IRS on site operating issues please call **Toll Free 1-877-330-1205** or email us at **WI.Voltax@irs.gov**.



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Section A. To be completed by Taxpayer (continued)

Part III. Income – In 2010, did you (or your spouse) receive: (Check Yes, No or Unsure to all questions below)

Yes No Unsure

- 1. Wages or Salary? (Form(s) W-2)
- 2. Tip Income?
- 3. Scholarships? (Forms W-2, 1098-T)
- 4. Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV, 1099-OID)
- 5. Refund of state/local income taxes previously used as a deduction on 1040 Sch A? (Form(s) 1099-G)
- 6. Alimony Income?
- 7. Self-Employment Income/Loss (such as earnings from contract labor, small business)? (Form(s) 1099-MISC)
- 8. Income (gain or loss) from the sale of Stocks, Bonds or Real Estate (including your home)? (Form(s) 1099-B)
- 9. Disability Income (such as payments from SSA, VA, insurance, etc)? (Forms 1099-R, W-2)
- 10. Distributions from Pensions, Annuities, and/or IRA? (Form(s) 1099-R)
- 11. Unemployment Compensation? (Form(s) 1099-G)
- 12. Social Security or Railroad Retirement Benefits? (Form(s) SSA-1099)
- 13. Income (profit or loss) from Rental Property?
- 14. Other Income: (gambling, lottery, prizes, awards, jury duty, etc.) Specify: _____
(Forms W-2 G, 1099-MISC)

Part IV. Expenses – In 2010 Did you (or your spouse) pay: (Check Yes, No or Unsure to all questions below)

Yes No Unsure

- 1. Alimony: If yes, do you have the recipient's SSN? Yes No
- 2. Contributions to a retirement account? IRA Roth IRA 401K Other
- 3. Educational expenses paid for yourself, spouse or dependents? (such as tuition, books, fees, etc.)
- 4. Unreimbursed employee business expenses (such as mileage)?
- 5. Medical expenses?
- 6. Home mortgage interest?
- 7. Real estate taxes for your home or personal property taxes?
- 8. Charitable contributions?
- 9. Child/dependent care expenses that allowed you and your spouse, to work or to look for work?

Part V. Life Events – In 2010 Did you (or your spouse): (Check Yes, No or Unsure to all questions below)

Yes No Unsure

- 1. Have a Health Savings Account? (Forms 5498-SA, 1099-SA)
- 2. Have debt from a mortgage or credit card canceled/forgiven by a commercial lender? (Form(s) 1099-C)
- 3. Buy a home? If yes, closing date _____
- 4. Have Earned Income Credit (EIC) disallowed in a prior year? If yes, for which tax year? _____
- 5. Purchase and install energy efficient home items? (such as windows, furnace, insulation, etc.)
- 6. Live in an area that was affected by a natural disaster? If yes, where? _____
- 7. Receive the First Time Homebuyers Credit in previous years?
- 8. Pay any student loan interest?
- 9. Make estimated tax payments or apply last year's refund to your 2010 tax?
If so how much? _____
- 10. If you are due a refund, would you like a direct deposit or split your refund?
- 11. If you are due a refund, would you like information on how to purchase U.S. Savings Bonds?
- 12. If you have a balance due, would you like information about all of your payment options? (such as payment directly from your bank account, check, money order, credit/debit card or payment plan)



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

TAXPAYER STOP HERE!

Thank you for completing this form.

Section B. To be Completed by Certified Volunteer Only	Section C. To be completed by a Certified Quality Reviewer
<p>Remember: You are the link between the taxpayer's information and a correct tax return. Verify the taxpayer's information on pages 1 & 2 is complete. Any question marked "Unsure" must be discussed with the taxpayer and changed to "Yes" or "No".</p> <p>Must be completed ONLY if persons are listed in Part II, Question 2.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No 1. Can anyone else claim any of the persons listed in Part II, Question 2, as a dependent on their return? If yes, which ones: _____ _____</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No 2. Were any of the persons listed in Part II, Question 2, totally and permanently disabled? If yes, which ones: _____ _____</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No 3. Did any of the persons listed in Part II, Question 2 provide more than half of their own support? If yes, which ones: _____ _____</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No 4. Did the taxpayer provide more than half the support for each of the persons in Part II, Question 2? If no, which ones: <input type="checkbox"/> N/A _____ _____</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No 5. Did the taxpayer pay over half the cost of maintaining a home for any of the persons in Part II, Question 2? If yes, which ones: _____ _____</p> <p>Reminder Use Publication 17, <i>Your Federal Income Tax For Individuals</i> and Publication 4012, <i>Volunteer Resource Guide</i> in making tax law determinations.</p>	<p>After reviewing the tax return and verifying that it reflects correct tax law application to the information provided by the taxpayer, check the final item.</p> <p>1. Sections A & B of this form are complete.</p> <p>2. Taxpayer's Identity, Address and Phone Number were verified.</p> <p>3. Names, SSN or ITINs, and dates of birth of taxpayer, spouse and dependents match the supporting documents.</p> <p>4. Filing Status is correctly determined.</p> <p>5. Personal and Dependency Exemptions are entered correctly on the return.</p> <p>6. All Income shown on source documents and noted in Section A, Part III is included on the tax return.</p> <p>7. Any Adjustments to Income are correctly reported.</p> <p>8. Standard, Additional or Itemized Deductions are correct.</p> <p>9. All Credits are correctly reported.</p> <p>10. Withholding shown on Forms W-2,1099 and Estimated Tax Payments are correctly reported.</p> <p>11. If Direct Deposit or Debit was elected, checking/saving account and routing information match the supporting documents.</p> <p>12. Correct SIDN is shown on the return.</p> <p><input type="checkbox"/> Check if the items above have been verified to validate accuracy based on your interview with the taxpayer and a second review of their source documents.</p>

Catalog Number 52121E

Form **13614-C** (Rev. 9-2010)

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Source: IRS Forms and Publications web site.



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

Appendix VII

*Volunteer Agreement
Standards of Conduct – VITA/TCE Programs*

Form 13615 (Rev. 9-2010)	Department of the Treasury – Internal Revenue Service Volunteer Agreement Standards of Conduct – VITA/TCE Programs	Cat. No. 38847H
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The mission of the VITA/TCE Program is to provide free basic tax return preparation for eligible taxpayers. Volunteers are the program's most valuable resource. To establish the greatest degree of public trust Volunteers have a responsibility to provide high quality service and uphold the highest of ethical standards.

Instructions: To be completed by all volunteers in the VITA/TCE program. VITA or TCE grant recipient sites and their partners shall retain a copy of this form until December 31st. Other sites should retain this form until the site closes. Proper guidance must be followed for safeguarding and properly destroying this form.

As a participant in the VITA/TCE Program, I agree to the following standards of conduct:

- I will treat all taxpayers professionally, with courtesy and respect.
 - I will safeguard the confidentiality of taxpayer information.
 - I will apply the tax laws equitably and accurately to the best of my ability.
 - I will only prepare returns for which I am certified. (Basic, Advanced, etc.)
 - I will exercise reasonable care in the use and protection of equipment and supplies.
- I will not solicit business from taxpayers I assist or use the knowledge I have gained about them for any direct or indirect personal benefit for me or any other specific individual.
 - I will not accept payment from taxpayers for the services I provide. I may receive compensation as an employee of a program sponsor.
 - I will ensure the returns I prepare follow the Intake/Interview and Quality Review Processes.

Volunteer Information

Print Full Name	Daytime Telephone
Home Street Address	E-mail Address
City, State and Zip Code	Signature
Site and/or Partner Name	Date

Volunteer position(s) _____ **Number of years you volunteered** _____
(screener, preparer, interpreter, reviewer, etc.)

(Partner Use Only) Test Results – Only volunteers preparing federal tax returns, answering tax law questions, or reviewing federal tax returns for accuracy are required to be certified.

	Basic	Intermediate	Advanced	Military	Inter- national	COD	HSA	Foreign Student/Scholars		
								Part 1	Part 2	Part 3
Volunteer's Test Score										
Certification level – Mark the appropriate box										

Certified by (IRS or SPEC Partner Only): _____ **Date:** _____

Privacy Act Notice—The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory.
Our legal right to ask for information is 5 U.S.C. 301. We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers.
Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs.

Cat. No. 38847H

Form **13615** (Rev. 9-2010)

Source: IRS Forms and Publications web site.



*Accuracy of Tax Returns, the Quality Assurance
Processes, and Security of Taxpayer Information
Remain Problems for the Volunteer Program*

Appendix VIII

General Characteristics of Tax Returns Prepared by the Volunteer Program¹ During Calendar Year 2011

Type of Tax Return	Tax Return Volume	Percentage of Total
U.S. Individual Income Tax Return (Form 1040)	2,904,624	94.77%
U.S. Individual Income Tax Return (Form 1040A)	89,549	2.92%
Income Tax Return for Single and Joint Filers With No Dependents (Form 1040EZ)	58,141	1.9%
U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents (Form 1040NR-EZ)	7,794	0.25%
U.S. Individual Income Tax Return (PC) (Form 1040PC)	3,964	0.13%
U.S. Nonresident Alien Income Tax Return (Form 1040NR)	394	0.01%
U.S. Self-Employment Tax Return – Virgin Islands, Guam, American Samoa (Form 1040-SS)	345	0.01%
U.S. Self-Employment Tax Return – Puerto Rico (Form 1040-PR)	16	<0.01%

Refund Due/ Balance Due	Dollar Totals	Tax Return Volume	Percentage of Tax Return Volume
Refund Due	\$3,924,877,622	2,340,925	76.38%
Balance Due	\$445,195,385	459,933	15.01%
Breakeven	\$0	263,969	8.61%

¹ The IRS Volunteer Program includes the VITA and TCE Programs.



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

Filing Status/Dependent Claims	Tax Return Volume	Percentage of Total
Single	1,795,226	58.58%
Married Filing Jointly	841,622	27.46%
Head of Household	367,781	12%
Married Filing Separately and Spouse Is Required to File	58,471	1.91%
Widow(er) With Dependent Child	1,613	0.05%
Married Filing Separately and Spouse Is Not Required to File	114	<0.01%
Tax Return Prepared With One or More Dependent Exemptions, Including Parents	669,840	21.86%
Tax Return Prepared With No Dependent Exemptions	2,394,987	78.14%

Credits Claimed	Tax Return Volume	Dollar Totals
Earned Income Tax*	683,926	\$1,001,382,805
Child Tax*	245,132	\$246,336,806
Additional Child Tax*	306,749	\$352,706,061
Retirement Savings Contributions*	194,716	\$32,670,836
Education	143,622	\$104,650,813
Child and Dependent Care*	51,871	\$25,348,241
Other (Adoption, Gas, and Health Coverage Tax)	373	\$301,565

* = This credit was included in our test scenarios.

Average Income ²	3,047,316	\$24,076
Other Income ³	148,905	\$469,401,232

Source: Our analysis of tax returns prepared at the Volunteer Program sites during Calendar Year 2011 as of May 19, 2011.

² Average Income was determined using computer software to calculate the average total income of all taxpayers.

³ Other Income is a line item on the Form 1040 series tax returns that is not reported on any tax schedules or anywhere else on the tax returns.



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Appendix IX

*Treasury Inspector General for Tax Administration
Audit Reports on the Volunteer Tax Return
Preparation Program*

Improvements Are Needed to Ensure Tax Returns Are Prepared Correctly at Internal Revenue Service Volunteer Income Tax Assistance Sites (Reference Number 2004-40-154, dated August 31, 2004).

Significant Improvements Have Been Made in the Oversight of the Volunteer Income Tax Assistance Program, but Continued Effort Is Needed to Ensure the Accuracy of Services Provided (Reference Number 2006-40-004, dated November 4, 2005).

Oversight and Accuracy of Tax Returns Continue to Be Problems for the Volunteer Income Tax Assistance Program (Reference Number 2006-40-125, dated August 31, 2006).

Accuracy of Volunteer Tax Returns Is Improving, but Procedures Are Often Not Followed (Reference Number 2007-40-137, dated August 29, 2007).

Accuracy of Volunteer Tax Returns Continues to Improve, but Better Controls Are Needed to Ensure Consistent Application of Procedures and Processes (Reference Number 2008-40-177, dated September 18, 2008).

Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program (Reference Number 2009-40-128, dated September 15, 2009).

Improvements to the Volunteer Program Are Producing Positive Results, but Further Improvements Are Needed to the Quality Assurance Process (Reference Number 2010-40-109, dated September 3, 2010).



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

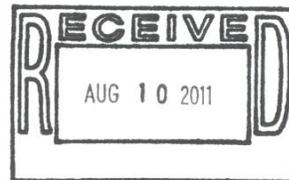
Appendix X

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

AUG - 9 2011



MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: *Richard Byrd, Jr.*
Richard Byrd, Jr.
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report - Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program (Audit # 201140006)

We have reviewed the subject draft report and agree with your recommendations. We appreciate your acknowledgement of the important role the volunteer programs play in achieving the IRS goal of improving taxpayer service and facilitating participation in the tax system. We continue to expand our partnerships with non-profit and community organizations to provide vital tax preparation services for low-to-moderate-income and elderly taxpayers.

Volunteer programs have been in operation for more than 40 years and more than 12,000 free tax preparation sites were open nationwide this year. We are very proud of the accomplishments of the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) Programs. The dedication and sacrifices made by the more than 88,000 volunteers working in these programs is commendable. During this Filing Season, VITA/TCE volunteers assisted nearly 3.2 million taxpayers by preparing their Federal and State returns, and achieved a quality accuracy rate of 87 percent, based on our Quality Statistical Sample (QSS) reviews. We continue to enhance the process used in the VITA and TCE programs in order to improve the quality of volunteer-prepared returns, and have committed significant resources in support of this effort.

We are pleased your report acknowledges the IRS has implemented an extensive quality review program and a process to help ensure that willful acts of fraud do not occur at VITA/TCE sites. Ensuring quality in the work performed at VITA/TCE sites is of utmost importance to the IRS and we have already put a number of improvements in place for next filing season. While a very small number, the IRS was deeply troubled by



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

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the handful of cases of unscrupulous behavior by volunteers. As your report recognizes, the IRS took immediate action as soon as we became aware of this behavior and have put in place additional controls to prevent similar cases in the future.

Your report indicates accuracy rates for tax returns prepared for TIGTA auditors sharply decreased this year. While we recognize that this is a serious issue and we are making changes accordingly, it is important to note that the scenarios developed for the reviews are not representative of the typical scenarios seen in the VITA/TCE population. For example, one scenario involved a taxpayer with a small business, which required including a Schedule C, *Profit or Loss from Business (Sole Proprietorship)*, with the return. Consequently, 12 of the 36 cases (33 percent) involved a small business. However, during the 2011 Filing Season, only 4.1 percent of all returns prepared at VITA/TCE sites included income reported on a Schedule C. Nevertheless, we are taking steps to ensure that volunteers prepare all returns accurately.

The Wage and Investment Division's Stakeholder Partnerships, Education and Communication (SPEC) function is charged with conducting quality reviews that provide a statistically valid estimate of the quality of service provided nationwide in VITA/TCE sites. To date, the QSS quality reviews produce the only accuracy measure that meets this requirement. Our 87 percent accuracy measure for this year has a 2.4 percent probability rate, with a 90 percent confidence level.

Attached are our responses to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Michael Beebe, Director, SPEC, Wage and Investment Division, at (404) 338-7593.

Attachment



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

Attachment

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1

Evaluate the QSS Review process to ensure it is the best use of resources and provides the best representation of the accuracy rate of the Volunteer Program.

CORRECTIVE ACTION

We agree with this recommendation. The Stakeholder Partnerships, Education and Communication (SPEC) function worked closely with the Statistics of Income Office to create an efficient process to produce a statistically valid estimate of the quality of service provided by the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites. To date, the Quality Statistical Sample (QSS) review is the only measure that meets this requirement.

IMPLEMENTATION DATE

Implemented

RESPONSIBLE OFFICIAL

Director, SPEC, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

Not applicable

RECOMMENDATION 2

Include anonymous shopping visits as part of the quality review process.

CORRECTIVE ACTION

We agree with this recommendation. The SPEC function has plans to conduct anonymous shopping visits during the Fiscal Year (FY) 2012 Filing Season.

IMPLEMENTATION DATE

February 15, 2012

RESPONSIBLE OFFICIAL

Director, SPEC, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

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The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 3

Improve controls over Forms 13615 to ensure that all Forms 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.

CORRECTIVE ACTION

We agree with this recommendation. The SPEC function will strengthen its guidance and monitoring practices to ensure that all Forms 13615, *Volunteer Standards of Conduct*, 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.

IMPLEMENTATION DATE

February 15, 2012

RESPONSIBLE OFFICIAL

Director, SPEC, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 4

Develop a process to ensure all volunteers, not just those preparing tax returns, are following the guidance focusing on the integrity of the Volunteer Program and the security of taxpayer information.

CORRECTIVE ACTION

We agree with this recommendation. Our Quality Site Requirements directs all volunteers, not just those preparing returns, to sign Form 13615. We are strengthening this process for the FY 2012 Filing Season by including a mandatory training course and certification test that is required by all volunteers prior to working at a VITA/TCE site.

IMPLEMENTATION DATE

December 15, 2011

RESPONSIBLE OFFICIAL

Director, SPEC, Wage and Investment Division



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

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CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 5

Revise Form 13614-C and the 1-877-330-1205 scripts to: 1) advise taxpayers who are calling to inquire about their tax refunds how to obtain refund information using either the toll-free telephone line or IRS.gov; and 2) inform callers that their information is confidential and although not required, leaving identifying information would allow the IRS to contact the taxpayer and/or follow up with him or her if more information is necessary.

CORRECTIVE ACTION

We agree with this recommendation. Since this was the first year for the VolTax line (i.e., (877) 330-1205), we identified several opportunities for improvement. We revised the script early in the FY 2011 Filing Season, to advise taxpayers of the process to inquire about their refund status. For FY 2012, we have already revised Form 13614-C, *Intake/Interview and Quality Review Sheet*, to include *Where's my refund?* information. We plan to revise the VolTax line script for, FY 2012, to inform callers that their information is confidential.

IMPLEMENTATION DATE

January 15, 2012

RESPONSIBLE OFFICIAL

Director, SPEC, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 6

Review the IRS fraud hotline procedures and guidelines to determine best practices that can be used to improve the Volunteer Program referral process.

CORRECTIVE ACTION

We agree with this recommendation. The SPEC function will collaborate with the Criminal Investigation Division to determine best practices that can be used to improve our internal and external volunteer program referral process.

IMPLEMENTATION DATE

January 15, 2012



Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program

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RESPONSIBLE OFFICIAL

Director, SPEC, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 7

Ensure contacts received on the 1-877-330-1205 or WI.VolTax@irs.gov are assigned control numbers so that they can be effectively controlled and tracked. This will help ensure the feedback provided by the taxpayers is used to improve the Volunteer Program.

CORRECTIVE ACTION

We agree with this recommendation. We have designed a numerical control number for the FY 2012 Filing Season to better track and control contacts received through our internal and external referral processes.

IMPLEMENTATION DATE

January 15, 2012

RESPONSIBLE OFFICIAL

Director, SPEC, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.