Treasury Inspector General
for Tax Administration
Office of Audit

THE INTERNAL REVENUE SERVICE IS WORKING TOWARD COMPLIANCE WITH EXECUTIVE ORDER 13520 REPORTING REQUIREMENTS

Issued on December 29, 2014

Highlights

Highlights of Report Number: 2015-40-009 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

Although the IRS has reported an overall decline in the Earned Income Tax Credit (EITC) improper payment rate since Fiscal Year 2003, the amount of payments made in error has increased from $10.5 billion in Fiscal Year 2003 to $14.5 billion in Fiscal Year 2013. The IRS's Fiscal Year 2013 EITC improper payment report to TIGTA estimates that in Fiscal Year 2013, EITC claims totaled approximately $60 billion and that 24 percent of the EITC payments were paid in error.

WHY TIGTA DID THE AUDIT

This audit was initiated because Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, requires TIGTA to assess the IRS's compliance with the Order on an annual basis. The objective of this review was to assess the IRS's compliance with the requirements contained in Executive Order 13520 for Fiscal Year 2013.

WHAT TIGTA FOUND

Executive Order 13520 increased Federal agencies' accountability for reducing improper payments while continuing to ensure that their programs serve and provide access to their intended beneficiaries. The IRS has taken steps to ensure access and participation by eligible individuals. The IRS estimates that the participation rate for individuals who are eligible to receive the EITC was nearly 80 percent for Tax Year 2010.

The IRS is not in compliance with certain requirements of Executive Order 13520 for Fiscal Year 2013. The IRS has not established annual improper payment reduction targets as required. Nonetheless, the IRS is making some progress related to its inability to comply with this requirement. The IRS has obtained approval from the Office of Management and Budget to establish and report supplemental measures in lieu of annual reduction targets.

While the IRS is currently not in compliance with the quarterly reporting requirement for high-dollar improper EITC payments (payments totaling more than $5,000) for Fiscal Year 2013, new revisions to the quarterly reporting requirements make it unlikely that the IRS would be required to report any quarterly high-dollar payments for Fiscal Years 2014 forward.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report.

READ THE FULL REPORT

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

http://www.treas.gov/tigta/auditreports/2015reports/201540009fr.pdf.