



## Treasury Inspector General for Tax Administration Office of Audit

### INTERNAL CONTROLS FOR THE VOLUNTEER INCOME TAX ASSISTANCE GRANT PROGRAM ARE IN PLACE BUT COULD BE STRENGTHENED

Issued on August 19, 2009

## Highlights

Highlights of Report Number: 2009-40-125 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

### IMPACT ON TAXPAYERS

During the 2009 Filing Season, the Volunteer Program assisted taxpayers with filing almost 3 million Federal income tax returns. The Internal Revenue Service (IRS) granted 111 organizations Volunteer Income Tax Assistance (VITA) Grant Program funds during this period; 110 of these organizations had previously participated in the Volunteer Program. Internal controls for the newly established VITA Grant Program are in place but could be strengthened. This will help ensure the VITA Grant Program meets its goals and objectives and the IRS extends service to taxpayers in underserved populations in hard-to-reach areas.

### WHY TIGTA DID THE AUDIT

This audit was requested by the IRS and was included in TIGTA's Fiscal Year 2009 Annual Audit Plan. In December 2007, Congress first appropriated funds to the IRS to establish and administer a 1-year matching grant program. Under the VITA Grant Program, grantees are awarded matching grants to extend services to underserved populations in hard-to-reach areas, both urban and nonurban. The grants are to be used to increase the capacity to file tax returns electronically and enhance training of volunteers at VITA sites. The objective of this review was to determine whether the IRS is effectively administering the VITA Grant Program to ensure it achieves the Program's goals and objectives and ensures the Program grantees are properly managing the funds in compliance with grant terms and conditions and applicable laws and regulations.

### WHAT TIGTA FOUND

The IRS awarded its first grant funds under the VITA Grant Program and in a short time period created a new program. It established eligibility criteria and a comprehensive selection process for grantees, drafted VITA Grant Program internal guidelines and

internal controls to use when administering the Program, processed 379 applications, and selected 111 applicants for the 2009 Filing Season.

Selection guidelines were developed, but controls need to be improved. The IRS needs to ensure reviews are documented and guidelines are timely updated as the VITA Grant Program evolves. Internal controls should be strengthened to ensure grantees account for their sub-grantee or partner funds, submit required documentation when meeting Federal audit requirements, and improve controls over financial reporting. Additionally, a centralized management information system is needed to effectively monitor grantees' activities.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, ensure all VITA Grant Program guidelines are updated as processes change and include Return on Investment as an element in the selection criteria. Additionally, the Eligibility Criteria Checklist should be revised to include a check for the Single Audit submission, funds should be distributed timely to grantees and grantees should submit required documents and reports timely, all financial reviews should be timely and monitoring should be documented, and resources should be available to program the VITA Grant database and update it annually.

In their response to the report, IRS officials agreed with five of our six recommendations and indicated all corrective actions have been completed. The IRS agreed that it is important to follow the established guidelines and that proper documentation should be included in the VITA Grant Program files. They did not agree that including Return on Investment in the selection criteria would ensure that the best applicants are selected. Our recommendation to include Return on Investment was made with the intent of having an additional criterion that the IRS could use to compare the candidates applying for limited VITA Grant Program funds. While the IRS uses multiple criteria to determine the best candidates to participate in the VITA Grant Program, Return on Investment would be an indicator of a candidate's ability to provide the most value for the taxpayer dollars being invested.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200940125fr.pdf>

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