



*Internal Controls for the Volunteer Income
Tax Assistance Grant Program Are in Place
but Could Be Strengthened*

August 19, 2009

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TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

August 19, 2009

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM:

Michael R. Phillips
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened (Audit # 200940004)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) is effectively administering the Volunteer Income Tax Assistance (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. This audit was requested by the IRS and was included in the Treasury Inspector General for Tax Administration's Fiscal Year 2009 Annual Audit Plan.

Impact on the Taxpayer

During the 2009 Filing Season,¹ the Volunteer Program assisted taxpayers with filing almost 3 million Federal income tax returns. The IRS granted 111 organizations 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.

Synopsis

In November 2008, the IRS announced it had awarded its first grant funds under the VITA Grant Program and in a short time period created a new program. For example, the IRS established criteria and a comprehensive selection process for grantees, drafted VITA Grant Program

¹ The filing season is the period from January through mid-April when most individual income tax returns are filed.



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internal guidelines and internal controls to use when administering the Program, processed 379 applications, and selected 111 applicants for the 2009 Filing Season. Also, when establishing the VITA Grant Program, the IRS incorporated many of the corrective actions and lessons learned from an April 2008 Treasury Inspector General for Tax Administration audit of the Tax Counseling for the Elderly Program.²

Selection guidelines have been developed to help ensure the best applicants are selected, 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. There were established criteria and written guidelines for selecting grantees and assigning grant/award amounts. However, there was no support in the case files that all procedures had been followed.

Auditors visited 21 grantee offices and 60 tax return preparation sites. No significant issues were identified during the visits. Nevertheless, internal controls could be strengthened. Specifically:

- Grantees were not aware that they are accountable for their sub-grantees' or partners' funds.
- Grantees meeting Federal audit requirements did not submit required documentation.
- Controls over financial reporting need strengthening.

Additionally, a centralized management information system is needed to effectively monitor grantees' activities. We reported in Fiscal Year 2008 that the IRS had no central management information system that captures the data collected on Tax Counseling for the Elderly Program grantees. In addition, the current management information system used to capture Volunteer Program activities is not always accurate and does not provide historical data. This is valuable information needed to assess the success of each grantee and the overall success of the VITA Grant Program.

The IRS developed a VITA Grant database to assist in capturing and compiling grant application information. The VITA Grant database contains information from the application package and ranking results. The IRS found mistakes in the database and it does not currently have the resources to maintain and update it; therefore, it is no longer being used as originally intended. Instead, the Grant Program Office is using various spreadsheets to track grant activities. We estimate it would take one Full-Time Equivalent³ to fully design and program the database, but less than one-half of a Full-Time Equivalent to maintain and update it annually. Grant Program

² *Oversight and Administration of the Tax Counseling for the Elderly Program Need Improvement* (Reference Number 2008-40-112, dated April 29, 2008).

³ A measure of labor hours in which 1 Full-Time Equivalent is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2009, 1 Full-Time Equivalent is equal to 2,088 staff hours.



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Office officials stated they are planning to hire an employee with the necessary skills to complete the database.

The 2009 Filing Season will establish the baseline for the VITA Grant Program's performance goals. Of the 111 organizations granted funds during this period, 110 had previously participated in the Volunteer Program. Legislation requires that the grant money extend services to underserved populations in hard-to-reach areas, both urban and nonurban, not just expand the number of tax returns prepared by volunteers.

IRS officials stated they plan to gauge the success of the VITA Grant Program using two criteria: Did the Program grow and did it meet its geographic and target populations? This will allow the IRS to determine from year to year if the VITA Grant Program is meeting its goals. Because the audit period ended shortly after the 2009 Filing Season, we were not able to assess the success of the VITA Grant Program's first year. The IRS was not able to provide analysis of the VITA Grant recipients' prior year VITA tax return preparation statistics. These data were to be used during the award process to compare prior year tax return preparation data with the 2009 Filing Season projections.

Recommendations

The Commissioner, Wage and Investment Division, should ensure all VITA Grant Program guidelines are updated as processes change and include Return on Investment⁴ as an element in the selection criteria. Additionally, the Eligibility Criteria Checklist should be revised to include a check for the Single Audit submission. The Commissioner should ensure that funds are distributed timely to grantees and grantees submit required documents and reports timely, all financial reviews are timely and monitoring is documented, and resources are available to program the VITA Grant database and update it annually.

Response

IRS management agreed with five of our six recommendations and indicated all corrective actions have been completed. They agreed 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 as one of the elements in the selection criteria would ensure that the best applicants are selected. Management's complete response to the draft report is included as Appendix V.

⁴ In the context of this report, Return on Investment refers to the number of tax returns prepared with the grant funds awarded.



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Office of Audit Comment

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.

Copies of this report are also being sent to the IRS 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.



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Abbreviations

IRS	Internal Revenue Service
SPEC	Stakeholder Partnerships, Education, and Communication
STARS	SPEC Taxpayer Assistance Reporting System
TCE	Tax Counseling for the Elderly
VITA	Volunteer Income Tax Assistance



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Background

The Internal Revenue Service (IRS) Volunteer Income Tax Assistance (VITA) Program originated in 1969 due to enactment of the Tax Reform Act of 1969¹ and an increased emphasis on taxpayer education programs. The IRS has placed continual emphasis on expanding the VITA Program through increased recruitment of social service, 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. During the 2009 Filing Season,² almost 3 million tax returns were prepared by volunteers in the IRS Volunteer Program.

In December 2007, Congress first appropriated funds to the IRS to establish and administer a 1-year matching grant program in consultation with the Taxpayer Advocate Service. 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 establishment of the grant will enable the IRS to offer funding to assist organizations in sustaining its Volunteer Program.

The IRS' Volunteer Program includes VITA sites operated in partnership with the military and with various community-based organizations, Tax Counseling for the Elderly (TCE) Program sites,³ and now VITA Grant Program sites. The 2009 Filing Season was the first filing season the IRS granted funds for the VITA Grant Program. It awarded almost \$8 million in matching grants to 111 organizations that planned to offer free tax preparation sites in the 2009 Filing Season. The organizations were located in 46 States and the District of Columbia.

Who Can Apply For the VITA Grant Program

Applicants must be any one of the following:

- A private or public nonprofit organization qualifying for tax exemption under the Internal Revenue Code.
- A State or local government agency.
- A regional, Statewide, or local coalition with one lead organization that meets one of the eligibility criteria stated above.

Applicants must also provide matching funds on a dollar-for-dollar basis. Matching funds consist of cash, computer hardware and software, and third-party, in-kind contributions. Funding from other Federal grants cannot be counted as matching funds.

¹ Pub. L. No. 91-172, 83 Stat. 487 (codified as amended in scattered sections of 26 U.S.C. and 42 U.S.C.).

² The filing season is the period from January through mid-April when most individual income tax returns are filed.

³ The TCE Program provides free tax help to people age 60 and older. The IRS received more than \$4 million as a line item in the budget appropriation for the TCE Program. The total funds are distributed to the volunteer entities (sponsors) for their expenses.



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The Stakeholder Partnerships, Education, and Communication (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, commercial preparers, and community-based partners to support the Volunteer Program.

Figure 1 shows a breakdown of tax returns prepared by the Volunteer Program and the VITA Grant Program for the 2009 Filing Season.

Figure 1: Number of Tax Returns Prepared During the 2009 Filing Season

Tax Returns Prepared	Total Tax Returns		Volunteer Return Preparation Program		VITA Grantees	
	Number Prepared	Percentage of Total	Number Prepared	Percentage of Total	Number Prepared	Percentage of Total
Paper Tax Returns	33,954,000	27%	132,169	5%	23,345	3%
Electronic Tax Returns	89,997,000	73%	2,741,066	95%	680,662	97%
Total Tax Returns Prepared	123,951,000	100%	2,873,235	100%	704,007	100%
Percentage of Tax Returns			2% of Total Tax Returns		25% of the Volunteer Program	

Source: IRS Weekly reports through the week ending April 18, 2009, and IRS SPEC function reports as of April 5, 2009.

This review was performed at the IRS Wage and Investment Division SPEC function in Atlanta, Georgia, during the period January through June 2009. In addition, in February and March 2009, Treasury Inspector General for Tax Administration auditors visited 21 VITA Grant Program grantee offices and 60 tax return preparation sites⁴ located in 15 States and the District of Columbia. Appendix IV provides a list of the cities where the grantee offices and tax return preparation 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

⁴ We visited 38 tax return preparation sites during this audit. Auditors conducting a separate audit of the Volunteer Program visited the other 22 VITA Grant tax return preparation sites during that review. *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program* (Audit # 200940002, draft report issued July 15, 2009).



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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.



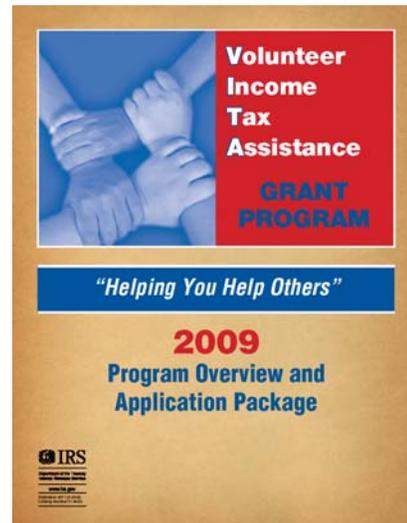
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Results of Review

Selection Guidelines Have Been Developed to Help Ensure the Best Applicants Are Selected, but Controls Need to Be Improved

In November 2008, the IRS announced it had awarded its first grant funds under the VITA Grant Program and the SPEC function in a short time period created a new program. For example, the SPEC function:

- Established criteria for grantees.
- Recruited and hired grant office staff.
- Ensured employees attended grant training on how to administer Federal grant programs.
- Drafted VITA Grant Program internal guidelines and the VITA Grant Program Desk Guide for employees to use when administering the Program.
- Drafted and published the grantee application package, *Volunteer Income Tax Assistance Grant Program: Program Overview and Application Package* (Publication 4671).
- Recruited, selected, and trained a Ranking Review Panel of 36 members representing each of the 4 SPEC function geographic areas nationwide to select the grantees.
- Advertised the VITA Grant Program and solicited grantees.
- Processed 379 applications and selected 111 applicants for the 2009 Filing Season.
- Established a financial quality review process.



Additionally, when establishing the VITA Grant Program, the IRS incorporated many of the corrective actions and lessons learned from an April 2008 Treasury Inspector General for Tax Administration audit of the TCE Program.⁵ We reported that improvements were needed to ensure the most qualified applicants are selected and funds are spent appropriately for the

⁵ *Oversight and Administration of the Tax Counseling for the Elderly Program Need Improvement* (Reference Number 2008-40-112, dated April 29, 2008).



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TCE Program. The IRS also needed to obtain better management information and performance goals and measures to effectively oversee and evaluate the TCE Program.

A comprehensive selection process has been implemented

A review of the selection process guidelines and testing of 51 application packages presented no significant issues. Clear guidelines were established for accepting applications, establishing application packages, and logging in applicants. Foremost, a database was developed to control the applications.

Acceptance into the VITA Grant Program will be based on the following evaluative criteria:

1. Strength of Program standards (40 Points).
2. Geographic coverage and extent of coverage for the underserved (40 Points).
3. Prior performance in the Volunteer Program (40 Points).
4. Ability to partner or collaborate with multiple organizations (20 Points).
5. Quality of organization's sustainability and growth strategy (10 Points).
6. Quality control process (30 Points).
7. Infrastructure to measure program effectiveness (20 Points).

Applications that pass a screening process⁶ and include all required items in the application package undergo a two-tiered evaluation process: a technical evaluation and a secondary evaluation. The technical evaluation entails the 36 member Ranking Review Panel's scoring the applicants based on 7 criteria. There is no minimum score applicants must meet.

The secondary evaluation includes the Grant Program Office's general review of the entire application and the applicant's program plan to ensure that the applicant has sufficient matching funds and meets VITA Grant Program requirements. It is at this time that the Grant Program Office considers the ability of the applicant to provide widespread geographic coverage, the specific

underserved population each applicant is targeting, and the number of taxpayers who will be served by the applicant. Lastly, SPEC function executives make the final decisions on the awards.

A review of 51 of 379 application packages to test the technical evaluation process showed only 3 packages (6 percent) had questionable scoring results.

- One applicant scored 199 on the ranking questionnaire, but the final score was 179. There was no explanation of why the score was reduced.
- A second applicant's scoring had widespread inconsistencies between the elements. For example, there was a reduction in points when information was not provided for some elements but not for others.

⁶ The screening process ensures applicants are a qualified private or public nonprofit organization; State or local government agency; or a regional, Statewide, or local coalition with one lead organization that meets one of the aforementioned eligibility criteria.



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- A third applicant was selected because it planned to serve a specific population, when in fact it did not. When we questioned grantee officials about this during our visit, they advised that they had checked the wrong box on the application but corrected the error on the revised budget that was submitted after acceptance into the VITA Grant Program.
- Fourteen (27 percent) of 51 applicants received lower scores because reviewers said the information was not addressed even though the information was in the application package. For example, when completing the ranking panel questionnaire, reviewers commented that the requested data were not provided. However, during our review of the application packages for these 14 applicants, we believed the information was contained in the application.

Improvements are needed to ensure required reviews are documented

A test of 21 case files showed the secondary reviews included the key elements required to be considered during the selection process. Consideration was given for the ability of the applicant to provide widespread geographic coverage and to serve an underserved segment of the population. Also considered was the number of taxpayers who were expected to be served by the applicant.

- The Chief Grant Program Office Review Process sheet contains 10 criteria, including the primary and secondary focus of the applicant, census data, number of existing and new sites, and number of expected tax returns to be prepared. These were completed by various Grant Program Office staff, but there was no support in the case file that the Grant Program Office Chief reviewed this information.
- The Grant Application Executive Summary includes space for a summary of the Chief's review, the amount of the award requested and recommended, and a few words on the reason the award is being recommended. It also provides a section called "Executive Decision" for the SPEC function executive to document the review and decision.

Neither summary sheet contained information on Return on Investment (i.e., the number of tax returns prepared with the grant funds awarded) nor the average cost of tax returns prepared. Grant Program Office officials explained they did not use Return on Investment as a selection criteria. Instead, they applied a fixed cost per return to the expected number of returns to calculate the amount of the grant awards. Return on Investment may vary depending on the target population and geographic area being served, but using a standard Return on Investment within segments would help determine which applicant is providing the most value to the IRS.

Additionally, none of the 21 case files reviewed documented that executives had reviewed the information for final selection into the VITA Grant Program. The SPEC function's Director of Headquarters Operations is to conduct a final review of all applications recommended for funding and is the IRS official who makes the final decision when award amounts are less than \$100,000. The Director of the SPEC function is to review grant applications and supporting



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documents for proposed awards where award amounts exceed \$100,000. The Director of SPEC is the final approver on all grant applications unless delegated to other IRS officials.

The SPEC function Director stated that, during the selection process, the Grant Program Office realized the volume of applicants precluded executives from signing off on each case file. Instead, executives reviewed a summary spreadsheet with data for the selected grantees and were briefed on the methodology for selecting the 111 applicants for awards. The new guidelines are currently being revised, but were not provided to us during the audit.

The IRS needs to ensure reviews are documented and guidelines are timely updated as the VITA Grant Program evolves. There were established criteria and written guidelines for selecting grantees and assigning grant/award amounts. However, there was no support in the case files that all procedures had been followed. This reduces the assurance that the best applicants were selected for the VITA Grant Program and the funds were appropriately allocated.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Ensure all VITA Grant Program guidelines are updated as processes change, all guidelines are followed, and all reviews, approvals, and decisions are documented.

Management's Response: IRS management agreed with this recommendation indicating they have developed additional guidelines and made significant updates to existing guidelines and processes.

Recommendation 2: Include Return on Investment as one of the elements to be considered in the selection criteria. This would provide an indicator common to all grantees that can be used not only in the selection process but could also be used to evaluate performance.

Management's Response: IRS management did not agree with this recommendation stating that Return on Investment would not contain an accurate measure of performance or be a consistent or fair application for Grant applicants who have not previously participated in the VITA Program. Using a standard Return on Investment for various target populations would be difficult to apply or defend if challenged. Finally, IRS management stated that the current evaluative criteria currently being used provides proper focus on the multiple objectives of the VITA Grant Program as defined in the statutory language.

Office of Audit Comment: Our recommendation 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



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would be an indicator of a candidate's ability to provide the most value for the taxpayer dollars being invested.

Internal Controls Have Been Implemented to Monitor Grantees but Could Be Strengthened

In response to the Treasury Inspector General for Tax Administration's prior report, the SPEC function established a financial review process that includes an annual review of a statistical sample of grantees as well as onsite financial reviews of grantees.

- The SPEC function's Oversight and Analysis unit will conduct the annual statistical reviews.
- The Grant Program Office will conduct onsite financial reviews. These reviews were not scheduled to begin until mid-April 2009 because the Grant Program Office did not want to make visits during the filing season when the grantees were busy with taxpayers.

The Grant Program Office guidelines state that monitoring is to begin when the grant opportunity is announced and continues throughout the grant cycle.

Additionally, each grantee is assigned a Grant Program Office analyst. The analysts are to use a checklist to monitor grantees' progress monthly throughout the filing season for issues such as access to funds, tax returns prepared, and number of sites submitting returns. Completing the checklist will help identify grant recipients that may require follow up by the analyst, Territory, Area,⁷ or other Grant Program Office staff.

Auditors visited a sample of 21 grantees and identified no significant issues

Auditors visited 21 grantee offices and 60 tax return preparation sites.⁸ No significant issues were identified during the visits.

- Volunteers were certified to prepare tax returns and were following IRS quality review guidelines.
- Grantees were adequately publicizing and/or marketing their programs.
- Grantees were able to review their program accomplishments.

⁷ The SPEC function is divided into 4 Areas led by Directors with 34 Territory Offices led by managers.

⁸ We visited 38 tax return preparation sites during this audit. Auditors conducting a separate audit of the Volunteer Program visited the other 22 VITA Grant tax return preparation sites during that review. *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program* (Audit # 200940002, draft report issued July 15, 2009).



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- Grant funds were validated and grantees were adequately accounting for grant funds. If the grantee had not received its grant funds from the IRS, we ensured the grantee could account for the matching funds it had used to receive the grant.
- Expenditures were supported and no unauthorized expenditures were identified. Expenses appeared reasonable for ordinary operating expenses and most were comparable to the planned expenditures.

Although no significant issues were identified during the visits to grantees' offices, controls could be strengthened to ensure accountability of all funds, that all funds are issued to the grantees timely, reports are submitted timely, and unexpended funds are accounted for. Additionally, monitoring activities should be more timely and adequately documented.

An integral component of every organization's management should be a system of internal controls that provides reasonable assurance of the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations. Internal controls should provide reasonable assurance that the objectives of the VITA Grant Program are being met and that grantees are using funds according to the law and IRS regulations.

Grantees were not aware that they are accountable for their sub-grantees' or partners' funds

Grantees may partner with other volunteer organizations, referred to as a coalition. When this happens, the volunteer organization that has been awarded the grant must also account for the funds shared with the sub-grantee or partner.

Six (46 percent) of the 13 grant recipients that were members of a coalition did not provide oversight of the partner organizations that received a portion of the grant funds. A lack of oversight may allow funds to be spent improperly. One of the six suggested that the grant application instructions contain more information for budget preparation when multiple organizations are involved. We discussed this with the Grant Program Office officials and they stated they are revising the Publication 4671 to include more information on the responsibilities of the lead organization.

Grantees meeting audit requirements did not submit required documentation

If grantees spend more than \$500,000 a year in total Federal Government awards, they are required to arrange for an audit by an independent auditor, in accordance with the Government Auditing Standards developed by the Comptroller General of the United States,⁹ and provide a copy of the audit report to the IRS. If the grantee does not meet the requirement, the IRS still has

⁹ Audit requirements applicable to grant recipients are described in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 62 FR 35278-35302 (June 30, 1997).



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the authority to audit expenditures of VITA Grant Program funds, regardless of the dollar amount of Federal Government funding received by the grantee.

Two (10 percent) of 21 grantees sampled were required to have a Single Audit conducted. Neither grantee's case file contained the required copy of the Single Audit. The Application Package Submission Checklist in Publication 4671 does not include a reminder for grantees to submit the Single Audit if they expend more than \$500,000 in Federal awards nor does the eligibility checklist include a reminder for the Grant Program Office analyst to check for the Single Audit submission. The Single Audit would alert the Grant Program Office to internal control findings identified by the independent auditor. Grant Program Office officials stated they are revising the eligibility checklist for the next grant period to ensure the Single Audits are obtained, when required.

If grantees spend more than \$500,000 a year in total Federal Government awards, they are required to arrange for an audit—2 of the 21 grantees met this requirement.

Controls over financial reporting need strengthening

- Controls should be strengthened to ensure all required documents are received before funds are authorized. Seven (33 percent) of 21 grantees were authorized to withdraw funds before all required documents were received. Funds are only to be released after the grantee submits a budget based on the revised award amount. The award letter to grant recipients should be revised to specifically state that a revised budget narrative should accompany the revised VITA Grant Program Budget Plan (Form 13977).
- Procedures have been established for grantees to submit interim and final reports to the IRS; however, not all reports were received timely and the interim report is not due until April 30. This may be too late for the grantee to make corrections since the filing season, when most tax returns are filed, is over in mid-April. Only about 60 percent of the 2009 Filing Season VITA Grant Program recipients had submitted their interim reports by the April 30, 2009, deadline. Grant Program Office officials stated that the interim reports are used to determine if the grant recipient will spend all awarded funds. They attributed some of the delay to not receiving the interim reports from the mail room until after April 30, because the analysts were in training at the time the submissions were due.
- Procedures need to be documented to identify, reconcile, and redistribute unspent funds. Only Publication 4671 notes how these funds are to be handled and it does not specifically explain when and where the funds should be returned. Accounts that are left open burden the



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IRS after the end of the grant period because the IRS continues to pay maintenance fees on accounts that are not closed timely.¹⁰

Additionally, the grant funds were not available until after January 13, 2009. This delay was caused because the agreement between the IRS and the United States Department of Health and Human Services regarding the use of the Payment Management System¹¹ was not completed until January 13, 2009. However, as of June 4, 2009, the Payment Management System does not have any records to show that one grantee has been registered for the VITA Grant Program. Grant Program Office officials stated they have been working with this grantee to correct the problem.

This is the first year for the VITA Grant Program; many new procedures and controls have been implemented or are still being implemented. Nonetheless, many of the grantees have been recipients of other grants and understand that obligations and regulations accompany the grant funds. The IRS needs to ensure that employees are adhering to financial and operational controls that are in place and that the objectives of the VITA Grant Program are being met and grantees are using funds according to the law and IRS regulations.

Monitoring needs to be better documented and financial reviews need to be more timely

Monitoring of the grantees occurs for operational and financial purposes and is conducted by several different SPEC function offices. Production data and grant fund withdrawals should be reviewed by the Grant Program Office analysts on a monthly basis. Financial reviews should be conducted by the SPEC function's Oversight and Analysis staff as well as the Grant Program Office analysts. A select number of grantees should be reviewed by the Territory or Area SPEC function staff. Finally, the SPEC function also conducts quality reviews of tax returns prepared at its VITA sites, including grant recipients. These quality reviews do not cover financial aspects of the grantee's operation.

The case files for only 11 (52 percent) of the 21 grantees sampled showed any monitoring activity, such as production or activity reports or notations in the activity log, by the Grant Program Office analysts. Guidelines state that analysts should use a Grant Program Monitoring Checklist to document monthly whether the grant recipient's performance reflects the projected budget and program plan submitted with the application; however, this guideline was not being followed. Grant Program Office officials stated that they are still finalizing a monitoring tool that collects the needed data to properly monitor the grantees.

¹⁰ There are 28 TCE Program accounts totaling \$204,429 for Fiscal Years 2002-2008 that have yet to be closed. Grant Program Office officials stated some of the open accounts are due to the fact that they are unable to locate a grant recipient to have them file the final reports in the Payment Management System. They stated that they do not have the authority to close the open accounts without the final reports.

¹¹ Grant funds are maintained and distributed through the United States Department of Health and Human Services Payment Management System. The IRS enters the grantees and their award amounts into this System. Grantees draw funds directly from it via direct deposit.



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Auditors were advised that analysts had obtained activity reports throughout the filing season; however, the reports were generally not saved in the case files. Grant Program Office officials later stated this was not the case. Instead, they used a spreadsheet to monitor the progress of the grantees. The spreadsheet data were grouped by analyst and placed in a public folder. Analysts were instructed to contact the grantees only if their production data indicated the returns submitted were more than 50 percent below the grantee's goal. Grant Office management does not see the value in documenting monitoring activities if there are no problems. We were not provided with this spreadsheet during the audit. However, as of April 5, 2009, only 32 (29 percent) of the 111 grantees had met their filing goals according to other data sources. While the filing season ends April 15, 2009, the grant period does not end until June 30, 2009.

Further, no documentation was provided to show that any visits to the grantees had been completed by the Oversight and Analysis staff, Grant Program Office analysts, or Area SPEC function staff during the filing season. When asked for results of any reviews of the grantees conducted by the IRS during the filing season, only the results of the tax return quality reviews conducted by the SPEC function were provided. The Grant Program Office did not make site visits during the filing season because it believed grantees would be too busy with tax return preparation.

Draft guidelines state that Area and Territory personnel are responsible for site visits, but there is no requirement for Area Directors or Territory Managers to submit monthly status reports or updates on the sites they contact or visit. Grant Program Office officials stated that for them to know a site has been visited, the Territory or Area SPEC function staff would have to email or call the Grant Program Office analyst and explain that potential problems exist. Knowing which grantees have been visited and for what purpose (quality, financial, or assistance) would allow the Grant Program Office to target its limited resources to reviewing the grantees with the most serious problems.

Timely monitoring, particularly in the early implementation of a program, is essential not only to ensure grantees are following grant guidelines but to determine where improvements or enhancements might be made to the program so that the goals and objectives of the grantees and the VITA Grant Program are met.

A centralized management information system is needed to effectively monitor grantees' activities

We reported in Fiscal Year 2008 that the SPEC function had no central management information system that captures the data collected on TCE Program grantees.¹² In addition, the current management information system, the SPEC Taxpayer Assistance Reporting System (STARS), used to capture Volunteer Program activities is not always accurate and does not provide

¹² *Oversight and Administration of the Tax Counseling for the Elderly Program Need Improvement* (Reference Number 2008-40-112, dated April 29, 2008).



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historical data. This is valuable information needed to assess the success of each grantee and the overall success of the VITA Grant Program.

The STARS contains the profiles and contact information for Volunteer Program participants and site information. It also captures the number of taxpayer contacts for outreach activities, along with information about the activity conducted and the number of volunteers at each site, and controls the computers and software used to prepare the tax returns. The STARS was not designed to capture those data unique to the grant programs (e.g., award amounts, expectations, funds distributions, expenses, or the number of tax returns prepared for elderly taxpayers). Additionally, the SPEC function continues to have concerns that the STARS is not accurate.

Finally, the STARS does not maintain historical information. Therefore, the IRS does not have records to gauge the progress of the VITA Grant Program or the historical performance of the grantees. For example, based on the application packages, 110 of the 111 VITA Grant recipients previously participated in the Volunteer Program. This information is not available in the STARS and it cannot be queried to determine which grantees participated in a prior year and how many tax returns they prepared. This can be accomplished only if data have been extracted and maintained outside the STARS.

The SPEC function developed a VITA Grant database to assist in capturing and compiling the grant application information

The VITA Grant database contains information from the application package and ranking results. The information on the various forms is compiled into reports so that the Grant Program Office can see what funds are requested, the expected expenditures, the targeted populations, and the performance projections. This information then should be compared to the actual performance data for returns prepared and sites established to track the progress of the grant recipients. The interim and year end budget reports are to be entered into the database and used to assist in monitoring the actual expenditures of the grantees and will allow a comparison to the final budget plan submitted by the recipient.

Initially, the SPEC function used an employee detailed to the Grant Program Office to develop the database, with

Our April 2008 report recommended and the IRS agreed to develop management information that could capture grantees' historical and current year information and include information about the grantee such as

1. The number of sites and geographic dispersion.
2. Grantee awards requested, made, and spent.
3. Grant funds distributed and returned.
4. Grantee expectations and planned activity.
5. Grantee expenses related to the Program.
6. Actual tax returns prepared by the grantee for all taxpayers and elderly taxpayers.

Including the STARS, the SPEC function uses five nonintegrated systems to collect information on each grantee to determine whether the grantee's performance reflects the projected budget and program plan.



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assistance from another SPEC function employee. Unfortunately, that employee was no longer available to work on the database and the assisting SPEC function employee could not devote the time needed to complete the database. The SPEC function found errors in the database when it attempted to determine the number of returns each grantee planned to deliver. The database only provided the numbers from the original plan and not the revised numbers based on the reduced amount of the award. Because of the mistakes found and because the SPEC function does not currently have the resources to maintain and update the database, it is no longer being used as originally intended. Instead, the Grant Program Office is using various spreadsheets to track grant activities. We estimate it would take one Full-Time Equivalent¹³ to fully design and program the database, but less than one-half of a Full-Time Equivalent to maintain and update it annually. Grant Program Office officials stated they are planning to hire an employee with the necessary skills to complete the database.

Management information is essential to control operations and make decisions and should be an integral component of a system of internal controls. The IRS needs to have a centralized management information system to capture and control grantees' current year and historical activities, including fund withdrawals, expenses reported, and tax return preparation assistance data. This information is essential to compare grantee and IRS expectations to accomplishments, especially since the IRS expects its Volunteer Program to continue to play an increasing role in the IRS' tax return preparation programs.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 3: Revise the Eligibility Criteria Checklist to include a check for the Single Audit submission.

Management's Response: IRS management agreed with this recommendation. The Single Audit eligibility check has been included in the eligibility checklist and also in Publication 4671.

Recommendation 4: Ensure funds are distributed timely to grantees and grantees submit required documents and reports timely.

Management's Response: IRS management agreed with this recommendation stating they have ensured funds are distributed timely to grantees and grantees submit required documents and reports timely.

¹³ A measure of labor hours in which 1 Full-Time Equivalent is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2009, 1 Full-Time Equivalent is equal to 2,088 staff hours.



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

Recommendation 5: Ensure all financial reviews are timely and monitoring is documented.

Management's Response: IRS management agreed with this recommendation stating that analyst visits were documented in the Grant file along with a copy of the final report. Analysts continued to monitor production as the filing season and Grant cycle progressed and requested information or explanation when warranted.

Recommendation 6: Ensure resources are available to program the VITA Grant database and update it annually.

Management's Response: IRS management agreed with this recommendation stating they have ensured resources are available to program the VITA Grant database and to update it annually.

The 2009 Filing Season Will Establish the Baseline for the Volunteer Income Tax Assistance Grant Program's Performance Goals

Of the 111 organizations granted funds this period, 110 had previously participated in the Volunteer Program. Legislation requires that the grant money extend services to underserved populations and hard-to-reach areas, both urban and nonurban, not just expand the number of tax returns prepared by volunteers. SPEC function officials stated they plan to gauge the success of the VITA Grant Program using two criteria: Did the Program grow and did it meet its geographic and target populations, which include taxpayers:¹⁴

- With disabilities.
- Who speak limited English.
- Who are low income.
- Who are elderly (over 60 years of age).

This will allow the IRS to determine from year to year if the VITA Grant Program is meeting its goals.

Because the audit period ended shortly after the 2009 Filing Season, we were not able to assess the success of the VITA Grant Program's first year. The IRS was not able to provide analysis of the VITA Grant recipients' prior year VITA tax return preparation statistics. These data were to be used during the award process to compare prior year tax return preparation data with the 2009 Filing Season projections. Grant Program Office officials stated they did not have time to collect this data and conduct the analysis. All but one of the VITA Grant recipients previously participated in the Volunteer Program.

¹⁴ They do not have a means to capture the number of taxpayers who are Native American.



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The Volunteer Program as a whole prepared fewer tax returns this filing season than in the prior one. However, as shown in Figure 2, the IRS and the Volunteer Program processed about 10 percent fewer tax returns in the 2009 Filing Season than in the 2008 Filing Season. This is attributed to the rise in tax returns prepared in the 2008 Filing Season related to the Economic Stimulus Act of 2008.¹⁵ Stimulus-only tax returns were submitted on paper.

Figure 2: Results for the Volunteer Program for the 2008 and 2009 Filing Seasons

Type of Tax Return	2008 Filing Season	2009 Filing Season	Percentage Change
Total Individual Tax Returns	136,941,000	123,951,000	-9.5%
Volunteer Return Preparation	3,178,591	2,873,235	-9.6%
Volunteer E-File (%)	90.7%	95.4%	5.2%

Source: IRS Weekly Filing Season Reports for the week ending April 18, 2009.

Because of the influx of Tax Year 2008 stimulus returns, the 2009 Filing Season should be the base year in which to begin measuring filing results and establish a baseline in which the IRS can measure the performance of the VITA Grant Program.

The Government Performance and Results Act of 1993¹⁶ states that agencies should establish general goals and objectives, including those that are outcome-related, for the major functions and operations of the agency. The Volunteer Program plays an increasingly important role in achieving the IRS' goal of improving taxpayer service and facilitating participation in the tax system. The SPEC function will need to establish the VITA Grant Program's overall geographic and target population performance measures and goals. It will also need to establish performance measures for the individual grantees to determine if they meet their plans and goals.

¹⁵ Pub. L. No. 110-185, 122 Stat. 613.

¹⁶ Pub. L. No. 103-62, 107 Stat. 285.



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

Appendix I

Detailed Objective, Scope, and Methodology

The overall 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. To accomplish this objective, we:

- I. Determined if the IRS has established adequate procedures and controls to ensure grantees meet VITA Grant Program requirements, goals, and objectives.
 - A. Determined the methodology used to solicit applications from eligible agencies and organizations for the VITA Grant Program.
 - B. Determined controls over the application process and determined how applicants are selected to participate in the VITA Grant Program.
 1. Reviewed a judgmental sample of 21 applicants selected to receive the VITA Grant and 30 applicants from the remaining 268 applicants that were not selected to receive the VITA Grant to determine if the eligibility criteria and scoring of applications was consistently applied by the SPEC function. See Step IV.B.1 for a description of the sampling process for the 21 grant recipients. The 30 non-selected applicants were judgmentally selected using an interval sampling methodology.
 2. Reviewed the sample of application packages for grant recipients and a judgmental sample of applicants not selected to receive grant funds.
 - C. Determined the means that the IRS will use to measure achievement of the VITA Grant Program goals and objectives.
- II. Interviewed the Department of Health and Human Services Payment Support Center employees responsible for the VITA Grant Program and determined if guidelines or procedures were updated or revised to include the Program.
- III. Determined if the IRS has established adequate financial controls to ensure all funds are safeguarded and expended according to the applicable laws and regulations.
 - A. Determined if the grantee submitted a revised operating/financial plan when the grant amount awarded was different from the amount requested, or if any significant event was timely submitted that would affect the revised plans.



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- B. Determined if procedures have been established to ensure all required actions have been taken and documentation submitted prior to the establishment of grantee Payment Management System accounts.
 - C. Determined if the IRS has effective procedures to review interim and final reports of financial information submitted by the VITA Grant Program grantees.
 - D. Determined if the IRS has effective procedures in place requiring validation of the financial information reported by VITA Grant Program grantees during site visits.
 - E. Determined if the IRS has adequate procedures in place if a grantee does not or will not use all the awarded funds.
- IV. Determined if the VITA Grant Program grantees are properly managing grant funds.
- A. Reviewed the applicable legislation, Office of Management and Budget policies, and IRS procedures to determine the allowability and allocability of expenses.
 - B. Visited a sample of VITA sites to determine if grantees have adequate controls to ensure grant funds are expended according to VITA Grant Program guidelines and meet legal requirements.
 - 1. Selected a judgmental sample of 21 out of 111 grantees selected to receive the VITA Grant funds. Based on recommendations of the contract statistician that we select those grant recipients receiving the largest awards, we selected a judgmental sample of 21 applicants that received a VITA Grant award of \$75,000 or more. To conserve resources, we also included any additional grantees located in the same city as one of the sample recipients. We also visited a sample of sites for each of the 21 grantees selected. We attempted to review two sites per grantee; however, some grantees had only one site open during the time of our visit. Therefore, we were not able to visit two sites for every grantee. We visited 38 tax return preparation sites during this audit. Auditors conducting a separate audit of the Volunteer Program visited another 22 VITA Grant tax return preparation sites during that review.¹
 - 2. For the sample selected, reviewed the Grant Agreements and determined the maximum amount of funding available for reimbursement and administrative purposes, verified the grantees' matching funds, conducted interviews to determine how the VITA Grant Program grantees ensure expenses are only

¹ *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program* (Audit # 200940002, draft report issued July 15, 2009).



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

allocated to qualifying activities, and if the grantee selected for the sample receives grants or funds from other Federal programs and, if so, how the funds and expenses were allocated for reporting purposes.

- V. Determined how the SPEC function ensured the VITA Grant Program grantees are reaching the target population and providing the appropriate services to meet program goals and objectives.



*Internal Controls for the Volunteer Income Tax Assistance Grant
Program Are in Place but Could Be Strengthened*

Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services)

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Paula W. Johnson, Audit Manager

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Lynn Faulkner, Senior Auditor

Jerome Antoine, Auditor

Jerry Douglas, Auditor



*Internal Controls for the Volunteer Income Tax Assistance Grant
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Appendix III

Report Distribution List

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Deputy Commissioner, Wage and Investment Division SE:W
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Audit Liaison: Chief, Program Evaluation and Improvement, Wage and Investment Division
SE:W:S:PRA:PEI



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

Appendix IV

Cities and States Visited

- Birmingham, Alabama
- Guntersville, Alabama
- Tuscaloosa, Alabama
- Tucson, Arizona
- Hartford, Connecticut
- Wilmington, Delaware
- Chicago, Illinois
- Indianapolis, Indiana
- Des Moines, Iowa
- Boston, Massachusetts
- Bloomingdale, Minnesota
- Minneapolis, Minnesota
- Raleigh, North Carolina
- Tulsa, Oklahoma
- Philadelphia, Pennsylvania
- Houston, Texas
- San Antonio, Texas
- Albany, New York
- Buffalo, New York
- Seattle, Washington
- Washington, District of Columbia



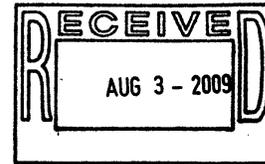
Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

Appendix V

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308



AUG 03 2009

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could be Strengthened (Audit #200940004)

I reviewed the subject draft report and agree in part with your recommendations. As your report indicates, this audit was requested by the IRS to ensure the new Volunteer Income Tax Assistance (VITA) Grant Program is operating efficiently and effectively. I appreciate your acknowledgement of the tremendous efforts and accomplishments of the VITA Grant Program in its first year of operation. Although this Program was developed very quickly, we incorporated many of the recommendations from your April 2008 audit of the Tax Counseling for the Elderly Program¹ into the VITA Grant Program design.

The Wage and Investment Division's Stakeholder Partnerships, Education and Communication (SPEC) function and its community-based partners continue to show a commitment to providing service to taxpayers in underserved populations in hard to reach areas. As a result of this commitment, the Volunteer Program assisted taxpayers with filing almost 3 million Federal income tax returns during the 2009 Filing Season. We also approved VITA Grant Program funds to 111 organizations during this period.

We agree the 2009 Filing Season will establish the baseline for determining the VITA Grant Program's performance goals. The VITA Grant Program plays an important role in increasing the Volunteer Program and in providing services to taxpayers in target populations, including low income, elderly, disabled, and limited English-proficient taxpayers. As with most first year programs, many of the processes and procedures require adjustments and strengthening as the operation progresses. I am extremely pleased no significant issues were found and that many of the recommendations, which

¹ Oversight and Administration of the Tax Counseling for the Elderly Program Need Improvement (Reference Number 2008-40-112, dated April 29, 2008).



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mirrored our own assessment of the first year, have already been addressed and implemented for the next Grant award cycle.

We also agree the best applicants need to be selected to participate in the VITA Grant Program. As such, our SPEC function, which is responsible for overseeing the Volunteer Program, implemented many new processes and procedures for the 2010 Grant period. The improvements include enhancing the information in Publication 4671, *Program Overview and Application Package*, regarding the oversight of sub-grantees and the recipient's responsibility to ensure Grant funds are managed and spent properly. In addition, the ranking process has been improved to ensure consistency in the technical evaluation and scoring of applications by the reviewers. New programs provide opportunity for continuous improvement and adjustment. We will continue to assess the Grant application, review, and award process to identify improvement opportunities.

Although we generally agree with your recommendations, we do not agree with them in their entirety. We agree it is important to follow the established guidelines and that proper documentation be included in the Grant Program files. We do not believe your recommendation to include Return on Investment (number of returns prepared with the Grant funds awarded) as one of the elements in the selection criteria would ensure that the best applicants are selected, nor would it be a consistent or fair criterion for Grant applicants that have not previously participated in the VITA Program. However, we do plan to use the number of returns proposed by applicants to determine the appropriateness of funds requested and to assess actual performance.

Finally, while internal controls are currently in place for the VITA Grant Program, your report recognizes they could be strengthened. The corrective actions described in the attachment are designed to address your concerns.

Attached are our specific comments to your recommendations. If you have questions, please call me, or members of your staff may contact Julie Garcia, Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division, at (404) 338-7104.

Attachment



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

Attachment

The Commissioner, Wage and Investment Division, should:

Recommendation 1

Ensure all VITA Grant Program guidelines are updated as processes change, all guidelines are followed, and all reviews, approvals, and decisions are documented.

Corrective Action

We agree with this recommendation and have developed additional guidelines and made significant updates to existing guidelines and processes:

(a) We developed a 2010 Volunteer Income Tax Assistance (VITA) Grant Program Receipt & Control Check Sheet that will capture all of the required items for a complete application and eligibility requirements. A completed copy of this check sheet will be placed in each Grant file.

(b) We developed a Grant Program Office Evaluative Report that will capture the information from the Grant Program Office evaluation component of the selection process. A completed report will be placed in each Grant file.

Implementation Date

- (a) Completed June 15, 2009
- (b) Completed June 30, 2009

Responsible Official

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

Corrective Action Monitoring Plan

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

Recommendation 2

Include Return on Investment as one of the elements to be considered in the selection criteria. This would provide an indicator common to all grantees that can be used not only in the selection process but could also be used to evaluate performance.

Corrective Action

We do not agree with this recommendation. Return on Investment would not contain an accurate measure of performance or be a consistent or fair application for Grant applicants who have not previously participated in the VITA Program. Also, while VITA Grant recipients identify a target population for their programs, they also serve many taxpayers from the other underserved segments, making objective use of any standard Return on Investment for the various target populations difficult to apply or defend if



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

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challenged. More importantly, the statutory language, as contained in Public Law 110-161 of the 2008 Treasury Appropriations Act, directs the IRS to provide funds to enable VITA programs to extend services to underserved populations and hardest-to-reach areas, both urban and non-urban. The objectives of the VITA Grant Program, per the statutory language, include increasing electronic filing, heightened quality control, enhancing the training of volunteers, and improving the quality of returns prepared by VITA. As a result, the current evaluative criteria properly focus on these objectives and provide the IRS an effective means for determining which applicants will provide the most value. Although we do not plan to use Return on Investment as an evaluative criterion, we plan to continue applying a fixed rate to the number of returns projected to determine the appropriateness and reasonableness of the Grant funds requested. In addition, the IRS will evaluate the grantee's prior year performance in the grant program before awarding in the subsequent year.

Implementation Date

N/A

Responsible Official

N/A

Corrective Action Monitoring Plan

N/A

Recommendation 3

Revise the Eligibility Criteria Checklist to include a check for the Single Audit submission.

Corrective Action

We agree with this recommendation. The Grant Program Office identified the Single Audit requirement as part of the 2010 VITA Grant eligibility determination. This additional eligibility check has been included in the eligibility checklist and also in Publication 4671, *2010 Program Overview and Application Package*.

Implementation Date

Completed June 15, 2009

Responsible Official

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

Corrective Action Monitoring Plan

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



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

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Recommendation 4

Ensure funds are distributed timely to grantees and grantees submit required documents and reports timely.

Corrective Action

We agree with this recommendation and have ensured funds are distributed timely to grantees and grantees submit required documents and reports timely:

- (a) The Grant Program Office, along with the Stakeholder Partnerships, Education and Communication (SPEC) Program Management staff, implemented procedures to track the Interagency Agreement between the IRS and Payment Management System to ensure funds are available to the grantees as quickly as possible.
- (b) Procedures are in place to remind grantees when reports are due and to conduct appropriate follow ups to ensure documents and reports are timely. Funds will not be released to grantees until all required documentation is received. Procedures are also in place to freeze Grant funds if reports are not provided timely.

Implementation Date

- (a) Completed January 15, 2009
- (b) Completed April 15, 2009

Responsible Official

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

Corrective Action Monitoring Plan

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

Recommendation 5

Ensure all financial reviews are timely and monitoring is documented.

Corrective Action

We agree with this recommendation. The Grant Program Office established criteria and procedures for conducting grantee assistance visits. Each analyst visited or conducted the required number of assistance reviews within the established timeframes. These visits were documented in the Grant file along with a copy of the final report.

Analysts continued to monitor production as the filing season and Grant cycle progressed and requested information or explanation when warranted.



Internal Controls for the Volunteer Income Tax Assistance Grant Program Are in Place but Could Be Strengthened

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Implementation Date

Completed June 15, 2009

Responsible Official

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

Corrective Action Monitoring Plan

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

Recommendation 6

Ensure resources are available to program the VITA Grant database and update it annually.

Corrective Action

We agree with this recommendation and have ensured resources are available to program the VITA Grant database and to update it annually.

Implementation Date

Completed June 30, 2009

Responsible Official

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

Corrective Action Monitoring Plan

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