



**Treasury
Inspector
General for
Tax
Administration**



Recovery Act

Office of Audit

**INITIAL BUILD AMERICA BOND SUBSIDY
PAYMENTS WERE PROCESSED ACCURATELY
AND TIMELY**

Issued on July 14, 2010

Highlights

Highlights of Report Number: 2010-11-083 to the Internal Revenue Service Commissioner for the Tax Exempt and Government Entities Division.

IMPACT ON TAXPAYERS

The American Recovery and Reinvestment Act of 2009 (Recovery Act) created a new type of bond, known as the Build America Bond, for which the Federal Government will partially offset the State and local governments' cost of paying bond interest. As of September 2009, State and local governments received almost \$26.4 billion in funding for capital improvements through 315 Build America Bond issuances. Generally, all complete requests for payment of Build America Bond Federal subsidies were processed accurately, timely, and without indications of fraudulent or erroneous disbursement. As a result, the public has assurance that Federal subsidy payments reduced the cost of financing, as intended by Congress, by more than \$110 million.

WHY TIGTA DID THE AUDIT

The Recovery Act authorized the issuance of \$17 billion in additional tax-exempt bonds and greatly expanded the market for tax credit bonds by at least \$28.4 billion. Proceeds from these bonds are intended to provide State and local governments funding for capital projects such as construction of highways, bridges, or schools. The overall objective of this review was to assess whether the Tax Exempt Bonds office had developed and implemented controls to assure the direct subsidies for Build America Bonds (direct payment option) were accurate and timely and whether controls prevented disbursement of erroneous payments.

WHAT TIGTA FOUND

TIGTA determined that, generally, all complete requests for payment of the Build America Bond Federal subsidies were processed accurately, timely, and without indications of fraudulent or erroneous disbursement.

Email Address: inquiries@tigta.treas.gov

Web Site: <http://www.tigta.gov>

The total amount of Federal subsidy payments was more than \$110 million for the 80 bond issuances requesting payment by the time of our review.

To achieve this, Internal Revenue Service management provided instructions for using Information Returns for Build America Bonds, created the Subsidy Request Form for bond issuer use in requesting Federal subsidy payments, updated processing for Build America Bond forms, created manual processes, and programmed computer systems to process the Federal Subsidy payments. While minor problems were encountered when processing the initial Information Returns, the problems were identified and corrected, and all State and local governments submitting complete Subsidy Request Forms from May 2009 through September 2009 received the correct Federal subsidy payments.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report. Tax Exempt and Government Entities Division management reviewed the report prior to issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201011083fr.pdf>.

Phone Number: 202-622-6500