



Office of Audit

**Treasury
Inspector
General for Tax
Administration**



Recovery Act

RECOVERY ACT PROVISIONS FOR THE HEALTH COVERAGE TAX CREDIT WERE IMPLEMENTED, BUT DEVELOPMENT PROCESSES COULD BE IMPROVED

Issued on May 25, 2010

Highlights

Highlights of Report Number: 2010-21-057 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The improvements to the Health Coverage Tax Credit included increasing the Government's portion of health premiums paid from 65 to 80 percent, reimbursing the taxpayers' portion of premiums paid during the enrollment period, allowing family members to continue receiving benefits after certain life events, and expanding taxpayer eligibility in the Program. Effective implementation of these provisions was critical to provide taxpayers the benefits mandated by the American Recovery and Reinvestment Act of 2009 (Recovery Act).

WHY TIGTA DID THE AUDIT

This audit was initiated because the Recovery Act included provisions mandating improvements to and expansion of the Health Coverage Tax Credit Program. The Health Coverage Tax Credit Program provides income tax credits to subsidize health insurance coverage for individuals displaced from their jobs under specific circumstances, which ultimately resulted in loss of health insurance coverage benefits. Our review assessed the extent to which the Recovery Act provisions were implemented, Health Coverage Tax Credit system development was efficient and effective, and benefits were provided to taxpayers.

WHAT TIGTA FOUND

The Internal Revenue Service (IRS) properly used Recovery Act funds to implement mandated provisions to the Health Coverage Tax Credit Program. The provisions were completed as mandated by legislation, the system was ready to process health care claims, and benefits were provided to taxpayers. Specifically, in April 2009, the portions of health premiums paid by the Government

were increased from 65 to 80 percent. In August 2009, retroactive reimbursements for premiums paid during enrollment were implemented. The remaining features will be rolled out during Fiscal Years 2010 and 2011.

Although the Health Coverage Tax Credit Program Office appropriately executed provisions, some project management practices needed improvement. Specifically, the Program's system development processes for requirements and configuration management need strengthening, testing practices need improvement, and performance measures targets should be updated using current program estimates. Actions taken to strengthen the system development processes will improve the effectiveness and efficiency of future upgrades to the Health Coverage Tax Credit Program.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, ensure 1) full traceability on the requirements traceability matrix, 2) all configuration changes are properly documented and tracked, 3) in-depth analysis of test plans, and 4) performance measures targets are suitable for assessing the effectiveness of the Program.

The IRS agreed with our recommendations and stated corrective actions have been taken or started. However, the IRS stated that the inability to estimate targets did not diminish its ability to measure outcomes or demonstrate Health Coverage Tax Credit Program Office effectiveness. Because the final Fiscal Year 2009 results included one performance measure (Customer Service Representative Level of Service) that did not meet the performance measures targets for the Health Coverage Tax Credit Program, TIGTA questions whether the IRS had sufficient and timely information to develop accurate performance measures targets with which to make risk-based decisions in the Health Coverage Tax Credit Program.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201021057fr.pdf>

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