TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Actions Can Be Taken to Improve the Identification of Tax Return Preparers Who Submit Improper Earned Income Tax Credit Claims

September 14, 2010

Reference Number: 2010-40-116

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HIGHLIGHTS

ACTIONS CAN BE TAKEN TO IMPROVE THE IDENTIFICATION OF TAX RETURN PREPARERS WHO SUBMIT IMPROPER EARNED INCOME TAX CREDIT CLAIMS

Highlights

Final Report issued on September 14, 2010.

Highlights of Reference Number: 2010-40-116 to the Internal Revenue Service Commissioners for the Small Business/Self-Employed Division and the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Earned Income Tax Credit (EITC) was created in 1975 to offset the impact of Social Security taxes for individuals who work but have low incomes. The amount of EITC claimed has increased steadily. The American Reinvestment and Recovery Act of 2009 increased the Credit for families with three or more EITC qualifying children, further increasing the amount of benefits that will be claimed in Tax Year 2009.

WHY TIGTA DID THE AUDIT

This audit was initiated because tax return preparers play a significant role in EITC noncompliance. The Internal Revenue Service (IRS) estimates between $11 billion and $14 billion in erroneous EITC claims are paid annually. For Tax Year 2008, individuals claimed $49.2 billion in EITC; 66 percent of the tax returns were prepared by tax return preparers. The objective of this review was to determine whether the EITC Paid Preparer Strategy effectively identifies and addresses tax return preparer EITC noncompliance.

WHAT TIGTA FOUND

The IRS has taken steps to strengthen the EITC Preparer Strategy for Fiscal Year 2010. Our review of the IRS' methodology determined that actions can be taken to further improve the effectiveness of identifying high-risk EITC tax return preparers.

Risk factors used in Fiscal Year 2010 did not include identification of tax return preparers who were identified as high risk in the prior year but had not received a Due Diligence Visit (DDV) because they were included in a control group.

In addition, the IRS did not exclusively use the probability score it developed when identifying and selecting preparers for a DDV. As a result, the IRS incorrectly selected 378 tax preparers and missed 655 preparers. TIGTA estimates the shift in tax return preparers within the DDV treatment category could result in the IRS paying $25 million less in erroneous Tax Year 2010 EITC claims. Finally, the quality of the DDVs limited the success of IRS efforts to reduce tax return preparer noncompliance.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division:

- Include a risk factor in its computation of the probability score for tax return preparers who were identified in a previous year as a high-risk tax return preparer and were included in the control group.
- Select high-risk tax return preparers for a DDV based on the preparer's probability score and volume of EITC tax returns prepared.

The Commissioner, Small Business/Self-Employed Division, should ensure the DDVs are properly performed, with adequate case documentation in support of the assessment/nonassessment of penalties.

In their response to the report, IRS officials agreed to implement actions to improve the probability scoring and the quality of the DDVs. However, they did not agree to revise the selection of high-risk tax return preparers for a DDV. Management indicated the current process provides the flexibility needed to maximize the use of resources and allows for consideration of additional factors when needed.

Our analysis shows the IRS' process does not result in the most efficient and effective use of resources. Our analysis is based on the IRS' process for quantifying the success of the DDV Program and the most current data available.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 14, 2010

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED DIVISION
COMMISSIONER, WAGE AND INVESTMENT DIVISION

Michael R. Phillips

FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Actions Can Be Taken to Improve the Identification of Tax Return Preparers Who Submit Improper Earned Income Tax Credit Claims (Audit # 200940014)

This report presents the results of our review to determine whether the Earned Income Tax Credit Paid Preparer Strategy effectively identifies and addresses tax return preparer noncompliance. This audit was conducted as part of the Treasury Inspector General for Tax Administration's Fiscal Year 2009 Annual Audit Plan and addresses the major management challenge of Erroneous and Improper Payments and Credits.

Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the Internal Revenue Service 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

DDV	Due Diligence Visit
EIC	Earned Income Credit
e-file, *e-filed*, *e-filing*	Electronically file(d); electronic filing
EITC	Earned Income Tax Credit
FY	Fiscal Year
IRS	Internal Revenue Service
PTIN	Preparer Tax Identification Number
SB/SE Division	Small Business/Self-Employed Division
SSN	Social Security Number
TIGTA	Treasury Inspector General for Tax Administration
TY	Tax Year

Background

The Earned Income Tax Credit (EITC) was created in 1975 to offset the impact of Social Security taxes for individuals who work but have low incomes. For Tax Year (TY) 2008, individuals claimed $49.2 billion in EITC.[1] The amount of EITC claimed has increased steadily. The American Reinvestment and Recovery Act of 2009[2] increased the credit for families with three or more EITC qualifying children further increasing the amount of benefits that will be claimed in TY 2009.

The IRS recognized the significance tax return preparers play in EITC compliance and has developed the EITC Paid Preparer Strategy.

The refundable[3] nature of the EITC and the complexity of eligibility requirements increase the likelihood of taxpayer error and fraud. The Internal Revenue Service (IRS) estimates between $11 billion and almost $14 billion in erroneous EITC claims are paid annually. Figure 1 provides the volume of EITC claims, along with the dollars claimed and the percentage of EITC tax returns prepared by tax return preparers, for TYs 2006 through 2008.

Figure 1: Number and Dollars of EITC Claims for Tax Years 2006–2008

	TY 2006	TY 2007	TY 2008
Number of Tax Returns Claiming the EITC	22.7 million	24.1 million	23.7 million
Dollars in EITC Claims	$44.1 billion	$48.0 billion	$49.2 billion
Percent of Returns Filed by Paid Preparers	70%	68%	66%

Source: IRS EITC Fact Sheet. Data for TY 2008 is through June 30, 2009.

The IRS recognizes the role tax return preparers play in ensuring compliance with EITC requirements. Beginning in 1999, the IRS developed a strategy in an effort to increase tax return preparer compliance with the EITC requirements. The IRS refers to this strategy as the EITC Paid Preparer Strategy.

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1 For EITC returns filed through June 30, 2009
2 Pub. L. No. 111-5, 123 Stat. 115 (2009).
3 If a credit is refundable, the amount of the credit in excess of the taxpayer's tax liability is refunded to the taxpayer.

Tax return preparers play a significant role in EITC compliance

The Taxpayer Relief Act of 1997[4] required tax return preparers to meet the Due Diligence requirements set forth in regulations prescribed by the Secretary of the Treasury and established a penalty of $100 for each failure to comply. Treasury Regulations established four Due Diligence rules subject to the requirements in the Taxpayer Relief Act of 1997 and provided tax return preparers guidance on complying with the rules. In 2008, the IRS issued expanded regulations clarifying the Due Diligence rules in addition to providing a performance standard for the knowledge requirement. This expanded regulation is effective for tax returns filed after December 31, 2008. Figure 2 provides a summary of the Due Diligence rules.

Figure 2: Summary of EITC Due Diligence Rules

Requirement	Explanation of Requirement
Completion of EITC Eligibility Checksheet	Tax return preparers must complete the Paid Preparer's Earned Income Credit (EIC) Checklist (Form 8867) or a similar record based on information provided by the taxpayer.
Computation of the EITC	Tax return preparers must keep the EIC Worksheet (found in the various U.S. Individual Income Tax Return (Form 1040 series) instructions or an equivalent that demonstrates how the credit was computed.
Knowledge	Tax return preparers must 1) not know, or have reason to know, that any information used in determining eligibility for or the amount of the EITC is incorrect; 2) not ignore the implications of information furnished to, or known by, the tax return preparer; 3) make reasonable inquiries if a reasonable and well-informed tax return preparer, knowledgeable in the law, would conclude the information furnished appears to be incorrect, inconsistent, or incomplete, and 4) contemporaneously document in the files the reasonable inquiries made and the responses to these inquiries.
Record Retention	Tax return preparers must maintain Form 8867 and the EITC Worksheet, or the equivalent, to record how and when the information used to complete the forms was obtained and verification of the identity of the person furnishing the information. This information must be maintained for 3 years after the June 30th following the date the tax return or EITC claim was presented for signature.

Source: The IRS public web site – IRS.gov.

This review was performed at the Wage and Investment Division Office of Electronic Tax Administration and Refundable Credits Headquarters and the Small Business/Self-Employed (SB/SE) Division Office of Examination Headquarters in Washington, D.C., during the period

[4] Pub. L. No. 105-34, 111 Stat. 788 (codified as amended in scattered sections of 5 U.S.C., 19 U.S.C., 26 U.S.C., 29 U.S.C., 31 U.S.C., 42 U.S.C., and 46 U.S.C. app.).

July 2009 through June 2010. 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 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.

Results of Review

The Earned Income Tax Credit Paid Preparer Strategy Is the Framework for Efforts to Address Tax Return Preparer Compliance

In January 2010, the IRS announced plans to strengthen its regulation of tax return preparers. Currently, the level of oversight the IRS provides for each tax return preparer depends on whether the preparer holds a professional license, is enrolled to practice before the IRS, and chooses to electronically file (*e-file*). Representatives from the EITC Paid Preparer Strategy team were active participants in the task force that developed the recommendations for the IRS' expansion of its regulation of tax return preparers. They are also serving on the implementation team. The new IRS tax return preparer regulations will expand the IRS' oversight of preparers and make the minimum tax return preparer requirements more consistent throughout the tax preparation industry.

The EITC Paid Preparer Strategy serves as a model for enforcement of tax preparer compliance within the new IRS Paid Preparer Strategy.

In addition, the IRS used the EITC methodology to identify noncompliant tax return preparers as the framework for identifying tax return preparers for general compliance visits in Fiscal Year (FY) 2010 as part of the new Paid Preparer Strategy. Furthermore, the executive responsible for implementing the IRS efforts to improve the regulation of tax return preparers indicated the IRS is using the EITC Paid Preparer Strategy as the framework to build a comprehensive tax return preparer compliance program.

Continual actions have been taken to improve EITC tax return preparer compliance

The IRS EITC Office has made strides in its effort to increase EITC tax return preparer compliance. The EITC Office continually evaluates its efforts to address noncompliant tax return preparers. Since FY 1999, the IRS has focused on improving its education and outreach to the tax return preparer community. The IRS has also tested processes to identify potentially noncompliant tax return preparers and tested various solutions for treating the noncompliance. In FY 2010, the IRS began testing a consolidated approach to tax return preparer compliance by leveraging what it has learned and developing a process to match the risk of noncompliance with the type of treatment a tax return preparer receives.

Figure 3: Highlights of EITC Return Preparer Efforts

Fiscal Year	Focus of EITC Return Preparer Efforts
1999 to 2002	Focus on outreach and education.
2003 to 2004	Focus shifts to compliance. Tested various compliance treatments.
2005 to 2009	Focus expands to include outreach and compliance. Began testing various methods to identify and select return preparers. Testing of compliance treatments continues.
2010	Focus on leveraging lessons learned from prior efforts. Developed a risk-based scoring and selection methodology combined with various compliance treatments.

Source: IRS EITC Paid Preparer Strategy information.

Actions Can Be Taken to Improve the Identification of Tax Return Preparers Who Submit Erroneous Earned Income Tax Credit Claims

One of the most significant challenges the IRS faces in its efforts to address tax return preparers' EITC compliance is its inability to identify everyone who prepares tax returns. Currently, there is no requirement for tax return preparers to use one consistent identification number (Preparer Tax Identification Number, or PTIN) on a tax return to enable the IRS to identify the individual who prepared a particular tax return. In July 2009, the Treasury Inspector General for Tax Administration (TIGTA) reported that although the IRS maintains significant data on tax return preparers, it is not feasible to use the data to track, monitor, or control preparers' activities or compliance. Foremost, the IRS cannot determine the population of tax return preparers, which tax returns they prepared, or which taxpayers they represent.[5]

To mitigate the effect of the IRS not being able to conclusively identify tax return preparers, the EITC Office used a two-pronged approach to identify the population of tax return preparers for its FY 2010 EITC Paid Preparer Strategy. Its approach included:

- Identifying the tax return preparers' identifying numbers recorded on the tax return for the more than 24 million EITC claims filed for TY 2008. This number could be a tax return preparer's Social Security Number (SSN) or PTIN.
- Matching the identification numbers captured above to a file containing PTINs to identify those individuals that used both an SSN and a PTIN to prepare tax returns claiming the EITC. This ensured the IRS included all tax return preparers in its population without including those who used both an SSN and a PTIN to file EITC claims more than once.

[5] *Inadequate Data on Paid Preparers Impedes Effective Oversight* (Reference Number 2009-40-098, dated July 14, 2009).

The IRS noted that the match to identify the PTIN was performed to increase the likelihood that it captured all tax return preparers who filed an EITC claim and eliminated the duplication caused by preparers who use both an SSN and a PTIN to file tax returns. The EITC Office identified approximately 526,000 tax return preparers who had prepared at least one EITC claim in TY 2008.

In addition to identifying the population of tax return preparers, the IRS has consistently made changes to its methodology used to determine which preparers are potentially noncompliant. For FY 2010, the new methodology builds on the same risk-based concept the IRS employs in its EITC examination process. The new methodology involves:

- Using historical EITC information to develop 13 risk factors that are used to identify tax return preparers who are potentially noncompliant with the EITC Due Diligence rules.
- Analyzing the 13 risk factors and computing a risk score for each tax return preparer who filed an EITC claim in TY 2008. The risk score is then used to determine the type of compliance treatment each tax return preparer would receive. Those preparers with the highest risk score receive a Due Diligence Visit (DDV).[6]

Figure 4 compares the risk-based methodology used in FY 2010 to that of FY 2009.

Figure 4: Comparison of FY 2009 and FY 2010 Methodologies for Identifying Potentially Noncompliant Tax Return Preparers

FY 2009	FY 2010
Four risk factors used to identify potentially noncompliant tax return preparers.	Thirteen risk factors used to identify potentially noncompliant tax return preparers.
Tax return preparer must have prepared at least 25 tax returns with an EITC claim.	Tax return preparer must have prepared at least 25 tax returns with an EITC claim.
Used a simple metric to rank tax return preparers for DDV selection – (Dependent Database Rule Break[7] Tax Returns/Total EITC Tax Returns Prepared).	Classifies tax return preparers by risk, volume of EITC claims prepared, and percentage of Dependent Database Rule Breaks for a suite of treatments, including DDV.

Source: The IRS' FY 2009 DDV Selection Criteria and FY 2010 Risk-Based Scoring Methodology.

Figure 5 identifies the specific compliance treatment that is applied depending on a tax return preparer's risk category.

[6] A DDV is an examination to determine whether a paid preparer is in compliance with all four Due Diligence requirements of IRC §6695(g).

[7] The Dependent Database is a risk-based audit selection tool used by the IRS to identify tax returns for audit. The Dependent Database scoring system uses business rules to identify EITC noncompliance at the point of filing through use of internal and external data elements. A Dependent Database Rule Break occurs when a return is identified in this system as having the characteristic that violates these business rules.

Figure 5: EITC Paid Preparer Strategy Treatment Matrix—FY 2010

	Low Risk	Medium Risk	High Risk
Low Volume	Educational Letter	Compliance Letter	Compliance Letter
Medium Volume	Compliance Letter	Compliance Letter	DDV
High Volume	N/A	Knock & Talk Visit or Compliance Letter	DDV

Source: The IRS' FY 2010 Risk-Based Scoring Methodology.

Our review of the IRS' methodology determined that expanding risk factors and using the computed probability score can further improve on the effectiveness of identifying high-risk EITC tax return preparers.

Risk factors should be expanded to include previous tax year high-risk preparers not subjected to a DDV

Risk factors used in FY 2010 did not include identification of tax return preparers identified as high risk in the prior year that had not received a DDV. These tax return preparers did not receive a DDV because they were included in the control group used to measure success of the DDVs. The EITC Office measures the impact of its new risk-based scoring and selection methodology by establishing a test group of preparers and a control group of preparers. For example, in FY 2009, the EITC Office identified approximately 1,000 tax return preparers it believed should receive a DDV. Of the 1,000 tax return preparers identified, 500 received a DDV (test group) and the remaining 500 did not (control group).

High-risk tax return preparers could be identified year after year and not be subjected to a DDV as a result of the process the IRS uses to measure DDV success.

For FY 2010 the same process was used, splitting the identified high-risk tax return preparers into two categories—those who will receive a DDV and those to be added to a control group. The problem with the IRS approach is that a tax return preparer could be identified as high-risk and be included in the control group year after year, thus never receiving a DDV. We raised our concerns to IRS management in September 2009. Management agreed with our recommendation to include an additional risk factor to identify whether the tax return preparer was included in the control group in the prior year. However, because the risk-scoring process had already been completed for FY 2010, management was unable to include this factor in the FY 2010 model. As an alternative, representatives from the EITC Office manually selected all of the highest risk tax return preparers who had previously been in a control group to receive a DDV this year. The IRS indicated an additional risk factor to address this condition will be added to the scoring model for FY 2011.

Use of the probability score should be expanded to better identify high-risk preparers to receive a DDV

Although the IRS developed a process that appropriately weighs the significance of the 13 risk factors to compute a probability score to identify potentially noncompliant tax return preparers, it minimized reliance on the score when identifying and selecting preparers for a DDV. Instead, the IRS used the score, the volume of EITC claims the tax return preparer filed, and historical data on the number of EITC claims per preparer that failed certain Dependent Database rules to select tax return preparers for a DDV. However, the historical Dependent Database information was already considered when the IRS computed the probability score. As a result, this information was used twice in the IRS' identification of high-risk tax preparers. The IRS explained that it included the information regarding the Dependent Database rules to ensure preparers selected had a sufficient number of questionable returns for a successful DDV. However, this decision unintentionally placed 655 high-risk tax return preparers into a lower treatment category.

Figure 6 provides a breakdown of the shift in the IRS' identification of high-risk tax return preparers if only the probability score and volume of EITC tax returns were used to identify the high-risk tax return preparers for a DDV.

Figure 6: Effect of Modifying the Factors Used to Select Tax Return Preparers for a DDV

Adjustments	Number of Tax Return Preparers Identified for a DDV
Number of Tax Return Preparers Identified by the IRS	1,013
Negative Adjustment – Preparers Whose Risk Was Scored Too High	(378)
Positive Adjustment – Preparers Whose Risk Was Scored Too Low	655
Adjusted Number of High-Risk Preparers	1,290

Source: Analysis of the FY 2010 non-first-time tax return preparers identified by the EITC Office.

By using factors already considered as part of the probability scoring process when categorizing tax return preparers for treatment, the EITC Office inappropriately assigned additional weight to those risk factors, moving some higher risk preparers into a lower treatment category and vice versa. We estimate the shift in tax return preparers within the DDV treatment category could result in the IRS paying $25 million less in erroneous TY 2010 EITC claims that were filed by tax return preparers. The value of erroneous EITC claims protected could exceed $125 million over the next 5 years.

We estimated the amount of erroneous EITC claims protected by first quantifying the number and amount of EITC claims for our population of high-risk tax return preparers and the IRS' population of high-risk tax return preparers. We then used the IRS' methodology for computing the effect of the DDV on tax return preparer behavior to compare the estimated impact of the Fiscal Year 2010 DDVs on the IRS' population and our population. Appendix IV provides a detailed description of the process we used to estimate the amount of EITC claims protected. We discussed our concerns with IRS management, and they agree they could have relied more heavily on the probability score when categorizing tax return preparers for treatment.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Include a risk factor in its computation of the probability score for tax return preparers who were identified in a previous year as a high-risk tax return preparer and did not receive a DDV because they were included in the measurement control group.

> ***Management's Response:*** IRS management agreed with this recommendation. Instead of using a manual workaround, as they did in FY 2010, to give weight to high-risk tax return preparers previously included in a control group, they will include a specific risk factor in their future probability score computations.

Recommendation 2: Revise the process used to select high-risk tax return preparers for a DDV to rely only on the preparer's probability score and volume of EITC tax returns prepared.

> ***Management's Response:*** IRS management disagreed with this recommendation. The high-risk EITC return preparers selected for a DDV are identified based on a formula that includes the probability score and volume of EITC tax returns prepared, but the IRS must also consider the most efficient use of its resources. The IRS' current selection process maximizes the use of these resources. Also, since the IRS continually updates and enhances its risk-based scoring and selection methodology, management does not agree that they should limit the process to use only the probability score and volume because they may identify other important factors that should be considered.

> ***Office of Audit Comment:*** The EITC is the second highest Federal program with respect to the amount of improper payments. The IRS reports annual improper EITC payments totaling between $11 to almost $14 billion dollars. As such, we are concerned that IRS management did not agree to implement our recommendation that could result in

further reducing erroneous EITC payments. Contrary to management's assertion, our analysis identified that the IRS' methodology does not result in the most efficient and effective use of the IRS' limited DDV resources. Our methodology used the volume of EITC tax returns prepared and the IRS' probability score which indicates the level of risk that a tax return preparer is not compliant with the Due Diligence rules. We identified more high-risk preparers, which is the reason our test and control group totals do not match the IRS' totals.

In addition, IRS questions the basis for our outcome measure. This is of particular concern as we used the same methodology the IRS uses to quantify the success of the DDV Program. Furthermore, the IRS is not correct that the outcome measure was based on TY 2006 information. We used TY 2008 information, which was the most current information available at the time of our computation and is the same data the IRS used in its FY 2010 study.

The Quality of Due Diligence Visits Limited Success of Efforts to Reduce Noncompliance

Our analysis of the annual reviews conducted by the IRS to assess the quality of the DDVs for the period FY 2007 through FY 2009 identified concerns with the performance of these visits. For example these reviews showed:

- Inadequate case documentation is a recurring problem. Concerns with documentation include incomplete case files and no documentation supporting a penalty proposal or why penalties should not be proposed. Assessing penalties based on a DDV is an attempt to change the tax return preparer's behavior (i.e., increase compliance with EITC rules). Although the DDV penalty rate in FY 2009 increased to 53.4 percent from 47 percent in FY 2007, the EITC Office indicated it believes the DDV penalty rate should be significantly higher.

- Group Managers' reviews of DDVs were not always adequately performed. Although the quality assessments show improvement in the number of cases for which a manager review was conducted, these reviews were not always effective. Many, if not all, of the conditions these reviews should have identified prior to closing a case continued to occur, including insufficient documentation to support the penalty determination and failure to consider documented patterns of questionable behavior in the penalty determination.

Figure 7 shows the number of DDVs completed and penalties proposed in FYs 2005 through 2010.

Figure 7: EITC DDVs for Fiscal Years 2005–2010

Fiscal Year	Visits Completed	Number of Preparers Penalized	Percent of Preparers Penalized	Number of Penalties Proposed	Amount of Penalties Proposed
2005	413	138	33.4%	4,546	$454,600
2006	255	121	47.5%	5,650	$565,000
2007	469	222	47.3%	8,549	$854,900
2008	485	234	48.2%	5,010	$501,000
2009	509	272	53.4%	4,625	$462,500
2010	393	367	93.4%	23,270	$2,327,000

Source: The IRS' EITC Office DDV results. Penalties shown only include IRC Section 6695(g) Due Diligence Penalties. FY 2010 information is as of June 18, 2010.

In an attempt to improve the quality of the DDVs, the EITC Office created and required the use of an EITC Due Diligence Case Closure Checksheet when conducting the FY 2009 DDVs (conducted between October 2008 and May 2009). This checklist required managers to initial and date the Case Closure Checksheet to attest that they had reviewed the case file and accepted the case for closure. A September 2009 review of the FY 2009 DDVs found that although managers were initialing and dating the Case Closure Checksheet as required, documentation issues continued. For example, some Revenue Agents continued to ask insufficient followup questions during the visits, failed to document patterns of abusive behavior, or ignored abusive behavior that they had documented. If managers were reviewing the cases as indicated by their initials on the Checksheet, then these conditions should have been identified and corrected before the case was closed.

Two of the factors that drive penalty rate assessments are the quality of the process to identify tax return preparers for review and the quality of the visits. As we have reported above, the EITC Office continually evaluates and improves its process to identify tax return preparers for review; however, there is still more opportunity for further improvement.

The EITC Office relies on Revenue Agents from the IRS SB/SE Division to conduct the DDVs each year. Our surveys of DDV Coordinators, Program Managers, and Program Analysts identified a number of areas that can impact the quality of the DDVs. For example,

- **Staff with no prior DDV experience are assigned to perform DDVs** – According to the DDV Coordinators, 71 percent of the Revenue Agents performing the FY 2010 DDVs have never performed a DDV and 38 percent of the DDV Coordinators are new to the Program. The Coordinators indicated that this is a trend within the DDV Program. Management noted that all Revenue Agents receive extensive training and should be able to effectively perform a DDV.

- **Performance of DDVs competes with other workload priorities –** The DDV Program is just one element of a Revenue Agent's inventory. Completion of the visits must compete with other priority programs that are increasing in size and importance. As a result, some Revenue Agents may be less likely to give the DDVs the appropriate attention needed to ensure they are performed well.
- **Examination Group Managers responsible for ensuring the quality of the visits are not consistently involved in the annual DDV training –** DDV Coordinators indicated that overall, 70 percent of the Group Managers attended the DDV training. However, attendance was inconsistent among the seven geographical areas assigned to the DDV Coordinators. Two Coordinators had 100 percent attendance from their Group Managers. Attendance in the other 5 groups ranged from 9 percent to 74 percent.

Our review of the FY 2008 through FY 2010 Examination Annual Program Letters found the letters mention EITC DDVs. However, the visits are combined with a list of other programs and notated as "Other Priority Work." This can create the perception that DDVs are not of equal priority with the other programs that are specifically highlighted in the Annual Program Letter. As a result, some Revenue Agents assigned to complete a DDV may not give DDVs the attention required to ensure the visit is an effective part of the IRS' efforts to improve tax return preparer compliance.

When we discussed the quality of the DDVs with SB/SE Division management, management indicated they were aware there is an issue with the quality of the visits. Management informed us that inadequate case documentation is a consistent problem throughout the Examination function and is not isolated to the DDV Program. They also informed us that they have had a high rate of turnover in the Examination staff, making it difficult to ensure experienced Revenue Agents are assigned to every program. Management indicated they were actively working to improve quality, including case file documentation. Specifically, they indicated that the IRS began an EITC workpaper improvement initiative in FY 2010. As part of this initiative, the IRS revised training for both the DDV Coordinators and Revenue Agents, required all Group Managers to attend the DDV training, and required the DDV Coordinator to return all cases that do not meet minimum standards to the Examination group.

Initial results of the FY 2010 DDVs indicate significant improvement in the penalty rate compared to FY 2009. According to the EITC Office, 93.4 percent of the DDVs completed as of June 18, 2010, had a proposed DDV penalty. We believe this is due in large part to the risk-based scoring and selection model the EITC Office used to identify potentially noncompliant tax return preparers and improved execution of the visits due to the IRS' Servicewide emphasis on the regulation of preparers. The Servicewide tax return preparer initiative emphasized the importance both preparers and taxpayers play in compliance.

Recommendation

***Recommendation 3*:** The Commissioner, SB/SE Division, should ensure DDVs are properly performed, with adequate case documentation in support of the assessment/nonassessment of penalties.

> ***Management's Response:*** IRS Management agreed with this recommendation. The SB/SE Division is committed to a continuous quality improvement process to ensure that all EITC DDVs are conducted properly. The quality of examiner workpapers in FY 2010 will be evaluated to identify opportunities for improvement, specifically, case documentation to support penalty determinations. The lessons learned will be incorporated into the annual area coordinator training and examiner training to prepare for the FY 2011visits.

Improvements Are Needed to Accurately Measure Effectiveness of the Earned Income Tax Credit Paid Preparer Strategy on Reducing Noncompliance

The goal of the EITC Paid Preparer Strategy is to improve tax return preparer compliance with EITC Due Diligence rules, thereby reducing erroneous EITC payments. However, the IRS cannot measure the effect of its efforts, including the performance of DDVs, on improving EITC compliance. The IRS' most recent EITC Compliance Study was conducted in 2002 and assessed the compliance of TY 1999 tax returns. The IRS has attempted to assess the level of EITC compliance since 2002. However, the methodologies used were not consistent. These inconsistencies hinder the IRS' ability to accurately determine if improvements have been made.

The IRS cannot measure the effect Due Diligence Visits have on improving EITC noncompliance.

Currently, the IRS plans to use its 3-year rolling National Research Program Study for TYs 2006 to 2009 to update the EITC Improper Payment Rate annually, starting in 2010. The same information reviewed in the TY 1999 compliance study will be available when the cumulative data from the TYs 2006 to 2009 National Research Program Study are available in TY 2012.

Finally, Executive Order 13520, dated November 20, 2009, identifies the EITC as a high-priority program for improper payments. This order requires the identification of EITC improper payments, along with plans to prevent or recover improper EITC payments. We have a separate audit that will assess IRS efforts to identify, prevent, and recover EITC improper payments. As such, we will not be including specific recommendations to address the IRS' inability to measure improvements in EITC compliance as the result of DDVs in this report.

Processes can measure the effect of DDVs on changing tax return preparer behavior

The IRS has developed a method to quantify the effect of the change in tax return preparer behavior resulting from its EITC Paid Preparer Strategy. IRS studies indicate the DDV is generally effective at changing a tax return preparer's behavior with regards to filing EITC claims. Our analysis of the 541 tax return preparers who were selected for a DDV in FY 2009 confirmed the IRS' observations. We found:

- 414 (77 percent) tax return preparers appear to have changed their behavior. Of the 414, we found 295 tax return preparers were still filing EITC claims but were no longer identified as potentially noncompliant in the IRS' FY 2010 analysis. The remaining 119 tax return preparers appear to no longer be filing EITC claims. Although it appears these tax return preparers have changed their behavior, it is possible they are filing claims under a different SSN or PTIN than the one used in the prior year.[8]
- 127 (23 percent) tax return preparers were still identified as being potentially noncompliant in the FY 2010 analysis or were identified for a streamlined injunction.[9]
    - 12 were identified as high risk, requiring a DDV or were identified for a streamlined injunction.
    - 115 were no longer identified as high risk, but were included in compliance categories that included receiving a Knock and Talk Visit or an education or compliance letter.

Despite the success of the DDV at changing tax return preparer behavior, our review determined that proposed penalties resulting from deficiencies found during the DDV are not always being timely assessed. The DDV penalty rate is one factor the IRS uses to evaluate the success of the DDVs (i.e., that the selection methodology identified a noncompliant tax return preparer).

Delays in assessing DDV penalties may impact the effectiveness in changing the tax return preparer's behavior. In addition, delays also affect the IRS' assessment of a tax return preparer's risk of noncompliance. The IRS considers proposed and assessed DDV penalties when computing the tax return preparer's risk score. However, the IRS weighs a tax return preparer's risk more heavily if the penalty was assessed at the time the score is computed than it does a proposed penalty that has not been assessed. As a result, tax return preparers whose penalty

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[8] We believe the IRS will be unable to determine if a tax return preparer continues to file EITC claims under a different SSN or PTIN until it fully implements its tax return preparer registration process.

[9] A streamlined injunction is a process used to expedite the investigation and prosecution, when warranted, of individual tax return preparers who have repeatedly demonstrated egregious behavior with regards to filing improper EITC claims. The result of a successful injunction is a court order prohibiting the tax return preparer from preparing tax returns.

proposals are not assessed until after the IRS computes the risk score may have a slightly lower risk score than those whose penalties were assessed timely.

Our review of IRS tax accounts for the 272 tax return preparers with proposed DDV penalties in FY 2009 determined that as of April 22, 2010, 37 (14 percent) of the 272 proposed penalties had not been assessed. These delays were frequently the result of tax return preparers exercising their rights to appeal the proposed penalty.

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective of this review was to determine whether the EITC Paid Preparer Strategy effectively identifies and addresses tax return preparer EITC noncompliance. To accomplish our objective, we:

I. Evaluated whether the IRS identifies and selects the most noncompliant tax return preparers for the purposes of the EITC Paid Preparer Strategy. We reviewed Strategy documentation and met with Wage and Investment Division personnel. We verified the accuracy of IRS data used to identify and select tax return preparers for the Strategy by using the Processing Year 2009 EITC Claimant File,[1] the Processing Year 2009 Dependent Database[2] scored table, and the Individual Return Transaction File,[3] to verify that preparers met the selection criteria to the extent possible.

II. Analyzed the IRS' process to identify tax return preparers for compliance treatments. Our analysis focused on the selection of tax return preparers for DDVs.[4]

III. Evaluated the effectiveness of the DDVs by analyzing the IRS' DDV training and conducting surveys of individuals within the SB/SE Division involved in the oversight and management of the DDV Program. We also assessed the SB/SE Division's commitment to the DDV Program. We evaluated the EITC Office's DDV quality review process and traced 273 FY 2009 DDV proposed penalties to the Master File[5] to determine if the penalties had been assessed.

IV. Assessed the IRS' process to measure the effectiveness of the EITC Paid Preparer Strategy.

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[1] The EITC Claimant File is a repository of information for EITC claim filed by individuals, including claims the IRS disallows or adjusts during tax return processing.
[2] The Dependent Database is a risk-based audit selection tool used by the IRS to identify tax returns for audit.
[3] The Individual Return Transaction File is an IRS database containing personal, tax account, and other information that has been transcribed from tax returns and most related schedules filed by individual taxpayers.
[4] A DDV is an examination to determine whether a paid preparer is in compliance with all four Due Diligence requirements of IRC §6695(g).
[5] The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the risk-based scoring methodology used to identify potentially noncompliant tax return preparers, the process used to select preparers for compliance treatments, the DDV quality review process, the methodology for measuring the effectiveness of the EITC Paid Preparer Strategy, and the SB/SE Division's processes for conducting DDVs.

Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services)
Russell P. Martin, Director
Deann L. Baiza, Audit Manager
Sandra L. Hinton, Lead Auditor
Linda L. Bryant, Senior Auditor
Lawrence R Smith, Senior Auditor

Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Small Business/Self-Employed SE:S
Deputy Commissioner, Wage and Investment Division SE:W
Director, Electronic Tax Administration and Refundable Credits, Wage and Investment Division SE:W:ETARC
Director, Examination, Small Business/Self-Employed SE:S:E
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Director, Exam Policy/Research, Small Business/Self-Employed SE:S:E:EP
Director, Earned Income Tax, Wage and Investment Division SE:W:ETARC:E
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
Senior Operations Advisor, Small Business/Self-Employed SE:S:SF
Chief, Program Evaluation and Improvement, Wage and Investment Division SE:W:S:PRA:PEI

Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Funds Put to Better Use – Potential; $125,660,285 over the next 5 years in erroneous Earned Income Tax Credit claims filed by tax return preparers (see page 5).

Methodology Used to Measure the Reported Benefit:

We estimate the IRS can prevent an additional $125,660,285 in erroneous EITC claims filed by tax return preparers over the next 5 years by adjusting the process it uses to determine which tax return preparers receive a DDV.[1]

The IRS stratified the population of tax return preparers who had prepared EITC claims in the prior year (non-first-time preparers) using the IRS' risk probability score, specific Dependent Database Rule Break criteria,[2] and the number of EITC claims filed by each tax return preparer. Using this analysis, the IRS identified 1,013 tax return preparers for a DDV in FY 2010. We stratified the same population of tax return preparers using only the IRS' risk probability score and the volume of EITC claims prepared by each preparer. Our analysis identified 1,290 tax return preparers for a DDV. Figure 1 compares the results of the IRS and TIGTA treatment matrices.

[1] A DDV is an examination to determine whether a paid preparer is in compliance with all four Due Diligence requirements of IRC §6695(g).
[2] The Dependent Database is a risk-based audit selection tool used by the IRS to identify tax returns for audit. The Dependent Database scoring system uses business rules to identify EITC noncompliance at the point of filing through use of internal and external data elements. A Dependent Database Rule Break occurs when a return is identified in this system as having the characteristic that violates these business rules.

Figure 1: Comparison of IRS and TIGTA Compliance Treatment Matrices

IRS Matrix

	Low Risk	Medium Risk	High Risk
Low Volume	1,560	9,936	551
Medium Volume	2	5,982	468
High Volume	NA	4,684	545

TIGTA Matrix

	Low Risk	Medium Risk	High Risk
Low Volume	8,539	3,376	132
Medium Volume	1,099	5,157	196
High Volume	NA	4,135	1,094

Source: Analysis of the FY 2010 non-first-time paid preparers identified by the EITC Office.

To determine the impact of modifying the criteria the IRS uses to select tax return preparers for DDVs on erroneous EITC claims, we used the IRS' methodology for measuring the effectiveness of the DDV Program.

The IRS methodology is based on the evaluation of the change in EITC filing behavior of a sample test group and a control group. The IRS indicated that it needed to select a minimum of 400 tax return preparers to receive a DDV (test group) to ensure the results of its test obtained a 95 percent confidence level. The IRS had to select tax return preparers from 2 risk categories to ensure it had at least 1,000 tax return preparers from which to select the test and control groups (see Figure 1). The IRS employed oversampling to ensure that it identified at least 400 unique tax return preparers for its test group. We generally used these same parameters. However, we limited our assessment of the impact of our analysis to the 1,094 tax return preparers in the highest risk category. Our population of tax return preparers in this category would have provided the IRS ample opportunity to select the required 400 test group.

Using a random number generator, we generated 600 numbers to be used to identify the tax return preparers in our population of 1,094 that would be in our test group. We eliminated duplicate tax return preparers based on the 600 random numbers, resulting in a test group of 458 tax return preparers. The remaining 636 tax return preparers were considered our control group. Figure 2 compares the IRS and TIGTA population, test group, and control group.

Figure 2: IRS and TIGTA FY 2010 DDV Total Populations, Test and Control

	IRS	TIGTA
Total DDV Population Identified	1,013	1,094
Test Group (Receive DDV Treatment)	509	458
Control Group (No Treatment)	504	636

Source: TIGTA analysis and the IRS' FY 2010 Due Diligence test and control group data.

According to the IRS' Due Diligence Results Study for Processing Year 2006,[3] the DDV test group (those who received a DDV) showed a 4.1 percent reduction in the amount of EITC paid in the second year after the DDV. The control group showed a 3.7 percent increase over the base year.

We identified tax return preparers with TY 2008 EITC returns using the TIGTA Data Center Warehouse[4] Processing Year 2009 EITC Claimant file as of December 11, 2009. Using this tax return preparer file, we matched the IRS and TIGTA groups to pull and sum the EITC claims paid for each tax return preparer. We then applied the change of behavior percentage rates from the IRS study to the amount of EITC claims paid for the IRS and TIGTA test and control groups.

Figure 3 below shows the computation of the change in tax return preparer behavior for the IRS and TIGTA tax return preparer populations.

Figure 3: Change in Behavior Computation:
IRS and TIGTA Population (Test and Control Groups)

	IRS	TIGTA
Test Group Total EITC Claims Paid	$ 328,838,855	$514,550,044
Percentage Change (Decrease)	(4.1) %	(4.1) %
Test Group Decrease in EITC Claims Paid	$ (13,482,393)	$ (21,096,552)
Total Test Group EITC Claims Protected	$ 315,356,462	$ 493,453,492
Control Group Total EITC Claims Paid	$313,129,780	$786,586,485
Percentage Change (Increase)	3.7 %	3.7 %
Control Group Additional EITC Claims Paid	$ 11,585,802	$ 29,103,700
Total Control Group Additional EITC Claims Paid	$ 324,715,582	$ 815,690,185

Source: TIGTA analysis using the Data Center Warehouse.

TIGTA Analysis

The IRS' measurement methodology to compute EITC revenue protected as the result of DDVs adds the reduction in EITC claims paid to the test group and the increase in EITC claims paid to the control group. The assumption is that had the control group received a DDV, the additional EITC claims would not have been paid. Figure 4 shows the potential total change in behavior of the IRS and TIGTA test and control groups.

[3] *Due Diligence Results Study Processing Year 2006*, dated March 2009 (Project Number 5-09-08-C-001E).
[4] The Data Center Warehouse provides data and data access services through the TIGTA Intranet.

Figure 4: Comparison of IRS and TIGTA (Control and Test Groups) Total EITC Claim Amounts Paid

	IRS	TIGTA
Test Group Decrease in Dollars Paid	$ 13,482,393	$ 21,096,552
Control Group Increase in Dollars Paid	$ 11,585,802	$ 29,103,700
Total	$ 25,068,195	$ 50,200,252

Source: TIGTA analysis of estimated change in tax return preparer behavior.

Based on our analysis, we estimate our methodology for identifying tax return preparers for a DDV would prevent the payment of $25,132,057 in erroneous EITC claims in FY 2010. We estimate that the IRS could prevent payment of $125,660,285 in erroneous EITC claims over the next 5 years.

Appendix V

Management's Response to the Draft Report

COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED
AUG 2 0 2010
BY: DRS

August 12, 2010

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – Actions Can Be Taken to Improve the Identification of Tax Return Preparers Who Submit Improper Earned Income Tax Credit Claims (Audit # 200940014)

We have reviewed the draft audit report and appreciate your recognition of our efforts to address Earned Income Tax Credit (EITC) return preparer noncompliance. We recognize the important role of tax return preparers, who prepare two-thirds of EITC returns, and the role they play in broader tax administration. We expect our new return preparer program which includes registration, testing, education, and enforcement, to have a positive impact on overall paid preparer compliance.

As your report states, we have made continual efforts to improve EITC return preparer compliance for the 526,000 EITC preparers through a balanced approach, using both education and outreach, and enforcement activities. We were able to leverage our EITC experiences and lessons learned during development of our new service-wide return preparer program. In addition, each year the Due Diligence Visit (DDV) program conducts a post-filing season review of 100 percent of the DDV cases. The lessons learned from each post-filing season review are used to improve each subsequent year's program.

Over the years, the IRS has improved outreach and education to thousands of EITC return preparers through an enhanced EITC preparer website; phone forums and webinars; seminars at IRS National Tax Forums; and delivery of a web-based EITC preparer due diligence training module. We also partnered with our IRS/ EITC Software Developers to develop recommendations for the software industry on improvements to professional software, which have been implemented and help preparers meet their EITC due diligence requirements when preparing returns.

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We have also tested various compliance treatments over time, such as enjoining preparers from filing returns, preparer due diligence audits, visits by civil and criminal agents, and notices. We continue to conduct criminal investigations and prosecute preparers involved in fraudulent activities. Our goal is to match the level of preparer noncompliance with the appropriate treatment. Therefore, we have improved our selection of preparers for due diligence visits, and our procedures in the field and campuses for implementing the treatments through changes based on analysis of data and lessons learned reviews.

As your report indicates, this year, our methodology used to identify potentially noncompliant EITC return preparers and assign appropriate treatments has evolved into a more sophisticated, risk-based approach using multiple, weighted risk factors. With over 90 percent of our Fiscal Year (FY) 2010 due diligence audits closed, we have proposed penalties for 93 percent of the preparers, as compared to 53 percent last year. We believe this validates both the effectiveness of our new risk-based scoring and selection process and improvements made to the delivery of our due diligence visits. We will make changes annually to improve the effectiveness of our methodology.

We appreciate the recommendation to include a weighted factor in our scoring process for preparers held in prior year control groups. However, we do not agree that this year's methodology was less effective because we did not exclusively use our probability score to select preparers as substantiated by our 93 percent penalty rate on due diligence visits. We believe the flexibility to revise criteria in order to effectively manage the program and the use of resources must be retained. We would also note that although we continue to try to determine the differences between our methodology and the Treasury Inspector General for Tax Administration's (TIGTA) reconstruction of it, TIGTA included several preparers with invalid identification numbers in their test and control group, which affects the comparison.

We disagree with the proposed outcome measure, "Funds Put to Better Use – Potential; $125,660,285 over the next 5 years in erroneous Earned Income Tax Credit claims filed by tax return preparers." First, the size of the test and control groups between the IRS (1,013) and TIGTA (1,094) are different. The TIGTA has a larger test and control group which overstates the total savings once the Change in Behavior Computations are applied. Second, TIGTA's monetary projection is based on an old study conducted in FY 2007 (Tax Year 2006), which used a vastly different methodology to select preparers. The characteristics of preparers in the FY 2007 and the current FY 2010 study may be completely different, and thus, not comparable.

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Finally, the precision of the figures detailed in TIGTA's outcome measure projection could be misleading. The basis for this estimate is not precise enough to make these computations without any caveats or assumptions.

Attached are our responses to your specific recommendations. If you have any questions, please contact me, or a member of your staff may contact Verlinda Paul, Director, Earned Income Tax Credit, Wage and Investment Division, at (404) 338-9042.

Attachment

Attachment

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1: Include a risk factor in its computation of the probability score for tax return preparers who were identified in a previous year as a high-risk tax return preparer and did not receive a DDV because they were included in the measurement control group.

CORRECTIVE ACTION
We agree with this recommendation. Instead of using a manual workaround, as we did in Fiscal Year (FY) 2010, to give weight to high-risk tax returns preparers previously included in a control group, we will include a specific risk factor in our future probability score computations.

IMPLEMENTATION DATE
October 15, 2010

RESPONSIBLE OFFICIAL
Director, Earned Income Tax Credit, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 2: Revise the process used to select high-risk tax return preparers for a DDV to rely only on the preparer's probability score and volume of EITC tax returns prepared.

CORRECTIVE ACTION
We do not agree with this recommendation. The high-risk Earned Income Tax Credit (EITC) return preparers selected for a Due Diligence Visit (DDV) are identified based on a formula that includes the probability score and volume of EITC tax returns prepared, but we must also consider the most efficient use of our resources. Our current selection process maximizes the use of these resources. Also, since we continually update and enhance our risk-based scoring and selection methodology, we do not agree that we should limit the process to use only the probability score and volume since we may identify other important factors that should be considered.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A

2

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 3: The Commissioner, SB/SE Division, should ensure DDVs are properly performed, with adequate case documentation in support of the assessment/nonassessment of penalties.

CORRECTIVE ACTION
We agree with this recommendation. The Small Business/Self-Employed Division is committed to a continuous quality improvement process to ensure that all EITC DDVs are conducted properly. The quality of examiner workpapers in FY 2010 will be evaluated to identify opportunities for improvement, specifically, case documentation to support penalty determinations. The lessons learned will be incorporated into the annual area coordinator training and examiner training to prepare for the FY 2011 visits.

IMPLEMENTATION DATE
January 15, 2011

RESPONSIBLE OFFICIAL
Director, Examination, Small Business/Self-Employed Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management system of controls.