



Treasury Inspector General for Tax Administration Office of Audit

IMPLEMENTATION OF THE RETURN PREPARER VISITATION PROJECT WAS SUCCESSFUL, BUT IMPROVEMENTS ARE NEEDED TO INCREASE ITS EFFECTIVENESS

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Highlights

Highlights of Report Number: 2012-30-068 to the Internal Revenue Service Director, Return Preparer Office.

IMPACT ON TAXPAYERS

The role paid tax return preparers (hereafter referred to as paid preparers) play on voluntary compliance in the United States has become increasingly important. Return Preparer Visitation Project (RPVP) management was tasked with developing a methodology for revenue agents to visit paid preparers. However, without a process to select paid preparers who have a history of preparing incorrect tax returns, the accuracy of taxpayer returns as well as taxpayer compliance with the tax laws could diminish.

WHY TIGTA DID THE AUDIT

This audit was initiated because the IRS included objectives in its Strategic Plan for Fiscal Years (FY) 2009–2013 to strengthen partnerships with tax practitioners and ensure paid preparers and other third parties adhere to professional standards and follow the law. The overall objective of this review was to evaluate the effectiveness of the IRS's efforts to conduct visitations to paid preparers to improve the accuracy and quality of filed tax returns.

WHAT TIGTA FOUND

Our analyses of IRS data showed that the RPVP issued letters to more than 10,000 paid preparers, and revenue agents completed 2,404 visits, or 96 percent of the FY 2010 RPVP goal. In addition, TIGTA found that in FY 2011 the RPVP issued letters to more than 10,000 paid preparers and conducted 2,498 visitations, or nearly 100 percent of its goal.

As part of this review, TIGTA conducted a survey of paid preparers who were visited by revenue agents as part of the RPVP during FY 2010. While paid preparers generally had a positive view of the revenue agent visitations, 70 percent of respondents to the survey stated they would not change the way they prepared tax returns as a result of the visit.

TIGTA evaluated the methodology used to select paid preparers and determined that those visited may not have benefited the most from an educational visit. Based on the survey responses, several paid preparers remarked that the use of IRS resources to visit their office was wasteful because their continuing professional education requirements were much more extensive than the information presented by the revenue agents. TIGTA also determined that the RPVP did not have performance measures or tracking procedures to successfully evaluate its effectiveness.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Return Preparer Office, ensure the RPVP uses data-driven selection criteria to specifically identify paid preparers who filed tax returns with errors to make certain the most egregious paid preparers are receiving educational and enforcement visitations. The Director should also develop specific performance measures and internal controls that can be used to assess the impact of the RPVP on the paid preparer community. This effort should include a process to monitor and track the behavior of paid preparers visited to determine whether the quality and accuracy of tax returns improved.

In their response to the report, IRS officials agreed with both recommendations and stated they have already begun their implementation. The IRS concurred that over time both recommendations will help to improve the quality and accuracy of filed tax returns as well as heighten paid preparers' awareness of their responsibilities.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2012reports/201230068fr.pdf>

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