



## Treasury Inspector General for Tax Administration Office of Audit

### **ADDITIONAL STEPS ARE NEEDED TO ENSURE THE VOLUNTEER INCOME TAX ASSISTANCE GRANT PROGRAM REACHES MORE UNDERSERVED TAXPAYERS**

Issued on April 30, 2012

## Highlights

Highlights of Report Number: 2012-40-049 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

### **IMPACT ON TAXPAYERS**

The Volunteer Income Tax Assistance (VITA) Grant Program has become a significant component of the IRS's Volunteer Program. One-third of the tax returns prepared by the Volunteer Program are prepared by VITA Grant Program grantees. The IRS should begin to use historical data to assess its progress in meeting the VITA Grant Program objective of extending coverage to the underserved. These data will allow the IRS to grow the Program beyond the current partners by targeting its recruitment efforts to new partners serving the underserved populations.

### **WHY TIGTA DID THE AUDIT**

Previously, the IRS was unable to provide analysis of VITA Grant Program recipients' prior year VITA tax return preparation statistics. Since Fiscal Year 2008, when Congress first appropriated funds for the VITA Grant Program, volunteers and partners have moved from the Volunteer Program to the VITA Grant Program. Our overall objective was to determine whether the VITA Grant Program is achieving its purpose of extending services to underserved populations in hard-to-reach areas, both urban and nonurban.

### **WHAT TIGTA FOUND**

The VITA Grant Program has established appropriate guidelines to ensure grant funds are distributed according to the law and regulations. From Fiscal Years 2009 to 2011, the number of grantees grew 61 percent (from 111 to 179 grantees), and the number of tax returns prepared by grantees grew 38 percent (from 786,058 to 1,080,875). However, much of this growth appears to be a transition to the VITA Grant Program rather than overall growth in the Volunteer Program.

Analysis of the 51 grantees that received VITA Grant Program funding for Fiscal Years 2009 through 2011 showed that 21 (41 percent) did not reach 90 percent of their tax return preparation goals but received increased funding in the subsequent year. In addition, taxpayers with incomes over the thresholds for free tax return preparation had tax returns prepared by the VITA Grant Program. Nine percent of the tax returns prepared by the VITA Grant Program in

were for taxpayers with incomes over the income threshold

The IRS collects data to select grantees and allocate awards. However, it is still not using the data to determine where to market the VITA Grant Program and what underserved geographic areas need more coverage.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the IRS, after analyzing current data and establishing a baseline, develop measures and goals to ensure the VITA Grant Program is meeting the legislative intent of extending services to underserved populations and hardest-to-reach areas, both urban and nonurban. These data would assist the IRS in targeting its recruitment efforts to new partners assisting the underserved populations and by establishing performance measures for the individual grantees to determine if they are meeting the Program's objectives and goals.

In their response to the report, IRS officials agreed to continue analysis of available data to ensure the VITA Grant Program is meeting legislative intent.

The IRS did not address the establishment of a baseline for the VITA Grant Program in its response. Without a baseline, it will continue to be difficult for the IRS to determine what underserved geographic areas need more coverage.

### **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/201240049fr.pdf>