



Treasury Inspector General for Tax Administration Office of Audit

ENSURING THE QUALITY REVIEW PROCESS IS CONSISTENTLY FOLLOWED REMAINS A PROBLEM FOR THE VOLUNTEER PROGRAM

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Highlights

Highlights of Report Number: 2012-40-088 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Volunteer Program provides no-cost Federal tax return preparation and electronic filing to underserved segments of individual taxpayers, including low- to moderate-income, elderly, disabled, and limited-English-proficient taxpayers. However, preparing accurate tax returns remains a challenge for the Volunteer Program. When taxpayers are denied credits or deductions to which they are entitled, they may never realize they are in fact entitled to these funds, and those who do will have the added burden of filing an amended tax return to obtain the funds.

WHY TIGTA DID THE AUDIT

This was a follow-up audit to prior TIGTA reviews to determine whether taxpayers visiting IRS Volunteer Program sites receive quality service, including accurate tax returns.

WHAT TIGTA FOUND

The accuracy rates of tax returns prepared for our auditors at IRS Volunteer Program sites increased from 39 percent in the 2011 Filing Season to 49 percent in the 2012 Filing Season. Three of 16 tax topics tested contributed the most errors—the deductions for Educator Expenses, Individual Retirement Arrangement contributions, and small business expenses. The accuracy rates for three other topics ranged from 77 to 83 percent, and the accuracy rates for the remaining 10 tax topics were greater than 90 percent.

Tax returns were prepared incorrectly because volunteers did not follow all guidelines. For example, volunteers did not always use the intake sheets correctly.

The deductions and credits to which the auditors were entitled were denied on three tax returns because the auditors did not provide receipts to support the

expenditures. These were not counted as errors when calculating the accuracy rates.

The IRS has implemented an extensive quality review process, but it has limitations and may not be providing reliable results. The accuracy rate for the IRS's statistical sample of prepared tax returns is 92 percent. This year, the IRS also conducted 53 anonymous shopping visits. Volunteers prepared tax returns for IRS shoppers with a 60 percent accuracy rate.

The IRS has taken numerous actions to ensure the integrity of volunteers. It has strengthened the Volunteer Standards of Conduct and requires that all volunteers take ethics training. It also made improvements to the Volunteer Program hotline to better track and control contacts received through its internal and external referral processes.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS continue to emphasize with volunteers the necessity of reviewing the intake sheet with taxpayers during tax return preparation to ensure tax returns are prepared accurately. The IRS should also establish minimum due diligence standards for volunteers when preparing tax returns.

In their response to the report, IRS officials agreed with the recommendations. The IRS updated Form 13614-C, *Intake/Interview and Quality Review Sheet*, and plans to continue to emphasize training on proper intake and interview techniques. The IRS plans to adjust volunteer training and resource materials to clarify and underscore the due diligence obligations of volunteers when preparing tax returns.

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/201240088fr.pdf>