



Treasury Inspector General for Tax Administration Office of Audit

RETURN PREPARER COORDINATORS COULD IMPROVE THE SELECTION OF PROBLEMATIC PAID PREPARERS FOR FURTHER ENFORCEMENT ACTIONS

Issued on August 27, 2014

Highlights

Highlights of Report Number: 2014-30-050 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

In Calendar Year 2013, nearly 60 percent of all individual taxpayers paid someone else to prepare their income tax returns. Paid preparers' impact on tax compliance can be significant. Some paid preparers have intentionally manipulated tax return information to generate excessive refunds for taxpayers, modified tax returns after the taxpayers signed them to steal the refunds, or used taxpayer identities to create fictitious returns to generate fraudulent refunds.

The Return Preparer Office coordinates the IRS's strategy to provide oversight of noncompliant paid preparers with patterns of preparing inaccurate tax returns. Return Preparer Coordinators in the Area Offices are the key control to ensure that the Examination function implements its part of the IRS's Return Preparer Strategy.

WHY TIGTA DID THE AUDIT

With the growing Tax Gap, the accuracy of tax returns prepared by paid preparers is a concern. The overall objective of this review was to determine if opportunities exist to enhance the compliance efforts of the Small Business/Self-Employed Division's Return Preparer Coordinators.

WHAT TIGTA FOUND

Return Preparer Coordinators effectively managed most of the paid preparer activities under their control and provided good audit leads for further enforcement actions. However, more actions could be taken to ensure that the Return Preparer Coordinators timely review referrals with allegations of inappropriate paid preparer behavior and that the referrals and complaints are shared among the various functions responsible for reviewing them.

TIGTA reviewed 2,134 paid preparer referrals received by three Area Offices during Fiscal Years 2010 through 2012 and found that the Return Preparer Coordinators had not evaluated 722 referrals (34 percent) to determine if a preparer case was warranted. This resulted primarily from limited resources and ineffective controls. In addition, due to a lack of guidance, many of the complaints processed by the Return Preparer Office are not shared with the Return Preparer Coordinators.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS develop inventory controls and timeliness standards for the referral process to help ensure that problematic paid preparers are identified and considered for further enforcement actions. In addition, TIGTA recommended that the Small Business/Self-Employed Division work with the Return Preparer Office to develop a methodology for sharing information on paid preparer referrals and complaints to improve the identification of the most egregious paid preparers for further enforcement actions.

In their response to the report, IRS officials agreed with both recommendations and plan to take appropriate corrective actions.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201430050fr.pdf>.